Uneasy Lies the Head that Wears a Crown

The House of Saud Confronts Its Challenges

Karen Elliott House
“Uneasy lies the head that wears a crown” — excerpt from Shakespeare’s Henry IV. Part II, 1597

Cover photo:
President Barack Obama and new Saudi King Salman are photographed as they participate in a bilateral meeting in Riyadh, Saudi Arabia, Tuesday, Jan. 27, 2015 (AP Photo/Carolyn Kaster).

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Introduction

This report is based primarily on a month long visit to Saudi Arabia in January, the author’s latest of dozens over the past four decades and conversations—some on the record and many off the record—with a wide range of Saudi citizens, government ministers and senior members of the Al Saud royal family. Much had changed even since my last visit a year earlier, including the appointment of a new generation of Al Saud leaders with the potential for significant changes in domestic policies and even greater distrust of the U.S., the Kingdom’s longtime protector.

On this visit, a growing number of senior Saudi princes and citizens asked: Is America’s abdication of leadership in the Middle East permanent or will a new U.S. president once again exert traditional leadership in the region. With the American presidential election months in the future, it is impossible to know for sure what policy a new president will pursue.

Still, it is clear that the future of Saudi Arabia with a new generation of Al Saud leaders now in charge will be of critical importance to the U.S. After all, Saudi Arabia is both the lynchpin of global oil supplies upon which Western prosperity depends and a wellspring of the rigid Wahhabi philosophy which motivates some Jihadis hatred of the West. As a result, U.S. policy makers need to understand the forces at work inside the Kingdom as they seek to formulate U.S. policy for the region. Defense of Saudi oil and of Israeli democracy long have been primary American interests in the region and must remain so. The following pages explore significant generational changes in the Al Saud ruling family, domestic challenges to Saudi stability, regional threats to the Kingdom and the future of its now troubled relationship with its U.S. protector.
Al Saud Generational Change

After more than two decades of domestic drift under geriatric rulers and over-dependence on U.S. protection in a dangerous region, the Kingdom of Saudi Arabia is starting to stand up to shape its own future. There are two major reasons for this change. The royal family itself has put power in the hands of a new generation of leaders who are more self-confident and assertive. In the meantime—in Riyadh's view—the U.S., long the Kingdom's protector, has increasingly shied from leadership in the Middle East under President Obama.

By far the greatest change in Saudi Arabia is within the ruling family, and in this absolute monarchy that dictates everything else. The Al Saud family, rulers of Arabia most of the past three centuries, finally has passed power to a new generation of princes. At the same time, power arguably is more concentrated in fewer Al Saud hands now than at any time since the death in 1953 of Abdul Aziz al Saud, the founder of this latest Saudi state.

King Salman bin Abdul Aziz, 80, will be the last of the founder's sons to rule. Salman made sure of that last April by firing his youngest half-brother, Mugrin bin Abdul Aziz, 68, as crown prince a few months after Salman became king in January 2015 upon the death of the late King Abdullah, their half-brother. This ended the tradition of passing the crown to one after another of the late founder's sons and brought about a generational change when the new king named two of the founder's grandsons in line for the throne.

King Salman elevated his nephew, Mohammad bin Nayef, 56, a respected and well-known prince, to the role of crown prince and surprisingly named his own son, Mohammad bin Salman, 30, as deputy crown prince. This young prince, largely unknown to most Saudis, has quickly begun to consolidate his own power, sparking speculation he is challenging his cousin, the crown prince, to become the Kingdom's next ruler. Within months, Mohammad bin Salman has become minister of defense, economic czar and the man in charge of ARAMCO, the Saudi oil company which is the source of roughly 80% of the Kingdom's revenues. In every area the young prince is shaking up the sclerotic Saudi system and along with it the somnolent Saudi society. Not since King Abdul Aziz, his grandfather, has a prince his age wielded such power. The rise of the young prince has upset some other branches of the royal family, but for the time being, with his father's full support, he is firmly in charge.

Unquestionably, the young prince's meteoric rise has injected energy into the Kingdom, but along with it, uncertainty. Both Al Saud royals and normal Saudi citizens watch what is seen as an unfolding power struggle between the two next-generation princes with rapt interest and no little trepidation. A month-long visit to the Kingdom in January found young Saudis mostly enthusiastic about the 30-year old deputy crown prince. That is important because 70% of the Kingdom's population is 30 years or younger. (Saudis number 20 million of the total 30 million population with foreign workers making up the difference.)

Young Saudis express pleasure at Mohammed bin Salman's willingness to take risks. He has waged war in Yemen against the Houthis, a tribe he claims is doing the bidding of Iran. He also has supported more assertive policies against Iran's influence in Bahrain, Iraq, and Syria including committing to sending Saudi troops to Syria if the U.S. would deploy its own troops there to battle the Islamic State and Syrian President Bashar al-Assad. That, of course, is a very big if at least under the Obama
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Administration. Furthermore, the prince has organized a 34-nation Islamic coalition against terrorism and taken the lead in meeting with the leaders of Russia and China to underscore to the U.S. that Saudi Arabia has international options.

Equally important, the deputy crown prince, who chairs the newly created Council of Economy and Development has laid out an ambitious plan to reform the Kingdom’s economy away from oil dependence setting a 2030 goal to raise non-oil revenue from 10 percent of the Kingdom’s revenues to 70 percent. His promised privatization of the economy, something the Kingdom has been unable to achieve over many decades, seems essential to guarantee young Saudis a bright future even if oil prices, now around $30 a barrel, remain low.

