

NAVAL POSTGRADUATE SCHOOL Monterey, California



THESIS

OMNIBALANCING AND THE HOUSE OF SAUD

by

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June 2001

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OMNIBALANCING AND THE HOUSE OF SAUD

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Submitted in partial fulfillment of the
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ABSTRACT

Whether it is Egypt, Yemen, Iran, or Iraq, when it comes to threats facing the House of Saud, the popular media has focused almost exclusively on external factors. Yet, the greatest threat facing the House of Saud is not one of foreign aggression, but one of domestic opposition.

This thesis contends that the House of Saud has maintained control of Saudi Arabia by relying on three distinct pillars (or power facilitators): first, aligning itself with a strong and reliable outside power; second, preventing opposition groups from gaining a significant following, by controlling informal networks within Saudi Arabia; and third, creating a *rentier state*, whereby its citizens became dependent on the government largesse. Furthermore, this thesis contends that the House of Saud will have increasing difficulties controlling its informal networks and that its *rentier policies* are utterly flawed and unsustainable.

The purpose of this thesis is to scrutinize Saudi Arabia in order to determine the future viability of the House of Saud in light of the numerous political, social, religious and economic challenges that it now faces. Specifically, the House of Saud is analyzed through the lens of omnibalancing, which this thesis argues best describes the House of Saud's propensities.

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EXECUTIVE SUMMARY

In Saudi Arabia is some of the most valuable real estate in the world. In addition to being both the world's largest oil producer and "swing" producer, Saudi Arabia possesses over one quarter of the world's proven oil reserves. Because today's global economy largely operates on Saudi oil, it is of paramount importance that nothing is permitted to obstruct this vital oil artery. However, with Saudi Arabia's relatively small population, its large size, and its central location in a very rough neighborhood, the House of Saud is charged with the impossible mission of defending the seven borders that it shares with its Arab neighbors (eight if one includes the causeway that connects the small island state of Bahrain to Saudi Arabia), as well as over 1500 miles of coastline on the Gulf and Red Sea. Yet, despite the numerous external threats it faces, the greatest threat to the House of Saud comes from its own citizens.

While the external threats facing Saudi Arabia are real, the House of Saud has managed to marginalize them through alliances with strong Western allies – first Britain, and then the United States. Unfettered from having to worry about potential external aggressors, the House of Saud has been able to focus on its real threats – domestic opposition.

The House of Saud has struggled to gain the universal support of its citizens ever since Ibn Saud conquered the territory and people of what is modern day Saudi Arabia. Saudi Arabia is a very pluralistic state, with numerous ethnic, sectarian, regional, and religious tensions. The House of Saud used the sword to force its version of Islam and its rule on this fractured region, and continues to use the sword to remain in power. Because it must rely on force to maintain its power, there remain elements within Saudi Arabia

that still resent the Saudi regime. However, the House of Saud has used its oil wealth and its ability to control informal networks to keep potential rivals at bay. Until recently this strategy has worked. However, it is now showing signs of wear.

The House of Saud has maintained control of Saudi Arabia by relying on three distinct pillars (or power facilitators):

- Aligning itself with a strong and reliable outside power,
- Preventing opposition groups from gaining a significant popular following or developing a power base by eliminating or controlling informal networks within Saudi Arabia, and
- Creating a *rentier state* in which its citizens are dependent on the government for everything from subsidized education and housing to comfortable jobs and guaranteed paychecks.

As the United States' involvement in the Persian Gulf War demonstrated, the first pillar remains strong. Yet, since the end of the Persian Gulf War the second two pillars are continuing to weaken. Ethnic, sectarian, regional, and religious tensions, questions regarding succession and regime legitimacy, urbanization, an increasingly educated population, technology and modernization, and globalization all potentially threaten the House of Saud's ability to control the informal networks within its borders. Furthermore, rising birth rates, an increasingly educated population, high unemployment, reliance on large numbers of foreign workers, the growth of the royal family, uncontrolled government spending, the cyclical nature of the oil economy, and a flawed social contract all potentially threaten the House of Saud's *rentier*-based social contract. Thus, the storm clouds appear to be gathering on the horizon.

In order to cope with the above stated problems the House of Saud has used a combination of six tools to insure domestic tranquility. First, the Saudi government has a

very large, very strong, multi-dimensional, and multi-layered internal security force. Second, the Saudi regime routinely ferrets out and coopts potential dissidents before they can gain widespread support. Third, the Saudi regime has elevated its divide-and-rule strategy to an art form, creating divisions within communities and fragmenting any political opposition. Fourth, the House of Saud remains ideologically flexible, shifting between playing its Islamic or Arabic card as circumstances dictate. Fifth, the House of Saud has allowed pseudo-participation in government in the form of the Consultative Council, which has alleviated much of the criticism over its refusal to grant its citizens a political voice. Sixth, the House of Saud has used accommodative diplomacy to try to placate potential foreign adversaries with non-controversial foreign policies and generous aid. However, in the final analysis many problems that potentially threaten the longevity of the House of Saud, remain unaddressed. For example, Saudi Arabia's *rentier-based* social contract remains solely at the mercy of the volatile oil market. Thus, whenever oil prices drop (especially for an extended period of time), the House of Saud is forced to deplete its reserves, borrow money, or cut benefits to its citizens in order to fund its budget. Even if one ignores Saudi Arabia's roughly 30 percent unemployment rate, its nearly seven million foreign workers, and its bloated public sector, there still will come a point in the not too distant future when, no matter how high oil prices get, Saudi Arabia's sky-rocketing population will outstrip the regime's ability to support its end of the social contract. As the Saudi Arabia's standard of living erodes, its social contract will crumble. What will this mean for the House of Saud? If domestic opposition threatens the House of Saud will the United States get involved militarily? If so, what would that

do to the credibility of the Saudi regime? If not, and the House of Saud gets toppled, what would that mean for the global economy?

As one of the world's sole remaining absolute monarchies, the House of Saud makes decisions that affect every aspect of Saudi society. Thus, it would be of tremendous value to United States policy makers to understand the House of Saud's decision-making process. The safest assumption about how the Saudi regime has functioned and will continue to function is to assume that the House of Saud is totally self-interested. Much can be gleaned by examining how its current and previous kings have run Saudi Arabia. Simply put, omnibalancing describes the proclivities of the House of Saud very accurately.

As discussed in Chapter 1, omnibalancing agrees with much of balance-of-power theory; however, it differs in significant ways. Whereas balance-of-power theory focuses on states' balancing against their primary external threats in order to ensure the state's survival, omnibalancing focuses on the efforts of Third World leaders to ensure their own political survival and includes internal as well as external threats to the leadership in explaining a leader's decision-making process. In other words, omnibalancing predicts that the Third World leadership will balance against the principal threats it faces (as in balance-of-power), but this decision will necessarily include the consideration of internal threats. The key determinant of alignment will be the intensity of the threat to the leadership (with the leaders balancing against the principal threat), not whether the threat is internal or external. Thus, omnibalancing views Third World leaders as pragmatic and self-interested, doing whatever is required to remain in power.

Therefore, if one applies omnibalancing to the formidable problems currently facing the House of Saud, what are the results? Unlike the majority of Western academics who continue to rewrite the House of Saud's obituary, it is more logical to conclude that the House of Saud, with the subtleness of a chameleon, will continue to make whatever adjustments are necessary to remain in power. For some seventy years the House of Saud has focused on this goal with fierce tenacity. Although the journey has frequently been tumultuous, the pragmatic and cunning House of Saud has always found a way to weather the storms. Thus, while the current domestic threats facing the royal family have dumbfound even the most skilled advisors and are seemingly insurmountable, no one should assume that they will spell the end to this shrewd regime.

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OMNIBALANCING AND THE HOUSE OF SAUD



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I. INTRODUCTION¹

Although most Middle East experts generally accept that there is a link between oil and political stability, in the case of the Persian Gulf oil states, the specifics of that link are difficult to ascertain. These states' social contracts rely on oil revenues. Their oil revenues allow them to:

- Sustain massive government bureaucracies that employ large numbers of citizens and monitor their political behavior,
- Provide subsidized or free public services to citizens while requiring little or no taxes,
- Spend huge sums of money on their militaries that link their security to the interests of important world powers, and
- Sustain the power and influence of their own families.

However, if deprived of oil revenues, these states' social contracts would quickly crumble, and power struggles would likely ensue.

At the same time, all of these regimes predate the discovery of oil in the Gulf. They have substantial ideological and historical resources – independent of oil – upon which they can draw to tie them to at least some of their citizens. All have survived the political and security challenges presented by Nasser in the 1960's, Khomeini in the 1980's, and Saddam Hussein in the 1990's, as well as the spectacular downturns in oil

¹ This Introduction draws heavily from a lecture given by Dr. F. Gregory Gause III (Assistant Professor, Department of Politics, University of Vermont, Burlington) at an academic Middle East conference south of London, 17 March 1997. The outline of Dr. Gause's lecture is contained in the following work by Anders Jerichow, *The Saudi File: People, Power, Politics* (New York: St. Martins Press, 1998), 260-261.

prices in the mid-1980's. Their stability is thus not directly threatened by every strategic development in the region or by fluctuations in the oil market.

However, the challenge that all these governments now face is substantially different than those mentioned above, all of which emanated from outside their borders. With swelling populations, rising unemployment, and spasmodic shifts in oil prices, the Gulf regimes face the onerous task of radically reducing the ranks of their bloated public sector while concurrently maintaining order. In other words, these regimes must renege on their end of the social contract. How they navigate this delicate labyrinth, on both the economic and the political fronts, will define their politics for the next generation.

A. THESIS

The purpose of this thesis is to scrutinize Saudi Arabia in order to determine the future viability of the House of Saud² in these changing times. This thesis seeks to answer the following questions: What means has the House of Saud historically used to maintain control of Saudi Arabia? What considerations dominate the House of Saud's decision-making process? Have political, social, or economic changes in Saudi Arabia exposed the Saudi regime to any new threats? Has the Saudi regime enacted reforms to deal with these new threats, and, if not, why not? Is there any empirical evidence to suggest that these new influences could threaten the longevity of the House of Saud?

This thesis contends that the House of Saud has maintained control of Saudi Arabia by relying on three distinct pillars (or power facilitators):

² House of Saud refers to the Saudi royal family – descendents of Ibn Saud, the first Saudi King and founder of Saudi Arabia. Because Saudi Arabia is an absolute monarchy and most of the major ministries and governorships are headed up by members of the royal family, in this thesis the term House of Saud is used interchangeably with the following: royal family, al-Saud, Saudi regime, Saudi government, and Riyadh (the capital city of Saudi Arabia).

- Aligning itself with a strong and reliable outside power,
- Preventing opposition groups from gaining a significant popular following or developing a power base by eliminating or controlling informal networks within Saudi Arabia, and
- Creating a *rentier state* in which its citizens are dependent on the government for everything from subsidized education and housing to comfortable jobs and assured paychecks.

Furthermore, this thesis contends that the House of Saud will have increasing difficulties controlling its informal networks, and that its *rentier* policies are utterly flawed and unsustainable. If this thesis is correct, then it begs many questions: Is the House of Saud shrewd enough to recognize the severity of this situation and flexible enough to respond to it? Are Saudi Arabia's problems too complex and difficult for the House of Saud to solve? If so, what are the implications for the Middle East, the United States, and the World? If not, what reforms will the House of Saud have to implement to ensure its survival?

B. DILEMMAS FACING THE HOUSE OF SAUD

The House of Saud faces many external and internal threats. In recent years (since the Persian Gulf War) the popular media has almost exclusively focused on Saudi Arabia's primary external threat, namely an aggressive Iraq. Saudi Arabia is a large country with a relatively small population.³ This dichotomy has severe implications when it comes to national defense. Ultimately, however, the House of Saud has always relied on an outside power to insulate it against external aggression. Initially the House of Saud cultivated its relationship with Great Britain to facilitate its rise to power. Then,

³ See Appendix E

following World War II the House of Saud became progressively more reliant on the United States to safeguard it against its stronger neighbors. Thus, relieved from the worries of external aggressors, the House of Saud has long been able to focus on its many and varied internal threats.