Such a transformation, however, is a Herculean challenge given that it will require nothing short of a complete change in the Saudis’ decades-long mindset of depending on government for their total livelihood, including jobs, education, and healthcare. In short, the traditional Saudi social contract has been loyalty (and obedience) to the regime in exchange for prosperity and ensuing stability. That social contract is at risk if the regime can’t reform the economy to create high paying private sector jobs for Saudis since the government can no longer afford to create nearly enough jobs to soak up the 300,000 young Saudis annually expected to enter the job market between now and 2030. The deputy crown prince has pledged to create 6 million new jobs by 2030, a goal popular with Saudi millennials among whom unemployment is stagnant at roughly 30%. But given that the Kingdom’s net employment increase in 2015 was only 417,000 jobs, only 49,000 of which Saudis were willing to take, indicates the dimensions of the challenge.

Young Saudis like not only the deputy crown prince’s willingness to take risks but also his informality. Mohammad bin Salman meets visitors in a long thobe, the Saudi national dress that resembles a floor length long-sleeved dress shirt. He often is bareheaded and also shuns the royal “bisht”, the gold-trimmed flowing floor length brown cape royals don around their shoulders for formal meetings. “He rolls up his sleeves and really works,” says one admiring young Saudi.

Not all Saudis are enamored of the young prince. Generally, older Saudis with whom I spoke also endorse the deputy crown prince’s policies abroad by standing up to Iran and at home by seeking to transform the Saudi economy. But experience has simply made them skeptical about the regime’s ability to sustain two wars in Yemen and Syria and even more so to reform a sclerotic economy so addicted to oil revenue. While some of these middle-aged Saudis prefer as their next king Mohammad bin Nayef, whom they see as more experienced, they insist that the society will be content with either young prince. “We are relieved with the appointment of MBN and MBS to see the generational change in leadership behind us,” says one Saudi summarizing an oft-repeated sentiment. “I can be confident my grandchildren will be well under either prince as both have a long runway.”

Some within the royal family are far less sanguine. Prince Talal bin Abdul Aziz, 85, a son of the founder, speaks openly about his distaste for what he sees as his half brother, King Salman’s effort to disenfranchise the other heirs of their late father and seize control of the throne for only his own son and grandsons in the future. The founder sired 44 sons by 22 wives. Some 36 of those boys lived to adulthood. Six of those brothers have followed each other as kings of Saudi Arabia since their father’s death in 1953. Another dozen remain alive, including King Salman. All are elderly, most are infirm and none are seen as likely ever to sit on the throne.

Those 36 sons, in turn, produced a plethora of princes—sons, grandsons and great-grandsons—said to number nearly 7000 in all. And at least some echo Prince Talal’s unhappiness at what they see as King Salman’s attempt to establish a British style monarchy that will pass the throne from father to son. “When Salman appointed his son, this emphasizes the theory that this will be followed by another decision,” Prince Talal tells me, meaning that the king soon will name his son crown prince and remove yet another crown prince. “He is appointing his son and grandsons to be the kings.” Prince Talal has long been a critic of the Al Saud family, who banished him to Egypt in the 1960’s for favoring democratic reforms in the Kingdom.

But other royals too express unhappiness, though not for attribution given the code of silence observed by most senior royals on succession issues. A
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A prominent royal official who said he hopes the young deputy crown prince will learn and mature in coming years expresses a sentiment that surely sums up a lot of royal thinking: “Given all the problems we face now with Iran and our economy, it is no time for a lack of cohesion in the Kingdom.”

Obviously, only King Salman knows what he intends. Given that he is elderly and yields much to his son’s control, it raises the question why hasn’t he already named his young son in whom he has such confidence as crown prince. Some insist the young man has prepared a decree for the king to sign that would do just that. Timing here could be everything. Were the king to die without having promoted his son to crown prince, many Saudis believe that Mohammed bin Nayef as king would waste little time before removing his cousin from power. The issue isn’t personal animosity between the princes but rather how power will be passed in the future. Mohammed bin Salman already has sons who could succeed him. The crown prince, unusual for a Saudi, has only daughters. That fact clearly eases the minds of other branches of the royal family who still could have an opportunity to be king.

Prince Mohammad bin Nayef, who is also Minister of Interior and the individual in charge of keeping his country safe from domestic terrorism, is largely invisible these days. While the young deputy crown prince appears nightly on television alongside his father meeting foreign dignitaries, Prince Mohammad bin Nayef is visible primarily on omnipresent posters depicting the king and his two deputies. Trapped between the king he must serve and the cousin who may well dislodge him, Mohammed bin Nayef has quietly continued to earn plaudits from his fellow countrymen for largely keeping the Kingdom safe from Islamic State terrorists and their young Saudi collaborators. He is seen as a quiet doer, not a talker. Many express the view that the king, however devoted to his son, is reluctant to remove the crown prince who has been so effective for most of the last 20 years first in defeating al Qaeda in the Kingdom and more recently in quelling the Islamic State. As Minister of Interior, this English-speaking prince has worked very closely with the United States on counter terrorism and is widely admired by U.S. officials. This, however, could be a negative for the prince given the palpable disappointment in the royal family over U.S. Mideast policy in recent years.

Modern Kings and Crown Princes of Saudi Arabia

Since 1953, there have been six Kings of Saudi Arabia descending from Abdulaziz ibn Abdul Rahman ibn Turki ibn Abdullah ibn Muhammad Al Saud. The reigning King since 2015 is Salman bin Abdulaziz Al Saud, and Mohammad bin Nayef Al Saud is the current Crown Prince. King Salman’s son, Mohammad bin Salman Al Saud, is the current Deputy Crown Prince.