Therefore, the viability of the House of Saud ultimately depends on its ability to deal with its internal threats. The House of Saud claims that it maintains control and the support of its citizens because it is the legitimate ruler of Saudi Arabia. This legitimacy, it claims, has its roots in tribalism and Islam.⁴ However, historically the House of Saud has been a weak regime that has not enjoyed the universal consent of its citizens. Saudi Arabia is a very pluralistic state with numerous ethnic, sectarian, regional and religious tensions. The House of Saud used the sword to force its version of Islam and its rule on this fractured region, and continues to use the sword to remain in power. Because it must rely on force to maintain its power, it has yet to win the legitimacy battle.⁵ The modern-day House of Saud has used its oil wealth and its ability to control informal networks to keep potential rivals at bay. Until recently, this strategy has worked; but it is now showing signs of wear. Ethnic, sectarian, regional, and religious tensions, questions regarding succession and regime legitimacy, urbanization, an increasingly educated population, technology and modernization, and globalization all potentially threaten the House of Saud's ability to control the informal networks within its borders. Furthermore, rising birth rates, an increasingly educated population, high unemployment, reliance on large numbers of foreign workers, the growth of the royal family, uncontrolled government spending, the cyclical nature of the oil economy, and a flawed social contract

⁴ See Chapter II Section C on subduing Islam and tribalism.

⁵ See Chapter II Section C and D and Chapter III Section C.

all potentially threaten the House of Saud's *rentier*-based social contract. With two of the House of Saud's three pillars (power facilitators) under attack, the storm clouds appear to be gathering on the horizon.

C. METHODOLOGY

The methodology used in this thesis is drawn from Steven R. David's *Choosing Sides: Alignment and Realignment in the Third World*, written in 1991.⁶ David coins the term "omnibalancing" for his argument, and bases it on a study of Third World nations' political alignments during the Cold War.⁷ To date, the dominant explanation for why states align is realism, and more specifically, balance-of-power theory (a subset of realist theory).⁸ Omnibalancing supports the basis of balance-of-power theory – that Third World leaders (as elsewhere) will seek to resist the principal threats they face.⁹ However, due to the unstable, dangerous, and often fatal nature of the international and domestic political environment that characterizes Third World politics, modifications were needed to make balance-of-power theory applicable. Omnibalancing accounts for the defects in balance-of-power by focusing on the efforts of the Third World leaders to ensure their

⁶ Steven R. David, *Choosing Sides: Alignment and Realignment in the Third World* (Baltimore: Johns Hopkins University Press, 1991).

⁷ For greater context see David's introduction, especially "Generalizing About The Third World" and "Why The Nature Of The Third World Supports A Theory Of Omnibalancing."

⁸ As described by David, "Balance-of-power theory argues that states align to protect themselves against the power of or threats from other states. The key concern of states is to align in such a way as to prevent (by balancing) any other state or group of states from achieving preponderance. States behave this way because they recognize that the emergence of hegemonic power will ultimately threaten their survival. Balance-of-power theory emphasizes that the determinants of alignment come overwhelmingly from the structure of the international system, particularly the actual and potential *external* threats that states face. Accordingly, the *internal* characteristics of the states are usually not relevant in influencing alignments. This view is reinforced by the formation of balances by states that share little in common except a threat. An example is the alliance of democratic France with czarist Russia against Germany prior to World War I. The apparent irrelevance of internal characteristics is bolstered by the fact that states with similar political systems, which might otherwise be expected to maintain an alignment, do not because of the absence of a common external threat. The failure of the Soviet Union and the People's Republic of China to remain aligned despite their common allegiance to Communism illustrates this phenomenon." David, 4.

⁹ For the purposes of his book (published in 1991) This thesis accepts David's definition of the Third World "as including all countries except the United States, the Soviet Union, Canada, Japan, Australia, New Zealand, South Africa, the European States, and the People's Republic of China. Ibid., 11.

own political survival (rather than focusing on efforts to ensure the state's survival), and by including internal as well as external threats to the leadership (as opposed to external threats alone) in explaining decisions to align.¹⁰ In other words, omnibalancing asserts that the most powerful determinant of Third World alignment behavior is the rational calculation by Third World leaders as to which outside power is most likely to do what is necessary to keep them in power.¹¹

While omnibalancing agrees with balance-of-power that leaders will align in ways that better enable them to resist the threats they face, omnibalancing champions three additional points:

- Rather than just balancing against threats or power, leaders of states will appease secondary adversaries to focus their resources on primary adversaries.
- Leaders will seek to appease secondary threats in order to counter more pressing threats. But in the Third World, this often means appeasing other states (which often pose less pressing threats) in order to counter more immediate and dangerous domestic threats. They seek to split the alignment against them and focus their energies on their most dangerous (domestic) opponents. To do this they appease their domestic opponents' international allies. This superficially appears to be bandwagoning¹² (accommodation to threat), but is better classified as balancing (the

¹⁰ Ibid., x-ix.

¹¹ Ibid., 6.

¹² Two other theories of alignment, both of which are given far less prominence in international relations literature, are bandwagoning and Ideology. David states that "according to bandwagoning, states align with the more powerful or threatening side instead of balancing against it. According to bandwagoning theory, they do so to appease an adversary in the hopes of evading attack and/or to share in any gains the victorious side may acquire. In international politics bandwagoning apparently jeopardizes a state's survival by leaving it at the mercy of a stronger adversary. Although this would seem to militate against bandwagoning behavior as a determinant of alignments, bandwagoning does appear to take place. The alignment of Finland with the Soviet Union after World War II and of Egypt with the United States after the October 1973 war are common examples of bandwagoning behavior. On the other hand, proponents of Ideology argue that such factors as a common political outlook and political structure determine or at least facilitate alignment. The focus on ideology differs from balancing and bandwagoning in that alignment is not seen as a response to a threat, and it considers the internal characteristics of states in the alignment decision. The ideological argument is based on the assumption that leaders who hold strong political views would seek support from other leaders who share those views. Support for this vies is evidenced in that virtually all of the democratic countries are aligned with the United States, and the great majority of Communist countries were historically aligned with the Soviet Union." Ibid., 4-5.

accommodation is made to conserve strength for the battle against the prime threat, so is part of a general policy of resistance).

- Since the dominant goal of the Third World leaders is to thwart the threats arrayed against them, they will sometimes protect themselves at the expense of promoting the long-term security of the state and the general welfare of its inhabitants.¹³

Understanding why Third World states align, therefore, requires focusing on the interests of the leadership over those of the state. This is balancing behavior, but it is not covered in balance-of-power theory.

Thus, omnibalancing embraces both the desire to placate secondary adversaries and the necessity of leaders to balance against both internal and external threats in order to remain in power. Furthermore, omnibalancing is contingent upon a regime's being weak, and on the stakes for domestic politics being very high.¹⁴ This thesis argues that these contingencies are perfectly met in Saudi Arabia.

D. ORGANIZATION

This thesis consists of an introduction, five chapters, and a conclusion. Chapter 1 introduces the research and consists of the thesis statement, methodology, and organization. Chapter II establishes the three pillars, or power facilitators, that the House of Saud has relied upon to maintain power in Saudi Arabia – reliance on a strong external power (initially for financial and military assistance and to deter potential external threats to Saudi Arabia, although financial assistance largely ceased following World War II), controlling informal networks within Saudi Arabia's borders, and largesse resulting from oil profits. Chapter III looks at Saudi history through the lens of omnibalancing. This

¹³ Ibid., 6-7.

¹⁴ Ibid., 7.

chapter demonstrates that the House of Saud operates under the constructs identified in this theory – the House of Saud strives to balance internal and external threats not necessarily to benefit the state, but instead to perpetuate its own success and survival. Chapter IV identifies the current and future threats to the House of Saud’s power facilitators. Additionally, Chapter IV examines the growing dissent and frustration over the rhetoric coming from the House of Saud over and against actual actions taken to reform the social, political, and economic conditions in Saudi Arabia. Chapter V looks at the House of Saud’s responses to the threats identified in Chapter IV by examining political and economic reform in Saudi Arabia. The thesis concludes with a chapter discussing where the House of Saud might be headed and what the implications are for the Middle East, the United States, and the world.

E. CONCLUSION

This thesis draws the following conclusions:

- 1) The House of Saud’s power derives from three pillars:
 - a) Maintaining a strong external ally,
 - b) Controlling informal networks within its borders, and
 - c) Leveraging its oil income to maintain control.
- 2) The House of Saud’s greatest threat is internal, coming from its own people, not from potential external aggressors.
- 3) The House of Saud is pragmatic and self-interested, doing whatever is required to remain in power.

- 4) Due to recent changes within Saudi Arabia and around the world, there now exists credible threats to two of the Saudi regime's three pillars (power facilitators) that could over time, if ignored, lead to the regime's demise.
- 5) The House of Saud will not implement any substantial political or economic reforms until a major crisis directly threatens the regime, unless the proposed reforms in some way significantly benefit the royal family.
- 6) The House of Saud will very likely remain in control of Saudi Arabia for a long time to come.

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II. POWER FACILITATORS IN THE HOUSE OF SAUD

A. INTRODUCTION

This chapter examines the historic and contemporary power facilitators behind the House of Saud. There are three presuppositions that are fundamental to this thesis. The first is that the House of Saud's power has always been closely linked to its alignment with a strong external power – first Britain, and then the United States. Second, the House of Saud has historically asserted control over Saudi Arabia by maintaining a firm grip on its informal networks.¹⁵ Third, that since the discovery of oil, and more specifically, since the oil boom of the early 1970's, the revenue derived from oil sales has become an increasingly important power facilitator behind the House of Saud.¹⁶ Also fundamental to this thesis is the belief that all of the above mentioned power facilitators also represent liabilities that can very easily work against the House of Saud too.

B. SUPPORT FROM A STRONG ALLY

The House of Saud's first and most important power facilitator has been the quality and quantity of its external support. It was not by chance that the rise of the

¹⁵ Informal network theory deals with groups of individuals linked to one another by highly personal, non-contractual bonds and loyalties. In highly authoritarian states, like Saudi Arabia, political participation is severely restricted. In this repressive milieu informal networks take on added significance. Informal networks in Saudi Arabia are extensively monitored and severely restricted to ensure that they never gain enough strength to pose a threat to the House of Saud. For a more in depth look at informal network theory see Guilain Denoëux, *Urban Unrest In The Middle East: A Comparative Study Of Informal Networks In Egypt, Iran, And Lebanon* (Albany: State University of New York Press, 1993).

¹⁶ *Rentier states* share the following three characteristics: 1) Their economies are highly reliant on external rent (i.e. revenue derived from the export of oil), 2) The external rent is generated by a small proportion (as opposed to the majority) of the population, and 3) The governments of *rentier states* are the principal entities to which these rents accrue. Saudi Arabia is the quintessential *rentier state*. Unlike the United States whose political system is founded on the notion of "No taxation without representation," in *rentier states* citizens are not taxed and thus not allowed a political voice. Citizens of *rentier states* develop *rentier mentalities*. Unlike conventional economic behavior, *rentier behavior* embodies a break in the work-reward causation. Reward – income or wealth – is not related to work and risk bearing, rather to chance or situation. Thus, reward becomes a windfall gain, an isolated fact, situational or accidental as against the conventional outlook where reward is integrated in a process as the end result of a long, systematic and organized production circuit. Hazem Beblawi, "The Rentier State in the Arab World," Hazem Beblawi and Giacomo Luciani, (ed.), *The Rentier State* (New York: Croom Helm, 1987), 51-52.

House of Saud coincided with the backing of its powerful ally, Britain. In fact, initially Abd al-Aziz ibn Abd al-Rahman Al Saud (1870-1953), the first king and founder of today's Saudi Arabia (commonly known as "Ibn Saud"), was almost completely reliant on his external ally for financial support, military equipment, and political and military advice. Additionally, the House of Saud was reliant upon foreign support to keep its more powerful and hostile neighbors at bay.

1. British Support

The Golden Rule, defined as, "He who has the gold, rules," is particularly applicable when looking at state formation and state government. The implications are obvious: it takes a great deal of money to effectively rule over a large geographic area or group of people. For millennia this basic truth thwarted the efforts of various shaykhs who attempted to dominate the Arabian Peninsula for any length of time. Before the discovery of oil, the inhabitants of the central Arabian Peninsula were among the poorest peoples on Earth. While the coastal areas along the Persian Gulf, the Arabian Sea, and the Red Sea had some important ports, and the *hajj*¹⁷ drew pilgrims from around the Muslim World, the wealth of these areas was slight compared to many of its neighbors. The central areas of the Peninsula were especially inhospitable ecologically and deprived economically, with very limited agricultural and pastoral economies and a small but locally important caravan trade. In fact, Gregory Gause notes that "The economic surplus [of Saudi Arabia] was so slight that, from the time of the Prophet Muhammad until the advent of the current Saudi state, no regime was able to unite most of the Peninsula under its rule for more than the lifespan of a charismatic leader." He goes on to point out that, "No European colonial power evidenced any interest in occupying the

¹⁷ The *hajj* is the annual pilgrimage to Mecca required of every Muslim at least once in his lifetime.

central areas of the Peninsula, recognizing the costs of such an occupation would far outweigh any benefits.”¹⁸ Thus, the Arabian Peninsula was seen as an unattractive wasteland by outsiders and did not possess the economic resources associated with developing a modern state.

However, during the nineteenth-century foreign powers began to show an interest in the Arabian Peninsula. Located on the western flank of India, the Arabian Peninsula was of strategic significance to Britain. The British government in India thus became increasingly concerned about the trade with the Arab tribes on the Peninsula’s eastern coast. Additionally, the British were anxious about potentially hostile Ottoman influence in an area so close to India and the planned Suez Canal. Thus the British came into increasing contact with the House of Saud.¹⁹ However, no substantial contact was made until 1904, when according to the famed British Orientalist-agent Harry St. John Philby, “Ibn Saud became convinced of the value of an understanding with Great Britain.”²⁰ The “value” of the understanding that Philby spoke of and which Ibn Saud sought was British financial support, military equipment, and political and military advice. Intent on defeating his long-time tribal adversaries and dominating the Arabian Peninsula, Ibn Saud used British support to tip the scales in his favor. From 1904 to 1911 Ibn Saud used British money to finance the expansion of his *Ikhwan* armies.²¹ From 1911 to 1914 the British supported Ibn Saud and his *Ikhwan* against Turkey and all of the other shaykhs’

¹⁸ F. Gregory Gause III, *Oil Monarchies* (New York: Council on Foreign Relations Press, 1994), 44.

¹⁹ Helen Chapin Metz, *Saudi Arabia: A Country Study* (Washington, D. C., U.S. Government Printing Office, 1993), 21.

²⁰ Said K. Aburish, *The Rise, Corruption and Coming Fall of the House of Saud* (New York: St. Martin’s Press, 1994), 18.

²¹ *Ikhwan* refers to the brotherhood of fanatic Wahhabi warriors founded by Ibn Saud who were used to subdue the Arabian Peninsula. Ibn Saud housed the *Ikhwan* in war villages, *hijar*, where they remained in constant combat readiness to aid the Saudi leader in his conquests.

and princes of eastern Arabia. Later Sir Percy Cox, the British Resident in the Gulf, openly encouraged Ibn Saud to attack the Ibn Rashidi's remaining territory to prevent him from helping Turkey. In fact, Captain William Shakespeare (a political and military advisor to Ibn Saud) lost his life while dressed in a British uniform and directing artillery fire for Ibn Saud's forces as they attacked the Rashidis at Jarab.²²

In addition to the finances, advisors, and arms provided by Britain, in 1915 Britain signed the Darea Treaty, which among other things guaranteed and protected Ibn Saud's domain. With his power secured by British assurances, Ibn Saud bided his time until he received "permission" from the British to resume his conquests and take the Hijaz.²³ By 1924, British-Hashemite tension had reached a boiling point. In fact, many British officials agreed with the sentiments of Sir Arthur Hirtzel of the British India Office, who stated: "The feeling is growing that it would be good if Ibn Saud established himself in Mecca."²⁴ Thus, with British support for the Hashemites on the wane and in the absence of any explicit direction not to invade, the *Ikhwan* armies poured into the Hijaz and swiftly conquered the region.

Therefore, the earliest power facilitator behind the rise of the House of Saud was unquestionably the support that Ibn Saud received from Britain. The substantial financial, military, and advisory assistance that Britain afforded Ibn Saud enabled him to build his fanatical *Ikhwan* armies, destroy his tribal adversaries, expand the boundaries of his control, consolidate his power, establish himself as king, and ultimately to name the

²² David E. Long and Bernard Reich, *The Government and Politics of the Middle East and North Africa* (Oxford: Westview Press, 1995), 65.

²³ The British did not formally encourage him to take the Hajas and move into Mecca and Medina, but they also gave no indication that they would oppose him. Knowing that the *Ikhwan* desired nothing more than to control the Hijas, Britain's silence on the issue was tantamount to approval for the *Ikhwah's* actions.

²⁴ Aburish, 20.

conquered Arab lands after himself. Furthermore, through informal agreements and formal treaties, Britain guaranteed that it would protect the House of Saud against any outside aggressors. In his work *The Desert King*, David Howarth astutely observed that “Not even Ibn Saud could say where he would have been without British help, protection, and advice.”²⁵ From the time he completed his conquest of the Arabian Peninsula until the discovery of massive oil reserves in 1938, Ibn Saud relied on the British subsidy and revenues from the *hajj* for his support. Then, suddenly, everything changed.

2. American Support

Always desperate for cash, for a few thousand pounds Ibn Saud granted the first oil concession to Britain’s Eastern General Syndicate in 1923. They spent two years prospecting confirmed the existence of “some” oil, and then did nothing. Then, in 1933, the depression hit. Ibn Saud’s debts soared due to the drop off in income from the *hajj*. The oil concession was auctioned off to alleviate his mounting debt, and Standard Oil of California won it for \$250,000.²⁶

The value and importance of Saudi oil became increasingly significant during the Second World War. U.S. Secretary of the Interior, Harold Ickes, believed that ready access to Saudi Arabia’s huge oil reserves would be key to America’s growing oil needs. Throughout the 1940’s the U.S. Government, worried that poverty might endanger the stability of a country which held an important key to its future, purposefully made substantial direct and British-managed contributions²⁷ and grants to Ibn Saud. However,

²⁵ Ibid., 23.

²⁶ Ibid., 35.

²⁷ President Roosevelt was able to funnel some \$10 million dollars to Ibn Saud through Britain prior to congress signing a Lend-Lease Agreement in 1943. Peter W. Wilson and Douglas F. Graham, *Saudi Arabia: The Coming Storm* (New York: M. E. Sharpe, Inc., 1994), 93.

but if the 1933 oil concession was the beginning of America's invasion of the desert kingdom, then the payments made by the U.S. Government represented a transfer of Saudi Arabia from the British to the American sphere of influence.²⁸

Ibn Saud's dependence on the United States was similar to his previous dependence on Britain in every respect except one. While Ibn Saud sought military equipment, political and military advice, above all he coveted security guarantees against any potential aggressors that threatened his rule. However, unlike the British who supported Ibn Saud financially, at the end of the war Saudi Arabia was producing 300,000 barrels of oil a day and thus did not need direct financial assistance from the United States. Ibn Saud was helped through a difficult period and the United States' commitment to support him was consummated when he met with President Roosevelt in February 1945 in Egypt, the only Arab leader to be so honored. At that meeting, Roosevelt in no uncertain terms stated that the United States was committed to Ibn Saud as the primary Arab leader and made remarks about safeguarding the territorial integrity of Saudi Arabia, something that was later confirmed and elaborated on by President Truman.²⁹

Furthermore, since World War II the United States has repeatedly reconfirmed its commitment to the House of Saud whenever it has been threatened by an outside power. In 1957, when Nasser's Pan-Arabism movement threatened the unstable regime of King Saud, the United States responded with the Eisenhower Doctrine, which publicly articulated the previously secret United States guarantees to the House of Saud against

²⁸ Ibid., 36.

²⁹ Ibid.

the expansionist designs of Nasser, communism, or both.³⁰ Following the Iranian coup of 1979, in which the Islamic fundamentalist forces of the Ayatollah Khomeini ousted the pro-Western Shah, the House of Saud again felt vulnerable. In order to prevent Khomeini from exporting his Islamic revolution to Saudi Arabia, the United States quickly agreed to support Iraqi aggression against Iran. Thus, with Khomeini preoccupied with the Iran-Iraq war, the threat to the House of Saud was diminished. Again in 1991, when the House of Saud was threatened by approaching Iraqi tanks that had just overrun Kuwait, the United States was quick to respond. The United States built a coalition force supported by dozens of countries and mobilized half-a-million of its own forces to liberate Kuwait; this also was to deter Saddam Hussein from encroaching on Saudi Arabia. Furthermore, in addition to the equipping and training of the Saudi armed forces to protect their own borders with its newest and most sophisticated pieces of military hardware, the United States also supplied the Saudi regime with elaborate electronic monitoring systems to assist in protecting the House of Saud against any internal threats.

Thus, the support of strong allies was and continues to be a major power facilitator for the House of Saud. Britain can be largely credited with the House of Saud's ascension to power during the first half of the twentieth-century, and the United States is largely responsible for their remaining in power to this day. Furthermore, because Saudi Arabia has never truly had to worry about defending its borders against foreign invasion, the House of Saud has been able to focus on crushing internal dissent and controlling Saudi Arabia's informal networks.

³⁰ Ibid., 127.

C. CONTROL OF INFORMAL NETWORKS

The second major power facilitator of the House of Saud has been its success in asserting control³¹ over Saudi Arabia's informal networks. Informal network theory, as espoused by Guilain Denoeux in his work *Urban Unrest in the Middle East*, deals with "groups of individuals linked to one another by highly personal, non-contractual bonds and loyalties."³² In developing his theory, Denoeux specifically identifies four types of networks – religious, clientist (patron-client), occupational, and residential. The first directly correlates with Saudi Arabia's Islamic institutions and the latter three correlate nicely with the institution of tribalism. From the days of Muhammad until the emergence of Saudi Arabia as a *rentier state*, the two most important institutions on the Arabian Peninsula were Islam and tribalism.

Therefore, it follows that understanding Islamic and tribal institutions is fundamental to comprehending the origins of the House of Saud. That is to say that state-formation in Saudi Arabia depended very heavily on Ibn Saud's ability to mobilize military and political support from Arabian tribes, and to use Wahhabism to link various tribes in a larger political movement. However, it cannot be overstated that the House of Saud created an ideology of Islam and tribalism, based on its own interpretation of these concepts, to legitimize its rule domestically and internationally. It also bears mentioning that the relationships between the institutions of Islam and tribalism and the House of Saud have changed over time, particularly since Saudi Arabia was transformed into a *rentier state*.³³

³¹ "Control" as it is used here entails manipulation, repression, or destruction of informal networks.

³² Denoeux, 3.

³³ Gause, 10-11.

It is perhaps ironic that the importance of Islamic and tribal rhetoric and symbology has progressively increased, while the actual institutions have lost much of their power to the House of Saud. The transition of power from Islamic and tribal institutions to the House of Saud was a deliberate and well-orchestrated act on behalf of the royal family. The House of Saud has labored to engulf the institutions of Islam – mosques, schools, courts, scholarly organizations, and *awqaf* (religious trusts) – into the state’s bureaucracy, in order to control and direct them. Additionally, every Saudi King since Ibn Saud has worked to curtail the independent power of the tribes and to make tribal structures subordinate parts of their political systems. The new versions of Islam and tribalism constructed by the Saudi regime have become important mechanisms of the state, providing institutional support and ideological legitimating to the House of Saud. Saudi citizens are permitted to organize socially and participate politically through these narrowly defined and closely monitored institutions. The House of Saud finances these Islamic and tribal institutions and allows them the “freedom” to operate publicly. However, these same “freedoms” are ordinarily denied to other types of social and political organizations, such as the press and political parties for.³⁴

1. Subduing Islam

With the possible exception of Iran, Saudi Arabia, more so than any other Gulf Monarchy, is reliant on Islam for its claim to legitimacy. In 1745, Islam and politics were permanently and unabashedly fused together when Muhammad ibn Abd al-Wahhab, a scholar who championed a return to the purest interpretations of Islam, formed an alliance with Muhammad ibn Saud, ruler of the small oasis town of Diriyya. The alliance was based on the House of Saud is accepting Ibn Abd al-Wahhab’s religious

³⁴ Ibid., 11.

interpretations (Wahhabism) in exchange for Ibn Abd al-Wahhab's acknowledgment of the House of Saud as the *imams*³⁵ of his movement. Prior to the discovery of oil, Wahhabism was chiefly responsible for holding together a polity that was financially weak and that was subject to the competing loyalties of tribal idiosyncrasies and regional identities.³⁶

With the rise of Ibn Saud, the relationship between Islamic institutions and political authority remained close in Saudi Arabia. Devoid of even the semblance of a state bureaucracy, Ibn Saud relied heavily on the *ulama* for advice and administrative support.³⁷ Furthermore, Ibn Saud relied on the purest ideology of Wahhabism to recruit and organize his fanatical *Ikhwan* armies, which he effectively used to expand his sphere of influence. By the late 1920's, the *Ikhwan* had seized most of the Arabian Peninsula and were becoming increasingly insubordinate. No longer needing their services and fearful that *Ikhwan* autonomy would alienate more moderate Muslims under his rule and, more importantly, disrupt his highly treasured relationship with Britain, in 1929 Ibn Saud decided to act. After receiving a favorable *fatwa*³⁸ from the *ulama* in Riyadh, Ibn Saud recruited an army of loyal tribesmen and townspeople and defeated the *Ikhwan*, driving the survivors into Kuwait and then subsequently into Iraq.³⁹

Destroying the *Ikhwan* was the first major victory for the House of Saud in its effort to assert control over the Islamic institutions in Saudi political life. Later in the

³⁵ An *imam* is the supreme religio-political leader of the Muslim community.