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Saudis, royal or otherwise, are convinced the king has the sole power to make whatever decision he chooses. Indeed, King Salman almost surely has more power than any of his brothers did as king precisely because his once powerful brothers are dead. Certainly over the past few decades, the Kingdom had multiple centers of power functioning almost as mini-kings under the powerful Al Saud senior brothers: Salman as governor of the capital city of Riyadh for more than 40 years; his brother Sultan as defense minister and then crown prince before his death in 2011; and their full brother, Nayef, crown prince and minister of interior with access to all the Kingdom’s secrets and the ruthlessness to use them to control royals and ordinary Saudis alike before his death in 2012. The late King Abdullah, as head of the Saudi National Guard for nearly 50 years, had his own power base even before becoming king in 2005. All are gone and there are no more princes with genuinely independent power bases of their late fathers, not even Mutaib bin Abdullah, who succeeded his father as head of the Saudi National Guard or Mohammed bin Nayef, who like his late father is the Minister of Interior.

"Salman can do anything he wants to," says a longtime Saudi businessman and former member of the Shura Council, Saudi Arabia’s unelected parliament. "He is the only King who could. Power is concentrated now. He is popular with the people and strongly supported by the religious scholars."

In sum, the passing of power from the late King Abdullah to King Salman underscores a stark fact of the Saudi monarchy: the power of a ruling monarch is unchallenged while he is alive, but dies absolutely with him. In his last years as King, Abdullah made unprecedented efforts to control Al Saud succession from his grave. Never fond of the so-called "Sudairi seven," a group of seven full-brothers including three who served him as crown prince—Sultan, Nayef and Salman—he sought to deny their sons, especially Mohammed bin Salman, a role in leadership by creating a new position of deputy crown prince in 2014 and naming his youngest half-brother, Mugrin. In effect, he was selecting a future King Salman’s crown prince, according to knowledgeable Saudis. As Abdullah saw it, these observers say, upon his death when his crown prince, Salman, became king, Prince Mugrin would become the new crown prince and be able to block Mohammed bin Salman’s entry to the Al Saud succession.

But, King Salman waited less than four months to remove Mugrin and elevate a Sudairi, Mohammed bin Nayef to Crown Prince and then use the deputy crown prince slot the late king had created to put his own son into the line of succession. Obviously if the King doesn’t name his son crown prince before his death, history may repeat itself with a new king also removing his inherited crown prince, Mohammed bin Salman.

Domestic Challenges

For more than half a century, oil revenues have made life easy for both Saudi rulers and the people they rule. But the sharp drop in oil prices since late 2014 has cut Saudi oil revenue in half. That shortfall, which appears likely to be prolonged, threatens the prosperity and very stability of the Kingdom. Saudi rulers are struggling to make reforms that will allow them to meet the expectations of a restless populace now dependent on government for fully 80 per cent of household income either through government wages or social transfer payments. What happens when the Al Saud can no longer provide the largesse funded by oil to which their subjects are addicted?

The government has announced an ambitious “National Transformation Plan 2020” that promises to reverse the Saudi economy from one dependent on government jobs funded by oil to one led by private-sector growth. Oil has traditionally funded roughly 90% of Saudi government spending though that number is projected to fall to 73% in 2016. This transformation would require Saudis to seek employment in the private sector where even after a decade of government pressure to hire Saudis, some 84 percent of the work force is non-Saudi. Most Saudis prefer the security and short hours of government employment.

This is déjà vu. The government pledged a similar transformation plan in 2000 after oil revenues crashed in the 1990’s. That plan was quickly abandoned when oil prices resumed their rise in 2003 unleashing a decade of unprecedented government spending. Over the past 30 years, the Saudi rulers have enriched themselves with the Kingdom’s oil revenues and, to
retain power, have provided more and more largesse to secure their populace's loyalty—or at least acquiescence. Handouts abound: for the military, a major employer of Saudis; for the religious establishment whose support legitimizes the Al Saud; for education, healthcare, and social welfare; and more recently for a minimum wage and unemployment payments. The result is at least three generations of Saudis addicted to benefits they see as a right. It wasn't always so.

Once a desperately poor country, Saudi Arabia's discovery of oil in 1938 began to provide King Abdul Aziz money to share with his people. And share he did. The king used to toss gold and silver coins from his car as he was driven through the dirt streets of his capital city, Riyadh. But it wasn't until the 1970's that the country began to earn massive oil revenues that have addicted the monarchy and its citizens to oil wealth. In 1973, to punish the U.S. for supporting Israel in its October war with Egypt, the late King Faisal, a son of Abdul Aziz, embargoed oil shipments to the U.S. That embargo not only created long gas lines for Americans but also quadrupled world oil prices to roughly $12 a barrel, launching Saudi Arabia as the leader of the Organization of Petroleum Exporting Countries (OPEC) and the decisive voice in global oil production and pricing to this day. In 2014, oil prices collapsed when Saudi Arabia refused to cut its production to prop up the global price, preferring instead to maintain its market share.

That decision has driven oil prices below $30 a barrel in early 2016. And most experts don't see even a prospect of price increases until at least 2017.
Slow global economic growth coupled with production outpacing demand by 3 million barrels a day has produced large oil stockpiles that likely will continue to suppress prices, argues Leonardo Maugeri, a leading energy expert and Senior Fellow at Harvard University’s Belfer Center. Maugeri’s analyses are taken seriously because in 2012 he forecast this worldwide oil glut and price collapse as U.S. production of oil from shale began to soar.

Whether the Saudi government can execute a real transformation in the Saudi economy is an open question. But unlike earlier promises to do so, this time the effort has a prominent and powerful champion in Mohammad bin Salman, the deputy crown prince. A lawyer by training at King Saud University, he is said to always have been interested in business but abandoned plans to earn a business degree to join government as a minister of state running his father’s royal court at age 26. His father was then crown prince to King Abdullah. The young prince, who planned to earn an MBA but didn’t, now oversees the entire Saudi economy.

To diminish the large gap between government revenues and expenditures he has led the government to raise gasoline prices and announced large cuts in energy subsidies estimated to cost the government around $61 billion in 2015. The regime’s goal is to have Saudis paying market prices for energy by 2020. Additionally, the government has stopped many large construction projects and severely slowed payments to others to conserve cash. Foreign governments and Saudi businesses already are complaining about unpaid workers on these projects. Government also is tightening up on scholarship money to send thousands of young Saudis abroad for education, a program launched by King Abdullah that has sent 200,000 Saudi students to the U.S. over the past decade. The deputy crown prince also has announced plans to impose taxes on undeveloped urban land, on cigarettes and soda and, more significantly, a value added tax to be instituted in late 2016 or in 2017. The Kingdom, unlike most all other countries, doesn’t tax citizens’ income to procure the revenue it spends.

Given the risk that too much austerity could cause a backlash among Saudis accustomed to government largesse, the regime also is seeking to focus on new ways to grow non-oil revenue, now only 10% of government revenues. Plans abound, at least on paper, to develop the Kingdom’s mineral reserves, including gold and uranium. Additionally, the regime talks of levying airline fees and also imposing new fees on Muslims who come to Saudi for religious tourism (not on those who come for the annual Hajj which all Muslims are obliged to do once in a lifetime).

Conversations with Saudis during a month-long visit in January 2016 indicate most don’t yet take the government’s talk of transformation seriously. They are expecting some change, but do not know what to expect. Asked if there is a will among citizens to reform, one U.S. trained Saudi in his 50’s said, “No one wants to make hard decisions if he doesn’t have to. We know structurally the price (of austerity) will be huge and it may destroy the country. When you have people in tents who believe they are entitled to a foreign maid, a lot of things would need to change that the government can’t yet do.”

Saudis clearly seem to be hoping that something will turn up to make painful reforms unnecessary, as has happened in the past. In the late 1990’s after a prolonged oil price slump and an expensive Saudi-financed war by a U.S.-led coalition to remove Saddam Hussein’s invading troops from Kuwait, the Saudi government was borrowing money to pay government salaries and its debt exceed its annual GDP. But only a few years later coffers were flush again as oil prices rose. So, history teaches all too many Saudis to delay and expect something to turn up.

Beyond that, many Saudis take considerable comfort from the $600 billion in foreign currency reserves the Kingdom has accumulated during the oil boom and also from the country’s low debt and solid credit rating. That may be wishful thinking. Moody’s in March placed Saudi Arabia’s Aa3 credit rating on review for downgrade. S&P already cut the Kingdom’s rating one level to A+ last fall and in February reduced it two levels to A–. With lower oil prices and only marginally reduced government spending, the country has burned through $100 billion of its reserves in 2015 and is on track to match that this year. If low oil prices persist, as is likely, and if the government can’t convince international financial markets that it has a sustained plan to grow non-oil revenues while reducing spending, markets may start betting against the Saudi currency, the riyal.

If that happens, the regime faces the unpleasant prospect of devaluing the riyal with ensuing domestic inflation and public discontent. Or,
The core issue for a successful transformation of the Saudi economy is transforming the mindset of young Saudis. Nearly half of the Kingdom’s population is under 25. By 2030 this demographic bulge is expected to add 4.5 million new Saudis to the labor market, almost doubling its current size to 10 million. If female labor participation also grows, that number would be even larger. Absorbing that influx would require the economy to create three times the number of jobs for Saudis than it did during the oil boom from 2003–2013.¹⁴ That seems very unlikely.

The Saudi economy has long been split between higher paid Saudis mostly employed by the government and lower paid foreigners, mostly from South Asia, employed in the private sector. Most Saudis simply refuse to take blue-collar jobs in the private sector. “You need blue collar workers to create a real private sector economy,” says Mohammed Qunaibet, an economics professor at King Saud University. “Yet all 1.6 million university students in Saudi and outside are white collar workers.” Repeated government efforts over the past decades to reduce foreign laborers in the economy and induce Saudis to take private sector jobs have all failed because Saudis believe menial labor is below their dignity and refuse to work for the wages paid foreign laborers. Large supporting families and government largesse make it possible for all too many Saudis to avoid work they regard as low paying and demeaning.

A small but growing number of young Saudis are taking white-collar jobs in the small Saudi private sector. For instance, a number of U.S.-educated young Saudi women are pursuing legal careers in both Saudi and foreign law firms. One young woman, who recently returned from a U.S. university where she observed her religion’s ban on alcohol, laughingly points out the irony of her repeated role among her friends as the designated driver, something she also is forbidden to do in Saudi. But the equality she experienced left a mark on her. In her law firm she has insisted that women be invited to all outings of the firm even when society’s social strictures forbid such attendance. “We know we cannot attend an event in the desert where a car might break down in route, but we must be included,” she insisted to her firm and prevailed.

Women increasingly shine as the brightest prospect for the Saudi economy. Despite family restrictions and social traditions, more are working these days. Some 60 percent of university graduates are women and a growing number want and need to work to help support their families. Women who can’t afford a car and driver and whose families forbid the shame of hailing a taxi in public now can simply call Uber. Traditionally the only jobs available to women were teaching; these days the opportunities are widening. The individual in charge of compliance for the Saudi Stock Exchange is a woman supervising both men and women. And women say that in the private sector they are receiving equal pay with men.

But tradition dies hard. Many of the still limited number of women in the private sector indicate they may prefer to switch to government jobs with shorter hours and more job security once they have children. Similarly, young women who aren’t married say their fathers prefer husbands with the job security of government employment. This and much more mitigates against the government achieving its goal of persuading Saudis to take responsibility for their own future, rather than depend on the government.