³⁶ Gause, 12.

³⁷ The word *Ulama* refers to the collective term used for the scholars or learned men of Islam.

³⁸ A *fatwa* is a religious judgment given by a *mufti* (an expert in Muslim Law who is qualified to give authoritative legal opinions).

³⁹ Joseph Kostiner, "Transforming Dualities: Tribe and State Formation in Saudi Arabia," in Philip Khoury and Joseph Kostiner, (eds.), *Tribes and State Formation in the Middle East* (Berkeley: University of California Press, 1990).

1950's and 1960's, as new state agencies were formed, the *ulama* – who were previously used as advisors and who filled high level administrative positions – became marginalized politically, as secularly educated Saudis staffed many of the new bureaucracies.⁴⁰

Although the subduing of religious institutions was a slow, incremental, and at times violent process, once the House of Saud's supremacy was established, it sought to make Islamic institutions into agencies of the state. Gregory Gause states that, "Including them [Islamic institutions] in the state apparatus helped the rulers, who had few resources at their disposal before oil wealth, to staff their governments while still maintaining their ultimate control over the men of religion."⁴¹ In other words, the House of Saud co-opted the *ulama* by vesting them with positions of power and status while concurrently earning their loyalty, making them dependent on the state, and reducing the chances that they would rebel. Moreover, the *ulama*, now employees of the state, played a curtail role in the state's legitimating strategies by providing religious sanction to the House of Saud.⁴²

As the House of Saud oversaw the transition of Saudi Arabia into a *rentier state*, they used the almighty dollar to further their control over Islamic institutions both inside and outside Saudi Arabia. Inside Saudi Arabia, most of the *ulama* became employees of the state. As stated earlier, since the time of Muhammad Ibn Abd al-Wahhab the relationship between the highest religious leaders and the highest political leaders has been a close one. However, petrol-dollars have enabled the House of Saud to monitor

⁴⁰ Ibid., 13.

⁴¹ Ibid., 14

⁴² Ibid., 14.

and control *ulama* at the lowest levels of Saudi society in a way previously never thought possible. For example, just a few decades ago a preacher at a local mosque in a mid- to small-sized city in Saudi Arabia would have inherited his position from his father or other family member, or been chosen by the local notables. Additionally, the local community would have supplied his salary and funded the mosque's activities. Today, that same local mosque is likely to have been built or refurbished with state funds, and the preacher would most likely be a state employee.⁴³ While there are still a limited number of independent and privately funded mosques operating in Saudi Arabia, state authorities from both the religious and internal security ministries are likely to closely monitor their Friday sermons and the activities of the *ulama* associated with them.⁴⁴

Outside of Saudi Arabia, petro-dollars have enabled the House of Saud to promote its interpretations of Islamic doctrine on an international scale. The House of Saud exerts its influence by financing a number of international Islamic organizations, as well as by funding the construction of mosques and Islamic institutes throughout the world. Thus, the House of Saud has been successful at buying influence both inside and outside its borders.⁴⁵

The judicial system in Saudi Arabia represents another area in which Islamic institutions have lost a great deal of power. Not only does the House of Saud control the appointees to the religious courts, but they also have established parallel secular legal institutions with jurisdiction over Saudi business practices and the economy. Furthermore, in 1970 the House of Saud established a ministry of justice to supervise

⁴³ James Bill, "Resurgent Islam in the Persian Gulf," *Foreign Affairs*, vol. 63, no. 1, (Fall 1984): 116.

⁴⁴ Gause, 15.

⁴⁵ *Ibid.*, 16-17.

both religious and secular courts, further extending its control over both. Similarly, the state-appointed Directorate of Religious Research, Fatwas, Proselytization, and Guidance assumed the function of authoritative religious interpretation.⁴⁶ Shaykh Abd al-Aziz bin Baz, who chairs this body and who also holds the title of Grand Mufti, is essentially the chief Islamic spin machine whose job consists of dispensing favorable *fatwas* to justify the actions of the House of Saud.⁴⁷

Yet another Islamic institution that the House of Saud leverages to its advantage is the Committee for Propagation of Virtue and Forbidding of Evil. To ensure that the community of the faithful will "enjoy what is right and forbid what is wrong," morals enforcers, known as *mutawaeen* (literally, "those who volunteer or obey"), have been integral to the Wahhabi movement since its inception.⁴⁸ Founded by Imam Faisal in 1855 with 22 members, the *mutawaeen* now number more than 20,000. Today, the House of Saud keeps the *mutawaeen* on a relatively short leash, and their powers are relegated to ensuring that shops and restaurants shut their doors during prayer calls and admonishing people they consider improperly dressed (such people may be swatted with a cane for their transgressions). However, when the House of Saud needs to improve its Islamic credentials, the *mutawaeen* always seem to enjoy a surge in power.⁴⁹ Thus the *mutawaeen* are used as a convenient and coercive arm of the House of Saud to bolster its legitimacy in times of trouble.

⁴⁶ Ayman Al-Yassini, *Religion and State in the Kingdom of Saudi Arabia* (Boulder: Westview Press, 1985), 70-76.

⁴⁷ Gause, 15.

⁴⁸ Metz, 83.

⁴⁹ Wilson, 26-27.

Consequently, the preponderance of evidence demonstrates that the House of Saud has actively perused policies not aimed at maintaining parity with Islamic institutions, but instead aimed at achieving total dominance over those institutions. By providing the *ulama* with salaries, social status, positions of political importance, and opportunities to spread Wahhabism internationally, the House of Saud has successfully linked the ideological and political interests of the men of religion to the Saudi regime. The House of Saud effectively offered the *ulama* a win-win deal – power, security, and wealth in exchange for political loyalty and support – that was too good to pass up.⁵⁰

2. Subduing Tribalism

The manner in which the House of Saud dealt with Islamic institutions in Saudi Arabia mirrors the way in which it dealt with the institution of tribalism. Just as Ibn Saud relied heavily on Islamic institutions to assist him in building the Saudi state, he likewise relied on tribal political connections in order to come to power and to launch his conquest of the Arabian Peninsula. The House of Saud Immigrated to central Arabia from the Unayza confederation in the 15th century. However, it wasn't until the House of Saud became a settled urban clan, in the early 1700's, that it began to assert its rule. Devoid of adequate resources, the House of Saud relied upon its ability to gather tribal support around the religious banner of Wahhabism to expand their influence.⁵¹

Without tribal support it would have been impossible for the House of Saud to organize and amass the troops necessary to expand its domain. In tribal societies, leaders have to negotiate with tribal shaykhs to recruit fighting forces. Islamic institutions being an exception, tribal shaykhs possessed the only administrative vehicles in their societies.

⁵⁰ Gause, 17.

⁵¹ Gause, 18.

These shaykhs' reputations were built on their ability to negotiate between, navigate around, and flat out manipulate inter- and intra-tribal rivalries. However, tribal support was frequently fleeting and erratic. For example, it was not uncommon for tribal supporters to shift their allegiances to either a challenger from within the shaykh's family or tribe, or to rival claimants. Furthermore, tribal supporters were frequently insubordinate, oftentimes did not pay their taxes, and, when coerced, regularly withdrew their support and mobilized against their leaders, or simply moved to another region.⁵²

Ibn Saud was intimately familiar with the dynamics of tribal society and shrewdly used this knowledge to achieve his purposes. However, the House of Saud also realized the instability inherent in tribal societies and thus, with longevity as a goal, plotted a course to reduce its dependence upon tribal loyalties. Even though Ibn Saud is often portrayed as the desert king and a Bedouin himself, it was he, "perhaps more than anyone else, who set in motion the destruction of the traditional basis of their [the Bedouin] tribal life and began their incorporation into the Islamic-based Saudi state."⁵³ The most obvious example of Ibn Saud's clever strategy was his dependence on tribalism to recruit his *Ikhwan* armies, who were responsible for most of his territorial gains. However by 1929 the *Ikhwan* proved to be more of a liability than an asset to Ibn Saud. Thus, Ibn Saud moved to shift his base of support. By appealing to the economic interests of the urban populations, Ibn Saud raised another army, and equipping them with modern British weapons, successfully defeated the *Ikhwan*.⁵⁴

⁵² Ibid.

⁵³ Donald P. Cole, *Nomad of the Nomads: The al-Murrah Bedouin of the Empty Quarter*, as cited in Wilson, 30.

⁵⁴ Gause, 19.

Another strategy used by the House of Saud to decouple its dependence on tribal support, was to increasingly rely on international actors for support. As discussed earlier, in exchange for ceding control over its foreign and defense policies, Ibn Saud received British finances, arms, advisors, and protection. It was this support that allowed Ibn Saud to consolidate his power, defeat his Ottoman-backed rivals (the Rashidis) during World War I, and to ride out the economic crisis of the 1930's.⁵⁵

Ibn Saud used other tactics as well. In 1925, he deprived the tribes of their exclusive use and management of grazing areas. This radically decreased inter-tribal conflict as well as eliminated one of the primary functions of tribal governments: the distribution of resources.⁵⁶

Additionally, the House of Saud used marriage as a means to widen its familial⁵⁷ network in order to build consensus for its authority. This tactic has been so successful that today the royal family is the largest and most cohesive group in the kingdom with over 5,000 members who are related to almost all the important tribes of Saudi Arabia through marriage.

However, while the House of Saud used urban and foreign support to dilute their reliance upon the tribes, the most dramatic event that permanently shifted the balance of power away from tribal institutions and toward the state was the oil boom of the 1970's. With the massive influx of oil revenues available to the state, the House of Saud no

⁵⁵ Ibid., 20.

⁵⁶ Wilson, 30.

⁵⁷ Familialism (*'A'iliyya*) or extended family has always been important to the House of Saud. Mamoun Fandy, in his work, *Saudi Arabia and the Politics of Dissent*, expounds on this concept. He believes that in order to understand the cleavages in society, one has to look at the structure of Islamic familialism and its system of inclusion and exclusion. Like the rest of the Saudis, members of the royal family work primarily to maximize the gain of their own family first and their other relatives second. Mamoun Fandy, *Saudi Arabia and the Politics of Dissent* (New York: St. Martin's Press, 1999), 25-26.

longer relied on local populations – tribal or urban – for financial support. Instead, the House of Saud used its newfound wealth to buy political loyalty and service. Tribal shaykhs began receiving and quickly grew accustomed to lucrative subsidies from the state. The shaykhs in turn became dependent upon the state instead of tribal resources. Thus, the shaykhs became employees of the state.⁵⁸

Furthermore, by providing free or highly subsidized goods and services and lucrative state jobs directly to its citizens, the House of Saud was able to bypass the mediating figure of the shaykh, thus shifting their political focus away from the tribe and toward the state. Additionally, the House of Saud has used grants and jobs to draw tribesmen out of the desert and into an urban lifestyle. Lucrative salaries lure tribesmen into the regular armed forces, eliminating the need for the House of Saud to go through the shaykhs to enlist tribal levies. In fact, the Saudi National Guard is overwhelmingly comprised of Bedouins. A 1968-1970 study showed not only that 80 percent of all Bedu had at least one family member in the National Guard, and that the guardsmen's salary was essential to the support of the family. Later studies showed that over one-third of the Bedu were government employees, while another one-third received some sort of government grant.⁵⁹

In addition, those tribesmen that the House of Saud could not draw into the cities, it strove to sedentize in rural areas. In 1968, the House of Saud instituted a law allowing the Bedouin “squatters rights” to land that they farmed for three years, further eroding communal ownership and tribal solidarity.⁶⁰

⁵⁸ Gause, 23.

⁵⁹ Wilson, 30.

⁶⁰ Ibid.

Possibly the most worrisome tribal problem faced early on by Ibn Saud has now all but disappeared – the prospect of armed, organized tribal opposition to the state. What was once the most important impediment to state building on the Arabian Peninsula is now only spoken of by historians, since the House of Saud forbids Saudi tribes from maintaining an independent military capability.⁶¹

Thus over the past century, the House of Saud has actively pursued ways to bolster its authority, at the expense of its two preeminent informal networks – Islam and tribalism. While Islamic and tribal institutions were at once critical power facilitators for the House of Saud, petro-dollars changed that dynamic forever. Oil revenues were the deathblow that decisively shifted the balance of power away from Islamic and tribal institutions and toward the House of Saud.

D. THE RENTIER STATE

The third major power facilitator of the House of Saud has been its success in transforming Saudi Arabia into a *rentier state*.⁶²

1. How Rentier States Operate

Unlike the *production states* of Europe, *rentier states* of the Middle East obtain their revenues in a highly anomalous fashion: the revenues go directly to those in charge of the state, thus eliminating the need for domestic extraction, or taxation.⁶³ Since the

⁶¹ Gause, 24.