Alternatively, it could seek to prop up the riyal by spending its hard currency reserves buying the currency. While $600 billion looks like a large sum, spending it to prop up the riyal could rapidly consume those reserves. In short, the “something” that might turn up could be bad, not good.

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If Saudis are ambivalent about supporting themselves in a more open economy, so too is the Saudi regime ambivalent about the prospect of their doing so. A more independent populace when it comes to earning a living may also mean a more independent-minded populace, something that could be threatening to the regime. In short, both rulers and ruled have been happy with the traditional social compact of loyalty and obedience to the regime in exchange for prosperity. If one side of that compact dissolves, so might the other.

Given the ambivalence on both sides, it isn’t surprising that the rulers are seeking to distract Saudis from focusing too much on the prospect of impending domestic changes by emphasizing external threats, particularly from Iran, surrounding Saudi Arabia. Meantime, Saudi citizens are willing to be distracted. “For many years we have tried to escape thinking about tomorrow,” says a Saudi intellectual.

The Saudi government prefers to rule with bribes and blandishments, not coercion and fear—and surely not by granting participation in decision-making. Indeed, with all the talk of economic reform, nothing is being said about political or social reform. While the government’s ability to provide blandishments is diminishing, for now Saudis seem largely content to suppress their frustrations and support their government if only for the sake of stability. Well aware of the murder and mayhem in other Arab states including Yemen, Syria, Iraq, Egypt and Libya, one Saudi summed up a refrain often heard in similar words, “At least we are not killing each other.”

**Survival in a Threatening Neighborhood**

While the Kingdom’s most urgent problem may be getting its domestic house in order, the dangerous neighborhood around it continues to disintegrate posing myriad problems for the Al Saud. It is true that the Middle East has never lacked for confusion and conflict. But rarely, if ever, have its divisions run deeper or in more directions than today. Nor have they ever been less amenable to resolution.

Deadly civil wars rage all around the Kingdom in Yemen, Iraq and Syria with the risk of spillover into Jordan, Lebanon, and Saudi Arabia itself. As the Saudis see it, Iran is behind all this chaos. Tehran, they believe, is a revolutionary regime working aggressively to spread its minority Shia brand of Islam and Iranian power throughout the region with the specific goal of destroying the Al Saud and taking control of Islam’s two holiest sites—the mosques in Mecca and Medina. This Saudi-Iranian conflict is personal.

It is also about power. Iran and Saudi Arabia are the Gulf region’s two most powerful nation states. Both are authoritarian, Iran ruled by its mullahs and Saudi by its Al Saud monarchs. True, Iran is majority Shi’ite and Saudi Arabia is majority Sunni, but their fierce rivalry has less to do with sectarianism than with a desire for power and influence in the region. At least for the past several years, each has been exploiting the internal weaknesses of failed states like Syria, Iraq, Libya, Bahrain and Yemen to expand political influence with warring factions in those countries. As Iranian influence has grown, Saudi assertiveness in the region has also grown.

What has changed is that the Saudi people, not just their rulers, fully support the Kingdom’s accelerating confrontation with Iran. In January,
Iranians burned the Saudi embassy in Tehran to protest Riyadh's execution of a prominent Shiite cleric, Nimr al-Nimr, convicted of sedition by Saudi Sharia courts. The Saudi rulers immediately severed diplomatic relations with Iran and daily accused their Shiite neighbor of all manner of malfeasance toward the Kingdom. Saudis rallied. One wise religious scholar who isn't anti-Shia nonetheless applauded the move. "The Saudi mood is tough. If our government carries out jihad against Iran we will have fewer young Saudis going to Syria to fight the Islamic State. We are tired of taking abuse from Iran." A powerful prince in government summed it up simply: "Iran is the main problem."

The government's tough stance against Iran also is popular with the conservative Wahhabi religious scholars who relish the rise of anti-Shia sentiment in the Kingdom. Many of the senior scholars share the view of Mohammd ibn Abdul Wahhab, the 18th century founder of the rigid brand of Islam that bears his name, that Shia are apostates who must be converted or killed. So the assertive Saudi posture has improved the government's standing not only with the population, but also with the all-important religious establishment, on which the Al Saud depend for legitimacy as the protectors of the pure Islam of the Prophet Mohammed.

Saudi Arabia isn't entirely paranoid. Since the Iranian revolution toppled the Shah in 1979, Iranian leaders beginning with the Ayatollah Khomeini promised to "export our revolution throughout the world." A decade later, the ayatollah put a target squarely on the backs of the Al Saud by declaring, "The Two Holy Mosques are places usurped by the Al Saud." And only this year, the current Grand Ayatollah Ali Khamenei declared, "Saudis will receive a blow and loss in Yemen and their noses will be rubbed in the dirt..." For their part, Saudi officials simply dismiss Iranian grievances against Arabs, including the Kingdom, for among other things, the deaths of perhaps one million Iranians in a bloody eight-year Iran-Iraq war launched by Iraq, which was financially supported by Saudi Arabia.

While some in the West express bewilderment that Saudi Arabia could feel so encircled and at risk from Iran, the Saudis fears seem genuine. And as the Saudi rulers have watched the U.S. negotiate and sign a nuclear deal with Iran that includes no curbs on Iran's assertiveness in the region, the Saudi government has grown ever more assertive in its own policies toward the region. That results from an accumulation of what Saudis see as U.S. policy failures under the Obama Administration: abandoning Egyptian President Mubarak, ignoring Syria's violation of the president's redline against the use of chemical weapons, and most recently signing a deal with Iran intended to prevent nuclear weapons development for at least a decade. As the Saudis see it, their longtime protector and partner, has at best put them on a par with Iran and more likely is favoring Iran over Saudi Arabia.

All this has left the Kingdom scrambling to protect its own interests in the region. Yemen is now the Kingdom's most urgent concern. Nearly a year ago, Riyadh launched a war on the Houthi tribesmen it sees as proxies of Iran. That war has cost the Kingdom roughly $5.3 billion, according to the Saudi Minister of Economy speaking last December. The United Nations, estimates the human cost at 6,000 war dead, half of them civilians. The Saudis say nearly 500 Saudis have been wounded on their side of the Yemen-Saudi border and 34 border guards killed. Finally in March, the Kingdom announced it would scale down its military operation but continue to provide air support to the Yemeni forces. Only a "small" teams of Saudi-led coalition forces would remain on the ground to "equip, train, and advise" Yemeni troops. "This takes time and needs patience," warned

Saudi Arabia's Crown Prince and interior minister Prince Mohammad bin Nayef (right) and Deputy Crown Prince and defense minister Mohammad bin Salman (left) seen leading the Operation Decisive Storm air campaign from the main command centre in Riyadh, Saudi Arabia, on March 26, 2015. (Sipa via AP Images)
Brigadier General, Ahmad Al-Asiri, spokesman for the Arab coalition forces in Yemen.21

Indeed. While the Saudis have secured the return of Yemen President Abd Rabbah Mansur Hadi, he hardly controls the country. Saudi officials acknowledge this will be a long war. One senior prince insists that the government must avoid a situation where Iran would be invited into Yemen as President Bashar Assad invited Tehran into Syria. “Once that happens, the world accepts it as legitimate,” he said. “We cannot have Iranians inside Yemen.”

The Kingdom is building patriotic support for a long period of military confrontation in the region. Saudis sing their national anthem before soccer games and young children dressed in military uniforms escort the soccer players onto the field. While that may sound completely unworthy of note to Americans accustomed to singing their national anthem at sporting events, it is relatively new in Saudi. Wahhabi religious scholars object to any observance of nationalism as in conflict with their view that Muslims belong only to the umma, or community of believers, which transcends borders and polities. These scholars were unhappy with the late King Abdullah when he insisted the Kingdom celebrate its national day even though the religious scholars oppose any holiday other than those marking the end of Ramadan and of Hajj. In this case patriotism trumps even religious orthodoxy.

While some Saudis acknowledge that the Yemen war, like the one the U.S. is fighting in Afghanistan, may not be winnable, the populace has supported it though the government’s decision to notch down its involvement clearly reflects a determination to cut the financial and human costs already expended there. More interesting is the fact that some Saudis believe their country may soon have to confront Iraq if Iran and its Iraqi Shia militias there continue to make progress. These sentiments may be simply a sign of Saudi fears of Iranian encirclement, but that isn’t a guarantee.

As for Syria, most Saudi citizens say they believe a solution is hopeless. While their government is participating in Geneva peace talks seeking to preserve a porous cease-fire and negotiate a removal of President Bashar Assad, Saudi Foreign Minister Adel al Jubeir stresses almost daily the Kingdom’s commitment to remove Assad by diplomacy or force. “Bashar Assad will leave,” the foreign minister told CNN in March. “Have no doubt about it. He will leave by a political process or he will be removed by force.” While the Kingdom has offered to send troops to Syria if the U.S. and others do, so far this is a bit of leading from behind since U.S. reluctance to send troops is well known.

What surprisingly is missing from the Saudi discussion, both public and official, is any deep concern about the Islamic State’s threat to the Kingdom. No one raises it and when asked there is universal agreement that the Saudi authorities have the Islamic State, or Daesh, as it is called in Saudi, under control. “The public supports us against terrorism,” says Gen. Mansour Turki, the spokesman for the Ministry of Interior, which leads the Kingdom’s anti-terror efforts. Gen. Turki says some 800 individuals were arrested in 2015 inside the Kingdom in various levels of preparation to carry out terror acts at Daeshi bidding. Some 70% of those were arrested based on information brought to authorities by their own families and friends. Some 15 incidents were carried out in the Kingdom by lone wolf terrorists last year. What’s more, 3000 Saudis have gone to Syria since 2011 to join Daesh.22

Beyond that, the Islamic State’s self-proclaimed leader, Abu Bakr al Baghdadi, has specifically changed his call for Saudis to join the caliphate in Syria. Instead he has directed them to remain at home and wage Jihad on their rulers to liberate Mecca and Medina from the Al Saud. “O sons of the Lands of the Two Holy places” he declared in November 2014, “Among you is the head of the snake, the stronghold of the disease. Unsheathe your swords! First go after the Reactionists (that is the Shia) wherever you find them, then the Al Salul (a designation equating the Al Saud to a seventh century leader of the so-called hypocrites of early Islam) and their soldiers before the Crusaders and their bases. Tear them to pieces!”23

Saudi Arabia thus has two external enemies, Iran and Daesh, each calling for its destruction and in all too similar terms. Yet, for the Al Saud rulers and the ruled, the Daesh threat is seen as marginal and containable. The
threat from Iran is seen as the existential one and, absent regime change, in Iran surely will be looming for years to come.