⁶² Again, a *rentier state* is one that relies almost totally on the inflows of market-regulated capital for its revenue.

⁶³ *Production states* are those states that depend on extraction linked to its citizens' economic activity within its borders (Vandewalle 1998, 18). A *rentier state* is one that relies almost entirely on the inflows of market-regulated capital for its revenue (Vandewalle 1998, 2). Mahdavy (1970, 428) defines a *rentier state* as one receiving "on a regular basis substantial amounts of external rent." Davis (1987, 263) sets "the dividing line at about 90 percent [of total revenues]; Gause (1994, 43) at "certainly over 50 percent, in the Gulf monarchies usually over 75 percent." Chatelus (1984, 1) distinguishes between *rentier states* and those that demonstrate "rent-oriented" behavior; Luciani refers to them as allocations states while Beblawi (1987) distinguishes between *rentier* and semi- *rentier state*. Vandewalle (1998, 7) prefers the term

overwhelming share of the revenues in these states is derived from external rent rather than from internal rent, a productive domestic economy is unnecessary. Additionally, the rent directly becomes revenue to the state and not to a combination of the state and private sector. Thus, *rentier states* “can break the constraints of the iron triangle of state formation: neither taxation nor institutional development based on economic differentiation nor political accommodation must take place.”⁶⁴ Because rulers of *rentier states* do not have to worry about expanding the income base in order to levy more taxes, there is little incentive to develop coherent economic policies. Rather, these states increase revenue by increasing production of a commodity. This action is not linked to the domestic economy and puts no demand on its citizens. Thus, instead of showing interest in economic policies and taxation that would strengthen the purview of the state, rulers in *rentier states* focus on their distributive policies and use them to shape and constrain their economies.

In *production economies* the principle of “no taxation without representation” greatly contributes to the state formation process. In general, taxation usually requires an implicit acceptance by those surrendering their wealth, which links the process to legitimacy and, ultimately, to some form of political contestation. This is not so in *rentier states*. Political contestation is not allowed in these states because the ruling elite do not rely on taxation to operate their states; instead they rely on oil revenues. Thus, since the citizens are not taxed, they do not get a voice in the political process. In *rentier*

distributive state because it “more clearly conveys the overwhelming economic activity the state undertakes in what the literature normally calls *rentier states*.”

⁶⁴ Dirk Vandewalle, *Libya Since Independence: Oil and State-Building* (Cornell: Cornell University Press, 1998), 22.

states, the citizens essentially accept welfare payments – in the form of government subsidies, free goods and services, and government jobs – from the government in exchange for their political acquiescence.

Furthermore, the economic role of *rentier states* encourages the power-for-wealth tradeoff. As long as external rents flow into the coffers of the ruling regime, there is no need for citizens to influence public agencies and shape public policy to their material advantage. Vandewalle states it this way: “With the state in charge of licensing and regulating all economic activity, the normal division of labor that creates interdependence in productive economies ceases to exist.”⁶⁵ Thus, individuals increasingly become accustomed to receiving rent for their political silence, and rulers continually encourage the tradeoff for the purpose of political manipulation.

Rentier states, generally speaking, make few demands upon their citizens. Reciprocally, the constraints on rulers’ behavior are relatively few. Because rulers can increase revenues simply by increasing production, they do not need to adopt coercive policies to extract taxes from their citizens. The only constraints that they are faced with are those of the international market through its pricing mechanism, not those imposed over time by the citizens.

Additionally, it is significant that in *productive economies* the creation and execution of a development strategy is subject to sociopolitical restrictions and to the confines of the state’s organizational capacities. This is not so for the *rentier state*. Because oil revenues pour directly into state coffers, *rentier regimes* do not face the same sociopolitical tensions as those of *production states*. Likewise, *rentier regimes* do not

⁶⁵ Ibid., 24.

rely on vast organizations and bureaucracies for taxation purposes. With these constraints lessened, *rentier states* have far greater latitude both in the development goals they pursue and in the strategies upon which they rely.⁶⁶ *Rentier states*, for example, can and have achieved high rates of growth without any structural adjustments in the domestic economy. At the same time, *rentier states* can concurrently pursue both growth and equity, thus avoiding the problem of a widening gap between the “haves” and the “have nots.”⁶⁷

While the economic policies of *rentier states* do not benefit every citizen equally, the economic largesse realized by the average citizen is large enough to prevent the formation of political interests and the demand for changes in political and economic institutions in charge of distribution. Additionally, because citizens do not contribute to the creation of wealth, they are hard-pressed to argue for a greater share of the state’s distributive largesse. Likewise, over time a *rentier mentality* is perpetuated, and citizens become loyal to the *rentier system* rather than to the regime doling out the funds.

Another important political characteristic of *rentier states* is that they adopt corporatist policies – in which certain segments of the population are co-opted while others are deliberately left depoliticized – in order to promote and maintain the state’s power.⁶⁸ Thus, unlike the passive role often ascribed to the leadership of *rentier states*, these leaders aggressively promote their clients and actively pursue avenues to buy off other claimants to wealth and power.

⁶⁶ Mossoud Karshenas, *Oil, State and Industrialization in Iran* (Cambridge: Cambridge University Press, 1990), as cited in Vandewalle, 25.

⁶⁷ Simon Kuznets, *Modern Economic Growth* (New Haven: Yale University Press, 1966) as cited in Vandewalle, 25.

⁶⁸ David Becker, “Bonanza Development and the New Bourgeoisie: Peru Under Military Rule,” In *Postimperialism: International Capitalism and Development*, (ed.), David Becker, Jeff Frieden, Sayre Schatz, and Richard Sklar (Boulder: Lynne Rienner, 1987), as cited in Vandewalle, 26.

Another political aspect of the leadership in *rentier states* is that the leaders can easily conceal the country's revenues from public scrutiny. Furthermore, in the absence of supervisory, information-gathering, and regulatory institutions, frequently the distinction between the state treasury and the personal accounts of the ruling regime is either blurred or nonexistent. In other words, *rentier* leaders have the power of the purse, with little or no accountability.

2. Saudi Arabia as a Rentier State

The oil boom of the 1970's profoundly affected Saudi Arabia's politics. While the Saudi regime remained the same, Saudi Arabia's *rentier* transformation precipitated enormous changes in the structure of the state, in state-society relations, and in the political economy of Saudi Arabia. Although the House of Saud remained the bases of its rule changed in significant ways. The House of Saud and the Kingdom of Saudi Arabia both became more powerful. Other social groups – merchants, tribes, *ulama*, and laborers – found themselves with less bargaining power vis-à-vis the state than they previously enjoyed. Oil revenue's flowing directly into state coffers, unmediated by the local economy; this resulted in the personal interests of many more people becoming vested directly in the House of Saud. Oil revenues also enabled the House of Saud to build huge bureaucracies to distribute benefits to society and to control political behavior. Thus, in relation to its potential domestic competitors and constituencies, the *rentier policies* adopted by the House of Saud enabled the royal family, and hence the state, to become stronger than it had ever been in the past.⁶⁹

⁶⁹ Guase, 76.

III. OMNIBALANCING AND THE HOUSE OF SAUD: A HISTORICAL PERSPECTIVE

A. INTRODUCTION

This chapter argues that omnibalancing, as espoused by Steven David, has best described the House of Saud's propensities. As stated previously (in Chapter 1), omnibalancing agrees with much of balance-of-power theory; however, it differs in significant ways. Whereas balance-of-power theory focuses on states' balancing against their primary external threats in order to ensure the state's survival, omnibalancing focuses on the efforts of Third World leaders to ensure their own political survival and includes internal as well as external threats to the leadership in explaining a leader's decision-making process.⁷⁰ In other words, omnibalancing predicts that the Third World leadership will balance against the principal threats it faces (as in balance of power), but this decision will necessarily include the consideration of internal threats. The key determinant of alignment will be the intensity of the threat to the leadership (with the leaders balancing against the principal threat), not whether the threat is internal or external.⁷¹ Thus, omnibalancing views Third World leaders as pragmatic and self-interested, doing whatever is required to remain in power.

David identifies two types of cases that are especially critical in demonstrating the persuasiveness of omnibalancing in the Third World. The first involve Third World leaders who, "facing no major external threats, align based on internal threats alone."⁷²

⁷⁰ David, ix.

⁷¹ Ibid., 7.

⁷² As discussed in Chapter 2, throughout its short history, Saudi Arabia has always had numerous external threats. So this condition of David's is not met in Saudi Arabia.

An even stronger test of omnibalancing, according to David, “is the case in which external and internal threats both exist, and the Third World leadership aligns either based solely on the internal threats or on the role of the internal and external threats combined.”⁷³ Additionally, David contends that omnibalancing is conditional on a regime’s being weak, and on the stakes for domestic politics being very high.⁷⁴ With respect to the House of Saud, all of these conditions are germane.

B. OMNIBALANCING EXTERNAL THREATS: REAL THREATS THAT ARE NOT THREATENING

1. Strategic Background, Concerns, And Vulnerabilities

Historically, Saudi Arabia’s importance derived from its strategic location. Saudi Arabia possessed the quickest land and sea routes between Britain and its prized jewel, India. However, today Saudi Arabia’s importance is measured in barrels per day. Saudi Arabia currently boasts over one quarter of the world’s proven oil reserves, with 257.8 billion barrels. In addition to being the world’s largest oil producer with an output of over 8 million barrels of oil per day, Saudi Arabia is the world’s largest “swing” producer.⁷⁵ Saudi Arabia’s strategic dilemma is quite simple: it is very large, it has

⁷³ The House of Saud is very cautious when it comes to decision-making. It agonizes over how a potential course of action will be perceived by its allies, immediate neighbors, other Arab countries, other Islamic countries, and, most importantly, by its Saudi citizens. With the lone exception being its allies, given the proper circumstances any single or combination of the above pose a threat to the Saudi regime. Thus, almost every decision that the House of Saud makes is based on balancing internal and external threats. Therefore, the situation which David says is the strongest test of omnibalancing, one in which “external and internal threats both exist, and the Third World leadership aligns either based solely on the internal threats or on the role of the internal and external threats combined,” is a normal and everyday occurrence in Saudi Arabia. Although the examples for this type of behavior by the Saudi regime are innumerable, King Faisal’s implementation of the 1973 oil embargo probably best illustrates this conduct. The last thing that King Faisal desired was to damage his relations with the West. However, Saudi citizens were so outraged by the Arab’s defeat at the hands of Israel that King Faisal, fearing that his regime was close to being toppled, took the radical step not to reduce, but to cutoff the supply of oil to the West. The sole reasoning behind this move was to bolster his Arab credentials in order reinforce his legitimacy.

⁷⁴ David, 7-8.

⁷⁵ Geoffrey Kemp and Robert E. Harkavy, *Strategic Geography and the Changing Middle East*
34

tremendous oil reserves, and it is sparsely populated. From an economic point of view, this is not particularly problematic. However, from a security point of view, it is a nightmare.

Saudi Arabia has the overwhelming task of defending the seven borders that it shares with its Arab neighbors⁷⁶ (eight if one includes the causeway that connects the small island state of Bahrain to Saudi Arabia), as well as over 1500 miles of coastline on the Gulf and Red Sea. A fighter taking off in Iran can be over Saudi's oil rich Eastern Province in a mere five minutes. Additionally, the heavily guarded "Southern No Fly Zone" is the only thing separating Iraqi and Saudi airspace. Saudi Arabia's west coast nearly spans the length of the Red Sea, and thus makes it a major Red Sea power, tying its politics and security position with that of Egypt, the Sudan, Ethiopia, and Djibouti. Saudi Arabia must guard against threats to maritime traffic in the Red Sea, as well as any spillover from the continued political turmoil in the Horn of Africa.⁷⁷

Additionally, although Saudi Arabia is a large country, its critical oil fields and many of its key population centers are concentrated along the upper Gulf coast – opposite rivals Iraq and Iran. Furthermore, Saudi Arabia must deal with the fact that its population centers are not only dispersed, but also separated by long distances. Thus it is vulnerable to attacks on its infrastructure. Likewise, Saudi Arabia's many high value targets (oil and gas facilities, ports, power grids) are difficult to defend, and thus vulnerable to attack.

(Washington D.C.: Brookings Institute Press, 1997), 111.

⁷⁶ Saudi Arabia must help defend Kuwait or else defend its 133-mile border with Kuwait. It must defend its 269-mile border with Iraq, its 445-mile border with Jordan, its 405-mile border with Oman, its 351-mile border with UAE, its 24-mile border with Qatar, and its 875-mile border with Yemen. Cordesman, 5.