Thus far, Daesh has proven no match for Saudi Arabia, equipped with the most sophisticated intelligence capabilities money can buy from the U.S., France and elsewhere. Moreover, Crown Prince Mohammed bin Nayef who runs the internal security services has a reputation for dealing ruthlessly with the regime’s unrepentant opponents. The prince, who also heads the country’s rehabilitation efforts, goes out of his way to reform those who engage in anti-regime activities. But if they decline to recant and alter their ways, lifelong prison is their fate. The Crown Prince gets credit for keeping the country largely terror free even from those who criticize his intolerance of all opposition, including political opponents who don’t engage in terrorism. “We have no justice in our country,” says a government critic. “But all the trouble in the region means Saudis now are grateful to him for stability, al humdililah (praise be to Allah)”

To the extent these external crises and threats are serving to distract Saudi citizens from serious domestic problems that presumably is of some benefit to the regime. However, the severity of these external problems likely means that at some point sooner than the rulers would like they may have to show real progress on economic reform to distract citizens from intractable foreign problems and the costs of foreign adventures.

U.S.-Saudi Relations

For the past 70 years, through the administrations of a dozen U.S. presidents, Saudi Arabia, ruler and ruled alike, believed America was its ultimate protector in an always unstable neighborhood. That era is over.

From time to time there have been tensions in the relationship as during the 1973 Mideast war and the ensuing oil embargo, but there has never been any serious doubt in Saudi Arabia that the U.S. was a reliable great power protector. That faith was amply justified in 1990 when President George Bush dispatched 500,000 U.S. and allied troops to Saudi Arabia to roll back Saddam Hussein’s invasion of neighboring Kuwait, and to protect the Saudi oil fields and the Saudi royal family from the threat from Iraq. The Americans and the Saudis have cooperated among other places in Afghanistan, where they successfully backed the mujahedeen against the Soviets. Notwithstanding the 1973 oil embargo, Saudi Arabia over all these decades largely has refrained from using its oil to pressure the U.S., but instead pumped the petroleum that has helped to stabilize the global economy and its leader, the United States. Even through the administration of President George W. Bush, whose Iraq invasion the Saudis deplored, U.S.-Saudi fundamental interests in the Middle East were aligned with aversion to the regimes in Tehran and Damascus and support for Arab strongmen in Egypt and elsewhere. Despite the obvious differences in political and
social structures in the two countries and occasional American complaints about human rights abuses in the Kingdom, the two allies above all shared an interest in preserving stability in the volatile region and worked together to help preserve it.

Under the Obama Administration, both the reality and the perception have sharply changed. At the very start of the Obama administration, the new president's outreach to the Muslim world and charismatic personality impressed Saudis and even led to hopes that the new president could solve the Israeli-Palestinian dispute which had always been a lingering irritant in U.S.-Saudi relations. That honeymoon was not to last.

By 2009 when pro-democracy demonstrators rattled the regime in Tehran giving Saudis some hope of regime change, the U.S. administration remained mutely on the sidelines. It did so again when protesters chanted “Death to Khamenei” in 2011. More damaging to the relationship, when Arab Spring protestors took to the streets in Cairo to challenge the rule of Hosni Mubarak, a longstanding Saudi and U.S. ally, President Obama not only refrained from offering support but also tacitly participated in his overthrow by calling on Mubarak to step down. The result, at least initially, was a Muslim Brotherhood regime in Cairo that was anathema to the Saudis. If the Obama Administration couldn't decide whether Mubarak was an ally or enemy, how, wondered the rulers in Riyadh, would it view them if they were faced with a domestic uprising?

An even bigger shock to the Saudi rulers came a year later when President Obama famously proclaimed his redline against Syrian President Bashar Assad’s use of chemical weapons on his own people. To the horror of the Saudis among many others, President Assad not only used chemical weapons on defenseless Syrians but the U.S. president erased his redline almost as soon as he had drawn it. Everything that has happened since in Syria has only widened the gap between the Saudi regime that adamantly opposes Bashar Assad and an American administration that has been unwilling to confront him. For the U.S., Islamic State fighters have become the primary threat in Syria whereas for Saudi Arabia the threat remains the ruling Assad regime itself.

With U.S.-Saudi relations already deeply frayed, an even greater fissure has resulted from America’s outreach to Iran. President Obama’s leading role in concluding the controversial nuclear accord with Iran last year clearly dismayed Riyadh. The Kingdom, like Israel, openly opposed the deal until it was signed. The Saudi regime since has stoically accepted U.S. assurances the deal with block Iran’s development of nuclear weapons for at least a decade, but the nuclear threat was never Riyadh’s major concern with Iran. Rather, what frightens and threatens the Saudi regime is Iran’s aggressive mischief-making throughout the region, not to mention its continued calls for the overthrow of the Al Saud. As Saudis of all political stripes point out, the nuclear deal does nothing to constrain Iranian exploitation of failed states such as Syria, Iraq, and Yemen, and indeed has provided Tehran with an estimated $100 billion in unfrozen assets to help finance their mischief making.

Most insulting of all to the Saudis is President Obama’s moral equivalency between a longtime ally in Riyadh and Tehran, which still labels the U.S. the great Satan. In his March interview with The Atlantic magazine, the president said Saudi Arabia must learn to “share” the region with its Iranian arch enemy, implied that Saudi Arabia is among the “free riders” eager to drag the U.S. into sectarian conflicts, and said that the Saudis “need to find an effective way to share the neighborhood” with Iran even if only in a “cold peace.” It is as if a woman who already suspected her husband of infidelity now heard the husband openly proclaiming that his wife must learn to share him with his mistress.