⁷⁷ Anthony H. Cordesman, *Saudi Arabia: Guarding the Desert Kingdom* (Boulder: Westview Press, 1997), 3.

Moreover, Saudi Arabia is heavily dependent on secure maritime and air traffic for its economic survival.⁷⁸

Thus, as Anthony Cordesman points out, “Saudi Arabia’s mix of wealth, geography, boundaries, coastlines, and vulnerabilities explains both its strategic importance, and many of its problems in developing and expanding its military forces.” Furthermore, he contends that “Saudi Arabia’s strategic position forces it to disperse its limited military resources to forward bases throughout the country, leaving it with limited forces on any given front.”⁷⁹ With problems of this nature, it is no wonder that the House of Saud has always been a somewhat paranoid regime.

2. Historical Setting

Since 1902 when Ibn Saud attacked Riyadh and regained control of the region, those who mean it harm have surrounded the House of Saud. For the three decades Ibn Saud has successfully reduced his external threats by using his 60,000 man *Ikhwan*⁸⁰ to conquer bitter enemies such as the al-Rashid in Hail and Shareef Husain who ruled over the Hejaz. After conquering an area roughly one-quarter the size of the United States (2,150,000 square kilometers), Ibn Saud had made many enemies, had border disputes with all of his neighbors,⁸¹ and trusted no other Arab leaders least – of all the Shareef

⁷⁸ Ibid., 3-4.

⁷⁹ Ibid., 4.

⁸⁰ Wilson, 40.

⁸¹ Qatar and Saudi Arabia had a long-standing territorial dispute over who controlled Khaur al-Udaid, a long winding inlet at the base of the eastern side of the Qatari peninsula. This dispute was resolved in 1965 when Qatar gave up its claim to the region in return for territorial concessions at the base of the Peninsula. Border disputes, along with minor armed conflict, continued into the 1990’s over disputed border claims between the two countries. Saudi Arabia also has a history of tension and conflict with *Oman*. During the time of the Turcial states when Oman was still under British protection, skirmishes occurred over the control of the Buramai Oasis and Western Oman. Additionally, during the 1960’s Saudi Arabia attempted to seize part of Western Oman. In 1995, Saudi and Omani negotiations resulted in both nations signing an agreement in Riyadh which demarcated the entire border.

Hessian's two sons who were by then ruling the newly created states of Iraq and Transjordan. In fact, in the 1930's a border dispute between Saudi Arabia and Yemen erupted into war, when the exasperated Imam of Yemen invaded Saudi Arabia.⁸²

3. Yemen

Saudi Arabia and Yemen have a long history of strained relations which are predicated upon the 1934 Asir War (mentioned above) and the Yemeni civil war of the 1960's. Ever since the House of Saud snatched the Asir and Najran Oasis from Yemen, Saudi Arabia has feared Yemeni retribution. Saudi fears are largely justified, in that Yemen offers the only credible challenge to Saudi supremacy on the Arabian Peninsula. Not only does Yemen have the human resources – its population is more than one and a half times that of Saudi Arabia's – but also due to its increased oil production in recent years, it also has growing financial independence.⁸³

Thus, with relations between the two countries still tense, the House of Saud considers Yemen a credible threat. In fact, as recently as January 2000 these tensions resulted in a clash between Saudi and Yemeni border guards. The House of Saud has taken steps to guard against the Yemeni threat. The Saudis are planning on building another military city in the Asir to help guard against potential Yemeni aggression. Moreover, the Saudis take the Yemeni threat so seriously, that they recently considered spending \$3 billion to divide the two countries with an 875-mile electronic fence.⁸⁴

⁸² In 1934, Saudi Arabia went to war with Yemen over the Jizan, Asir, and Najran. The Treaty of Taif awarded Saudi Arabia territory in the Jizan, Asir, and Najran, but other gains were returned to the Yemenis. The latter also received special work and residency privileges in Saudi Arabia.

⁸³ Wilson, 128-129.

⁸⁴ Ibid., 130.

4. Egypt

After the death of Ibn Saud in 1953, the Crown Prince Saud bin Abdulaziz came to power. His coming to power coincided with the rise of Gamal Abdul Nasser of Egypt. That Nasser deposed the king of Egypt and was encouraging revolutionary attitudes in other Arab countries was bad enough but his notions of Arab unity struck terror in the hearts of the House of Saud. However, Nasser's threat was more internal than external, and therefore will be discussed later in this chapter.

Although at one time Egypt posed a moderate threat to the House of Saud, today Egyptian-Saudi ties are especially close. Egypt, the most populous Arab country and the intellectual center of the Arab world, acts as a counter-weight to both Iran and Iraq. The two countries now share the same strategic concerns⁸⁵ and have close economic links.⁸⁶

5. Iran

In the past, time Iran and Iraq have proven to be the House of Saud's principle external threats. Until its recent "charm offensive," Iran had been actively hostile to Saudi Arabia ever since the 1979 Iranian Revolution. Iran is a natural rival of Saudi Arabia in terms of power and influence in the Persian Gulf. Additionally, Iran and Saudi Arabia have disparate oil policies, which have also put the two countries at odds economically. Iran has regularly attacked both the character and religious legitimacy of the House of Saud. It has sponsored riots and unrest during the *hajj*, and has supported Shi'ite extremists in Saudi Arabia's Eastern Province.⁸⁷

⁸⁵ Both Saudi Arabia and Egypt have cooperated in fighting fundamentalism in their own countries, as well as fighting the fundamentalist regime in the Sudan.

⁸⁶ When hundreds of thousands of Yemeni workers were expelled from Saudi Arabia during the Gulf War, Egyptians largely replaced them. Additionally, thousands of Egyptian security forces employed for the 1988 *hajj* have allegedly been retained indefinitely.

⁸⁷ Cordesman, 7.

Saudi-Iranian relations have always been tense but in the aftermath of the 1979 Iranian Revolution tensions, escalated to an all time high. The House of Saud was terrified by Khomeini's efforts to export his Islamic revolutionary extremism throughout the Middle East. While revolutionary Iran did pose an external threat to the House of Saud, the internal threat that the revolution sparked was much more alarming to the Saudi regime (discussed in greater detail in the next section). As omnibalancing would predict, "Although the al-Saud distrusted Saddam Hussein and his designs, the Iranian threat was deemed the more serious," and thus "the Kingdom supported Saddam's war effort to the tune of approximately \$26 billion."⁸⁸

Until just recently, the House of Saud had infrequent communications with Iran and had treated Iran as a hostile power bent on dominating the Persian Gulf. The House of Saud fears Iran's drive to acquire weapons of mass destruction and other modern weapons, as well as Iran's struggle to increase its ability to threaten tanker traffic in and out of the Straits of Hormuz.⁸⁹

For over two decades, neither side envisioned a day when relations between the two countries would warm. Both Iran and Saudi Arabia vie for political influence in the region and over oil prices and quotas; however, with Iran's recent "charm offensive," things (at least superficially) are slowly changing. To be sure, Saudi Arabia will continue to have to deal with an Iranian quest for hegemony in the Gulf; nevertheless, if Iran's "charm offensive" persists over time, a modicum of trust may develop, where once nothing but enmity existed.⁹⁰ Thus, while today Iran is still a threat to the House of Saud

⁸⁸ Wilson, 104.

⁸⁹ Cordesman, 8.

⁹⁰ Ibid.

and its main competitor in the region, the two rivals appear to be entering a period of détente.

6. Iraq

Iraq surpassed Iran as the House of Saud's most serious threat when it invaded Kuwait in 1991. Saudi-Iraqi relations were good throughout the 1970's and 1980's, with Saudi Arabia being Iraq's biggest backer during the Iran-Iraq War. However, that relationship had little impact on Iraq's behavior when it massed its troops on the Iraqi-Saudi border after its invasion of Kuwait. Iraqi aggression drove panic into the House of Saud simply because on Saddam Hussein's word, his forces could have easily continued through Kuwait and driven on to Riyadh. Therefore, the House of Saud remains disturbed over Saddam's efforts to rebuild his conventional capabilities, and even more concerned about his devotion to further develop weapons of mass destruction.⁹¹

Unlike in the case of Iran, in which Saudi officials have recently sensed a glimmer of hope, the House of Saud sees few prospects for long-term reconciliation with Iraq. Most Saudi officials agree that Saddam will not be content until Iraq is the regional hegemon. Additionally, most believe that regardless of who comes to power after Saddam, it will take years of proven moderation to assuage Saudi fears.⁹²

As omnibalancing would expect, during the Gulf War the House of Saud pragmatically accepted support from "infidel" nations from around the world in order to preserve its rule. However, once the external threat was contained, the primary threat to the Saud regime shifted back to an internal one in the form of domestic dissent from

⁹¹ Ibid.

⁹² Ibid.

conservative Islamic groups, fundamentalist Islamic groups, and liberal Saudi businessmen and technocrats. As the threat shifted, so did the focus of the royal family (discussed further in the sectioned dealing with omnibalancing internal threats).

7. Conclusion: External Threats Marginalized

There is a sense in which most of the countries surrounding Saudi Arabia threaten it if threaten is defined as “to make threats against, express ones intent of hurting, punishing, etc.”⁹³ Despite the periodic veneer of solidarity among various Middle Eastern states and Saudi Arabia, the House of Saud has a sordid inter-Arab track record. Even before the Kingdom of Saudi Arabia came into being, the House of Saud had accrued a long list of enemies; and the list has not become smaller. However, despite all of the bad blood between Saudi Arabia and its neighbors, its neighbors – including Iran, Iraq, and Yemen – neither threaten it today, nor have they posed it a threat for almost a century.

That is not to say that Saudi Arabia is the strongest state in the Persian Gulf in terms of a quantitative force (see table 1). Iran and Iraq each possess roughly twice as many total active troops as compared to Saudi Arabia. Furthermore, Saudi Arabia does not have a reserve force, while Iran and Iraq boast a reserve force of 350,000 and 650,000 respectively. Additionally, Iran has more than twice as many naval personnel as compared to Saudi Arabia. Cognizant of its quantitative inferiority, Saudi Arabia has attempted to balance the scale with modern and technologically superior military equipment. In terms of military equipment, Saudi Arabia does have a vast qualitative

⁹³ David B. Guralnik (ed.), *Webster's New World Dictionary Of The American Language: Second College Edition* (NY: Simon and Schuster, 1989).

advantage over its neighbors.⁹⁴ However, in the case of the Persian Gulf War, Saudi Arabia's qualitative advantage was irrelevant. Saudi Arabia does not have the manpower to utilize the weapons that they possess, nor do they have the tactical expertise to leverage their qualitative advantages. Furthermore, few military analysts predict that the qualitative advantages of the Saudi armed forces will offset the quantitative advantages possessed by Iran and Iraq anytime in the near future. In reality, the Saudi armed forces would probably have a difficult time defending against a determined Yemeni assault. Knowing this, the House of Saud has always slept with one eye open, watching its southern border.⁹⁵

However, ironically the House of Saud has never had to worry about its threatening neighbors in terms of a quantitative or qualitative advantage. As discussed previously (in Chapter II), for almost 100 years Britain and the United States have guaranteed the territorial integrity of Saudi Arabia. By definition, to be threatened is to have "an uncertain chance of continued survival."⁹⁶ With the signing of the Saudi-British Friendship Treaty of 1915, the British promised to protect the Saudi state against domestic and foreign foes. One might argue that Ibn Saud was always distrustful of British intentions, as Britain moved to support the "Arab Revolt" of his archenemy, the Shareef Husain of Mecca. One might site the Sykes-Picot Accord, the Balfour Declaration, or London's decision to put the sons of Shareef Husain on the newly created thrones of Iraq and Transjordan as evidence that Britain's support of the House of Saud

⁹⁴ The United States has virtually given Saudi Arabia a blank check when it comes to purchasing the most advanced weaponry that the United States has to offer.

⁹⁵ Cordesman, 95-97.

⁹⁶ David B. Guralnik, (ed.), *Webster's New World Dictionary Of The American Language: Second College Edition* (NY: Simon and Schuster, 1989).

was at best half-hearted. However, from World War II onward, the United States' determination to protect the House of Saud against external aggression is indisputable.