Turki al Faisal, Saudi Arabia’s former ambassador to the U.S. and U.K. immediately penned an angry column in response. “We are not free riders,” he asserted and asked President Obama have you “pivoted to Iran so much that you equate the Kingdom’s 80 years of constant friendship with America to an Iranian leadership that continues to describe America as the biggest enemy...”25

Even if President Obama's purpose is to tamp down regional tensions and speak on behalf of peace making, the moral equivalency adds insult to injury in Riyadh. There is no public evidence the president has given a similar lecture on the need for reduced tensions and sharing the region
to the theocrats in Tehran. Meantime, the Saudis see Iranian leaders being received by the Pope and warmly welcomed in European capitals without any censoring of Iran for a human rights record where executions far exceed those in Saudi Arabia.26 U.S. forbearance with Iran also extends to silently watching Iran launch ballistic missiles capable of reaching Israel—or Saudi Arabia—while the U.S. vice president is visiting the region.

The fundamental question being asked by Saudis is whether the Obama Administration’s Mideast policy is an aberration or whether it represents a permanent shift in U.S. policy. Right now, in the midst of a U.S. presidential campaign, that is an impossible question to answer with precision. From the Saudi perspective, it would be naïve to expect major changes under a President Hillary Clinton who was an architect of the Obama foreign policy, even though she has sought to portray herself as somewhat more hawkish on Syria and Iran. And it would be whistling in the dark to make any assumptions about the future foreign policy of a President Donald Trump. Government officials were eager to solicit views on what would be the policies of Hillary Clinton or Donald Trump but largely refrained from expressing anything other than puzzlement about both. Not so Saudi citizens who observe international politics.

“The biggest challenge facing Saudi Arabia is organizing for a post-America Middle East,” says a Saudi academic. “Hillary won’t be any different from Obama,” he asserted. “She will just be more polite.”

The regime seems to share that analysis as evidenced by an increasingly assertive, independent foreign policy. In the past year, the Kingdom has waged war in Yemen despite the heavy financial cost and in the face of growing international criticism at civilian casualties. It has organized 34 Islamic countries in a counter terror grouping to underscore it isn’t bereft in the face of U.S. wafting. It also has carried out North Thunder, a 12-day military exercise involving 20 other Muslim nations, 350,000 troops, 20,000 tanks and 2500 warplanes, the largest exercise ever in the Middle East on its northeastern border with Kuwait and Iraq.27 Moreover, Riyadh has returned a Saudi ambassador to Iraq for the first time in 25 years to try to improve relations and contest Iranian sway in Iraq. It has severed relations with Iran. It is courting the leaders of China and Russia.

“Iran is trying to convince America that it is a positive factor in the region despite all it is doing to the contrary,” says a senior Saudi royal official. “Even if the U.S. gives up on Saudi Arabia, we will not disintegrate.”28

Not surprisingly outside observers see a remarkable similarity between Saudi and Israeli perspectives on the region and on the U.S. Both countries see Iran as the primary enemy in the region. Both have long relied on the U.S. for protection, and these days both doubt that protector. Both prefer stable Arab strongmen to chaos and instability. So what prevents a developing relationship between Riyadh and Tel Aviv? One obvious answer is the Israeli-Palestinian issue. In fact, the Saudis speak little about it these days and, like other Arab regimes, have more pressing issues on their minds. Still, no Arab regime can afford to be seen publicly as anything but supportive of Palestinians. Much like the issue of civil rights in America, there is only one “right” side for Arabs on the Palestinian issue. That said, the confluence of Saudi-Israel interest is real. There are multiple reports of at least informal intelligence sharing between Riyadh and Tel Aviv. Prince Turki al Faisal, former Saudi Ambassador to the U.S. and UK and former head of Saudi intelligence, has appeared on stage with prominent former Israeli officials, beginning with a meeting of the Harvard Kennedy School Forum in November 2014, with former Israeli Deputy Prime Minister Dan Meridor. Last year the two nations acknowledged at a Council on Foreign Relations event in Washington DC, a series of meetings in third countries between a former Israeli ambassador to the United Nations and a Saudi general who served as an adviser to Prince Bandar bin Sultan, head of Saudi intelligence at the time. There also are many who believe that Riyadh would permit Israeli jets to overfly Saudi territory or possibly even refuel in the Kingdom in the unlikely event of an Israeli attack on Iran’s nuclear facilities. But an Israeli-Palestinian peace that would pave the way for cooperative Saudi-Israel relations is as elusive as ever.
Conclusion

The Kingdom of Saudi Arabia currently faces a plethora of problems: sustained lower oil prices threatening the Saudi economy and social contract; increased regional turmoil and an expansionist Iran; deeply frayed U.S.-Saudi relations under the current administration and concerns about the next one; and a generational change in the ruling royal family replete with princely power rivalries. Among these problems, the domestic ones loom largest. While, for example, finding jobs for a new generation of unemployed Saudis in the absence of large oil revenues is a huge problem, the best thing the Saudi regime has going for it is that in the eyes of its citizenry, the rest of the region is in such chaos that relative stability under the Al Saud looks better than any alternative. A new U.S. president will be well-advised to repair relations with Saudi Arabia for just that reason.

Notes

2. Ibid p. 5
6. Saudi Arabia Beyond Oil, McKinsey Global Institute, December 2015, p.2
9. The Global Oil Market, p.2
11. Interview with Senior Saudi prince, January 2016.
“The Kingdom and the Caliphate: Duel of Islamic States; Cole Bunzel, Carnegie Endowment February 18, 2016, p. 9; http://carnegieendowment.org/2016/02/18/kingdom-and-caliphate-duel-of-islamic-states/i4k4w/”

“No Mr. President, We Are Not Free Riders;” Turki al Faisal; Arab News, March 14, 2016; http://www.arabnews.com/news/894826/


“Was a Fake War in the Desert a Dress Rehearsal for a Syrian Intervention;” Foreign Policy, James Stavrides; http://foreignpolicy.com/2016/03/15/fake-war-saudi-desert-syrian-invasion-putin-russia-assad/

Interview Senior Saudi prince in Riyadh in January, 2016