From 1947, when the House of Saud felt threatened, they by the Hashemites, until today, a pattern has developed in Saudi Arabia – when truly threatened call on the United States. Although the House of Saud has embraced various doctrines to render its foreign policy acceptable to the Arab and Islamic World, those policies have been conveniently jettisoned when the House of Saud has felt vulnerable. This pattern repeated itself in 1963, when Faisal petitioned President Kennedy for assistance after Egyptian planes began bombing Saudi cities and installations in the south in support of Yemen. Kennedy sent a very clear message to Nasser and the world by sending a squadron of United States jets to Saudi Arabia with the instructions to use force if provoked.⁹⁷ In 1979, after the Iranian Revolution, the House of Saud was panic-stricken and quickly began backing Iraqi aggression towards Iran. The United States moved quickly to alleviate Saudi fears. Within days of the Iraqi invasion of Iran, at the Saudis' request President Carter deployed four sophisticated airborne warning and control system (AWACS) aircraft and their crews to the Gulf to “monitor developments,” which when translated meant to feed Iraq intelligence data through the Saudis. And most recently in the Persian Gulf War, in an unprecedented display of support for the House of Saud, the United States organized a massive coalition force and dispatched nearly half a million of its own troops to Saudi Arabia to protect it from Iraqi aggression.⁹⁸

Furthermore it is interesting to note that every president since the United States achieved its “superpower” status (following World War II) has pledged his support for

⁹⁷ *Washington Post*, February 9, 1992., as cited in Wilson, 97-98.

⁹⁸ Metz, 223.

the House of Saud. It began in 1943 with President Franklin D. Roosevelt's declaration that the defense of Saudi Arabia was a vital interest of the United States. President Truman followed suit by formally assuring Ibn Saud that support for Saudi Arabia's territorial integrity and political independence was a primary objective of the United States.⁹⁹ Another early example was President Eisenhower's "Eisenhower Doctrine," which committed the United States to protecting any country in the Middle East which was threatened by international communism.

Thus, there are states in the Middle East that 1) are militarily stronger than Saudi Arabia, 2) have larger populations than Saudi Arabia, 3) have legitimate grievance with the House of Saud, and 4) mean the House of Saud harm. However, the House of Saud has always successfully outmaneuvering its more powerful enemies by 1) recognizing its weaknesses – its inability to protect itself against its more powerful neighbors, 2) linking itself to strong external powers – first Britain and then the United States, and 3) extracting commitments from those allies – ensuring Saudi Arabia's territorial integrity.

C. THE HOUSE OF SAUD: A MILITARILY AND IDEOLOGICALLY WEAK REGIME

Before looking at the House of Saud's internal threats (Chapter 4) or looking at how the al-Saud has historically balanced against its internal threats (Chapter 3 section D), this section will examine why the House of Saud is considered to be a militarily and ideologically weak, regime.

⁹⁹ It was Truman's commitment to Saudi Arabia that became the foundation for the 1951 mutual defense assistance agreement. Under this agreement, the United States provided military equipment and training for the Saudi armed forces. An important provision of the bilateral pact authorized the United States to establish a permanent United States Training Mission in the kingdom which still operates today.

1. **Militarily Weak**

That the House of Saud is a weak is an indisputable fact. First, the Kingdom itself is militarily weak, impotent against both Iran and Iraq (and some analysts would add Yemen), and thus totally_reliant on the United States to deter would-be aggressors (See Chapter II). Second, and more indicting, is that with its external threats marginalized by the United States, defense and security expenditures are the single largest budget item in Saudi Arabia.¹⁰⁰ While the official role of the Saudi armed forces¹⁰¹ is to protect the country against foreign attacks, in reality their mission is as much (or more) one of internal security. In fact, the House of Saud's weakness runs so deep that at times the regime borders on paranoia. Because the Saudi Armed Forces have a long history of insurrection, the House of Saud takes as many precautions against it as it does against its external enemies. This is evidenced, for example, by the divide-and-rule it uses to structure its armed and internal security forces.¹⁰² For example, each of the branches of the armed forces, by design, draws its recruits from different pools of manpower, making it difficult for any one group to spread its tentacles through several different services at one time.¹⁰³ Additionally, army bases have been constructed far

¹⁰⁰ In 1990 these expenditures amounted to 33.2 percent of the budget, and in 1992 to 30 percent. Gause, 67.

¹⁰¹ The Saudi armed forces include the regular military (Army, Navy, and Air Force), the National Guard (whose specific mission is to quell internal unrest), and the Internal Security Force.

¹⁰² The Saudi Armed Forces has had a sordid history, with numerous revolts and coup attempts. For example, there were revolts within the military in 1954 and 1955. In 1958, cadets and officers demonstrated against the House of Saud for terminating the services of Nasser's military mission in Saudi Arabia. In 1962, four Saudi aircraft crews defected to Egypt, carrying arms destined for rebel forces. Coup plots were discovered in the Royal Saudi Air Force (RSAF) in 1962, 1969, and 1977. Even more recently (since the Persian Gulf War) in 1991, leaflets critical of the regime were reportedly distributed in garrisons due to the influence of radical Islamists among the soldiers and lower ranking officers. Additionally, in that same time frame high-ranking officers in the Saudi military have been replaced under mysterious circumstances.

¹⁰³ The Royal Saudi Air Force (RSAF), Royal Saudi Army (SALF), and Royal Saudi Navy (RSN) are dominated by townspeople, while Asiris are most numerous in the police and internal security forces. Tribesmen largely comprise the Royal Saudi National Guard (SANG). Wilson, 165.

from population centers in order to discourage coups, while air bases are close to the cities so that Royal Saudi National Guard (RSNG)¹⁰⁴ troops can be airlifted in to deal with revolts more easily. Furthermore, communications between the services is kept to a minimum, making for a less efficient, but more easily controlled, force. Likewise, by placing senior princes in command of each of the various military branches, and by having several hundred more junior princes serve in the armed forces where they can keep an eye on the rank and file, the House of Saud greatly diminishes the chances of a coup attempt. The Saudi armed forces also contain special bureaus or sections to ferret out potential insurgences, with the coup-prone Royal Saudi Air Force (RSAF) having two. The Ministry of Interior,¹⁰⁵ besides the regular police force, operates a covert security force of over 40,000 undercover agents.¹⁰⁶ Hence, Gause notes that

It is comparatively easy to chart the growth of the regular armed forces. It is harder to document from public sources the growth of local police forces and domestic intelligence services, the first line of defense for the state from domestic political opposition. But it is clear, from anecdotal evidence and the testimony of citizens of these states [Gulf Cooperation Council States] that the specifically domestic parts of the coercive apparatus have grown in size, power, and sophistication over the last two decades.¹⁰⁷

¹⁰⁴ The SANG is a 35,000-45,000 man full-time force that is wholly independent of the Ministry of Defense with its own logistics, weaponry, and organization. The SANG's mission is to provide internal security, to protect sensitive domestic installations such as plants, oil facilities, and power plants, and to quell internal uprisings. Wilson, 157.

¹⁰⁵ Besides the regular police force, the Ministry of Interior forces include the Royal Guard, the Frontier Force, the Coast Guard, the *mubaheth*, or secret police, and the *mujahidoun*. The Royal guard numbers approximately 2,000 and is charged with protecting the king and the royal family. A 10, 500- man Frontier Force (4,500 of which are assigned to the Coast Guard) operating along Saudi Arabia's land and sea borders, performing patrol and surveillance missions. The *mubaheth* is the Kingdom's political police, charged with protecting the regime from internal enemies. Its exact size is unknown. The ministry's most important force may be the *mujahidoun*, or fighters. This shadowy adjunct of 40,000-armed men is a secret, plain-clothes force that is recruited from direct descendants of Ibn Saud. They silently watch over sensitive locations in the Kingdom's main cities, such as banks and telephone exchanges. In addition to all of these troops, the Organization to Prevent Vice and Promote Virtue maintains a volunteer religious police force, the *mutawwa'in*, which perform some security functions against religious extremists. Wilson, 158-160.

¹⁰⁶ Wilson, 155-168.

¹⁰⁷ Gause, 68.

Therefore, it is not surprising that in 1997 more Saudi troops were assigned to protect Saudi Arabia against its own citizens (77,000 National Guard troops) than were assigned to protect it against external threats (70,000 Army troops). Furthermore, the massive size of the National Guard speaks to the distrust that exists amongst the House of Saud, as the National Guard is used as a counterweight to the regular army and a balance to the Sudairy Brothers, who control the throne and the military establishment.¹⁰⁸

Thus, the facts speak for themselves. A strong regime does not spend thirty percent of its budget (billions of dollars per year) on internal security. Nor does a strong regime place such a great emphasis on compartmentalizing its armed forces so as to prevent an almost expected coup. Additionally, a strong regime does not have to use high-handed tactics against its citizens hoping to avert uprisings by keeping them in constant fear. Moreover, strong and legitimate regimes do not need a massive internal intelligence network to monitor the daily actions of all of its citizens.

2. Ideologically Weak

Even more problematic than its paranoia and military weakness, is the House of Saud's ideological vulnerability. The House of Saud has used ideological constructions based on its own interpretations of Islam and tribalism to legitimize its rule. As stated in chapter II, the royal family has worked tirelessly for decades to subdue Islam and tribalism. The House of Saud has concurrently appropriated Islamic and tribal institutions, symbology, and rhetoric for its own ideological purposes, namely to gain support for its rule – “employ[ing] a political language redolent with Islamic and tribal

¹⁰⁸ Jerichow, 260.

overtone to convince their citizens of the legitimacy of their political system.”¹⁰⁹ Portraying their system as the fusion of the best parts of religion and tribal traditions, the House of Saud contends that obedience to it is a religious and cultural obligation. Eric Davis suggests that the royal family uses these images and institutions to “forge emotive links with the populace over which [they] rule.”¹¹⁰

Although the House of Saud has been largely successful in subduing Islamic and tribal institutions in Saudi Arabia, it has not been able to stomp these out in the political arena. By asserting an Islamic justification for its rule, the House of Saud has unwittingly established a very strict standard to which it can be held. Sunni radicals regularly criticize the House of Saud as un-Islamic. These radicals resist the idea of secular authority and are zealous in their condemnation of any deviation from their view of the “true” faith. Charges that the Saudi regime is corrupt, wasteful with state funds, an abuser of human rights, a puppet of the United States, and that the royal family is not providing for its citizens are common.¹¹¹ Opposition leaders like Ehsan Ehsanullah argue that the al-Saud’s rule violates its own claim to uphold Muslim rule within the prescribed limits of the *Shari’a*, declaring that the House of Saud has attempted to establish a Mulk, a secular ruler’s estate, rather than an Islamic community (*Umma*). This accusation was brought home when Ehsanullah contended that “The Saudi rulers...had not transformed society into a rightful society (*Umma Wasatan*)

¹⁰⁹ Gause, 25.

¹¹⁰ Eric Davis, “Theorizing Statecraft and Social Change in Arab Oil Producing Countries,” in Eric Davis and Nicolas Gavrielides (ed.), *Statecraft in the Middle East: Oil, Historical Memory and Popular Culture* (Miami: Florida International University Press, 1991), 13.

¹¹¹ Daniel L. Byman and Jerrold D. Green, “The Enigma of Stability in the Persian Gulf Monarchies,” *Middle East Review of International Affairs* (MERIA), vol. 3, no. 3, (September 1999): 5. Available [Online]: http://www.cc.Columbia.edu/sec/dlc/ciao/olj/meria/meria99_byd01.html

characterized by law-abiding members of a religious community, but rather kept inhabitants content by economic welfare.”¹¹²

While it must be remembered that the majority of Saudi citizens do not hold all of these sentiments, most do disapprove of the al-Sauds’ un-Islamic lifestyles – characterized by drinking, gambling, debauchery, ostentation, and the use of their positions for dishonest gain – all of which are prohibited by the Koran. Similarly, “there are some critics who idealize tribal and village life before the advent of oil wealth, criticizing the [House of Saud] for allowing and encouraging the social and cultural changes it has brought.”¹¹³ Thus, the very constructs that the House of Saud appeals to for its legitimacy – Islam and tribalism – can also be used to undermine and challenge the royal family.

Moreover, as Saudi Arabia has undergone its transformation into a *rentier state*, the House of Saud has relied on oil revenue appease its citizens. As stated previously, an unstated goal of the House of Saud has been to make every Saudi citizen in some way dependent on the royal family in order to “convince the citizenry that their own personal well-being is tied up with the existing political system.”¹¹⁴ The House of Saud knows that if actions speak louder than words, even actions are no match for money. Therefore, as the Saudi standard of living began to increase, the voices of the malcontents, who accused the regime of being illegitimate, faded. In the oil era regime largesse and legitimacy have become linked (in a directly proportional manner) and now dictate Saudi

¹¹² Joseph Kostiner, “State, Islam and Opposition in Saudi Arabia: The Post Desert-Storm Phase,” *Middle East Review Of International Affairs* (MERIA), Issue no. 2, (July 1997). Available [Online]: http://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria797_kostiner.html

¹¹³ Gause, 39.

¹¹⁴ Gause, 61.

Arabia's social contract (see Chapter II Section D). However, this link is politically and economically problematic and extremely volatile. In short, it is a recipe for disaster. With a population that is expected to double (from 20 million to 40 million) by the year 2020, and a constantly fluctuating oil market, the House of Saud is stuck with a social contract woven in the boom years of the 1970's, but that has recently begun to unravel. When oil prices drop, especially when they drop quickly and for long periods of time, it forces the House of Saud to renege on its end of the contract. As the Saudi standard of living begins to plummet, the voices of opposition spring up – and their rhetoric always includes challenges to the royal family's legitimacy.

D. OMNIBALANCING INTERNAL THREATS: REAL THREATS THAT ARE THREATENING

Because the House of Saud is a weak regime, it is highly distrustful of its neighbors – but more so of its own citizens. As demonstrated previously, Saudi Arabia has successfully used its foreign alliances to balance against its external enemies, and thus has never truly been threatened by an external force. However today, while the United States can assist the House of Saud with certain aspects of its internal security, it cannot fully protect it against what most threatens it – the Saudi people.

Internal dissent has long plagued the House of Saud. Initially the threat came from the *Ikhwan*, rival tribes to the al-Saud, and adherents to other forms of Islam (besides Wahhabism). However, those challenges were relatively easy to identify and crush. On the other hand, ideological movements that captured the imaginations of large segments of the Saudi population gravely threatened the House of Saud and proved much

more difficult to contend with.¹¹⁵ The two most dangerous movements of this nature were Nasser's pan-Arabism and Khomeini's Islamic fundamentalist movement.

1. Nasser's Pan-Arabist Movement

It is an irony of history that a strong and mesmerizing leader – Nasser – came to power in Egypt shortly after the dull and incompetent Saud succeeded his very charismatic father – Ibn Saud – as Saudi Arabia's new leader. To make matters worse, Saud did not prove to be a leader equal to the challenges of his time. Saud came to power during a time when Nasser's Arab nationalism was sweeping the Middle East. As the prophet of pan-Arabism, Nasser electrified the Arab world when he overthrew the corrupt Egyptian monarchy and proclaimed a new political ideology. Pan-Arabist doctrine proclaimed that there was only one Arab world, which had been divided and manipulated by the West. Nasser's demands were clear. He called for the unification of the Arab people, the nationalization of all Western holdings, and political reform.¹¹⁶ Saud's inability to deal with the charismatic Nasser exposed the vulnerability of the royal family and its absolute rule, and generated among its ranks a genuine fear of being toppled.¹¹⁷

Unlike his father, Saud was very permissive in dealing with the Saudi people and certainly showed no inclination toward crushing his political enemies. Saud's lenience

¹¹⁵ Among the first political movements in Saudi Arabia were the labor unions that formed in Dhahran. On several occasions in the 1950's and 1960's, workers went on strike and demonstrated. From 1958 to 1964, several members of the royal family, with Prince Tallal in the lead, left the country, formed the Free Princes and advocated change through joining forces with Nasser's Arab nationalist movement. In 1955 there was a pro-Nasser local army rebellion in the city of Taif, and in 1969 a serious Air Force mutiny occurred at Dhahran airbase. Again in 1969, several leading citizens and Air Force officers made a valiant attempt to topple the government. In 1975 the Chief of Staff, General Muhammad Shamimairi, was arrested and later executed for conspiring against the royal family. In 1979 the Grand Mosque uprising occurred in Mecca, followed two-days later by Shia insurrection in the oil-rich eastern region of Saudi Arabia. In the aftermath of the Gulf War there have been periodic dismissals of Army officers as well as numerous acts of defiance from both the religious and secular communities. Aburish, 107-116.

¹¹⁶ Wilson, 48-49.

¹¹⁷ Aburish, 44.

lead to the emergence of political groups such as the Young Nejd, the Peninsula Liberation Front, and even a small communist party. While this caused the royal family great concern, the reception that Nasser received when he arrived in Dhahran in September 1956 for a meeting with King Saud and President Kuwatly chilled the House of Saud to the bone. Just two months prior to his visit, Nasser had nationalized the Suez Canal and humiliated the West. This act served to arouse Arab pride and turn Nasser into the idol of the Arab masses. Therefore according to Mordechai Abir,

He was met in Al-Hasa by huge crowds who manifested their admiration for him with great emotion. Saud was not only ignored but, according to one source, “stones were thrown at the royal entourage and slogans denouncing the House of Saud displayed by some of the demonstrators.” Shortly afterwards, when Nasser arrived in Riyadh, the whole population turned out to accord him a hero’s welcome.¹¹⁸

Said Aburish explains that “Eventually, the family became genuinely alarmed when ordinary people expressed admiration for Nasser and began thinking about politics.”¹¹⁹ That was the last straw for the royal family. As pan-Arabism spread throughout Saudi Arabia, the royal family moved against Saud to protect and preserve the continuance of the House of Saud. Thus, as the House of Saud acted to eliminate one threat to its existence – Saud’s refusal to wield the sword and crack down on emerging threats – they were still threatened by Nasser-incited Saudi pan-Arabism.

Faisal, who was seen as more capable of continuing the ways of Ibn Saud and the family while giving them an aura of respectability, replaced Saud in 1964. During his reign Faisal established the machinery of a police state. Totally intolerant of dissent, he had no compunction about locking up and torturing his enemies. In fact, in large-scale

¹¹⁸ Mordechai Abir, *Saudi Arabia in the Oil Era: Regime and Elites; Conflict and Collaboration* (Boulder: Westview Press, 1988), 80.

¹¹⁹ Aburish, 44.

sweeps organized by Faisal's Interior Minister Fahd bin Abdulaziz, the current king of Saudi Arabia, hundreds of domestic opponents of the regime – Arab nationalists, Nasserites, and communists – were imprisoned.¹²⁰

On the one hand, as Faisal aggressively strove to carve out the cancer of pan-Arabism in Saudi Arabia by crushing domestic dissent, he knew that he needed something just as powerful as pan-Arabism if he wished to gain the upper hand. Pan-Islamism was his answer: “Faisal's pan-Islamic policy was a masterstroke that served two purposes. Besides bolstering the al-Saud's political legitimacy at home, it also strengthened the Kingdom's standing in the Islamic world.”¹²¹ Furthermore, in order to counteract Nasser's pan-Arabist message, Faisal condemned Nasser as an apostle of socialism and secularism who was beholden to godless communists, the Russians. Thus, in a pragmatic move to defeat the threat of pan-Arabism and diminish Nasser's popularity among the Saudi people, Faisal pushed Saudi Arabia towards an Islamic identity at the expense of its Arabness.¹²²

Faisal used his stand against Nasser and other progressive Arab movements to garner more Western support and to create a Saudi-led, Islam-based conservative camp. However, this all changed with the outbreak of the Yom Kippur War. Fearing Arab pressure and a nationalist uprising in his own country, Faisal championed shutting off all oil exports to the West in a pragmatic move to restore his Arab credentials. This very

¹²⁰ Wilson, 55.

¹²¹ Ibid.

¹²² Examples of this policy include supporting the Pakistani army and its Chief of Staff, General Zia Al Huq, against their country's legitimately elected Prime Minister, Ali Bhutto, which led to the latter's overthrow and execution. Additionally, as far back as 1959 when Faisal was Prime Minister, the Egyptian magazine *Al Musawar* had published a detailed report of how a CIA group under the guidance of James Russel Barracks cooperated with Saudi Arabia to create Muslim political groups within the country as a counterweight to Nasser and pan-Arabism. Aburish, 50.

calculated move enhanced Faisal's Arab standing. However, he rescinded the decision as quickly as politically possible in order to contain the damage to his relations with the West. In fact, speaking about the 1973 oil embargo, Aburish accurately suggests that "despite this tactical shut-off of oil, he [Faisal] saw his fate and that of his country irrevocably linked to America."¹²³ In 1975, Faisal himself confirmed this sentiment to *Time* correspondent Wilton Wynn, saying, "U.S. relations are a pillar of Saudi policy."¹²⁴

Thus, the weak and permissive leadership of Saud, coupled with Nasser's electrifying pan-Arabist teachings, nearly spelled the demise of the House of Saud. It was not until Faisal ascended to power and Nasser's humiliating defeat at the hands of the Israelis, that the pan-Arabist threat in the Kingdom began to wane. With Egypt's military forces utterly destroyed, Nasser and his pan-Arabist teachings began to lose their popular appeal. However, Faisal's brutal elimination of all internal opposition, his highly publicized support of conservative Islamic movements, and his restored Arab credentials proved to be the right medicine at the right time to ensure the continuance of the House of Saud. In other words, unlike Saud, "Faisal was a champion of absolutism who ensured that Saudi Arabia belonged to the House of Saud lock, stock, and barrel."¹²⁵

2. Khomeini's Islamic Fundamentalist Movement

The unrest that emerged during the late 1970's were partially the result of the socio-cultural ramifications of rapid modernization (as Saudi Arabia transitioned into a *rentier state*) and the growing tension within the royal family related to the Arab radicals' consolidation of their power following the Camp David talks. The unrest was also

¹²³ Ibid.

¹²⁴ Ibid.

¹²⁵ Ibid., 51.

greatly facilitated by developments in Iran in 1978, the collapse of the Shah's regime, and the decline of American credibility in the Middle East. Khomeini's successful revolution, despite his being a Shi'ite, fanned neo-*Ikhwan* sentiments among elements of the Kingdom's Sunni population. Moreover, it instilled a renewed sense of pride in the Shi'ites, and, by 1979, the Organization of the Islamic Revolution for the Liberation of the Arabian Peninsula, popularly known as Al-Thawra al-Islamiyya – The Islamic Revolution (IRO) – began to operate in the Eastern Province of Saudi Arabia.¹²⁶

The Ayatollah Khomeini's successful bid to oust the Shah sent shock waves throughout the world; but due to Iran's proximity to Saudi Arabia, it was especially disturbing for the House of Saud. Unlike in the case with Nasser, who the House of Saud condemned as championing the un-Islamic secular and socialist doctrines of pan-Arabism, the same charges could not be leveled against Khomeini. In fact, the danger of Khomeini was in his accusation that the House of Saud was ignoring the tenants of the Koran, was beholden to the infidel regimes of the West, and (therefore) ruled unlawfully. Furthermore, Khomeini called for the overthrow of the Saudi regime and backed numerous dissident movements to that accord.

a. *The 1979 Grand Mosque Uprising*

It is a common myth that all Saudi citizens gladly embraced Saudi Arabia's transition to a *rentier state*. Even before the 1979 uprising, many Saudis were concerned about the impact on their society of rapid modernization and westernization, which even led members of the House of Saud to pay lip-service to the need to "protect the Saudi way of life from the corrupt western culture with its materialistic values and

¹²⁶ Abir, 145-146.

permissiveness.”¹²⁷ The rebels that rallied around these constructions reserved special contempt for the House of Saud, who had fostered Saudi Arabia’s current state of moral decline. As the moral decay of the country continued, exemplified by the well-known un-Islamic proclivities¹²⁸ of some of the princes, a group of dissidents believed it their duty to clean out corruption just as Mohammed al-Wahhab had done in the eighteenth-century.¹²⁹

The leader of the dissidents was Juhaiman al-Utaibi,¹³⁰ born in 1936. Al-Utaibi was from one of the foremost families of the Nejd. However, his privileged position did not prevent him from following in the footsteps of his grandfather, who was one of the original *Ikhwan* that had fought alongside Ibn Saud only to be killed at the Battle of Sabillah. Al-Utaibi’s life exemplifies how the Saudi Islamic educational system has created fundamentalists. A member of the Saudi National Guard for eighteen years, al-Utaibi resigned in 1973 and enrolled at the Islamic University of Medina’s Department of Religious Studies, becoming an understudy of the blind cleric Abdulaziz bin Baz. While bin Baz preached a return to pure Islam, al-Utaibi went even further and accused the House of Saud of abandoning the tenants of Unitarianism.¹³¹ Additionally, he was even more critical of the *ulama* than he was of the Saudi regime because he believed that

¹²⁷ Abir, 148.

¹²⁸ It is commonly known that several members of the House of Saud had drinking and gambling problems.

¹²⁹ Wilson, 56.

¹³⁰ Some texts use alternate spellings: Juhayman Muhammad Otteibi, Juhayman ibn Muhammad ibn Sayf al-Utaybi, or Juhaiman al Utaiba.

¹³¹ Wilson, 57.

the *ulama* had betrayed the *Ikhwan* and were now merely the mouthpiece of the royal family.¹³²

On November 20, 1979, al-Utaibi and his followers seized control of the Grand Mosque, interrupting the morning prayer. Al-Utaibi justified his actions by stating that “the Al Saud had lost its legitimacy through corruption, ostentation, and mindless imitation of the West – virtually an echo of his grandfather’s charge in 1921 against Abd al Aziz.”¹³³ Al-Utaibi urged those present to join him and his followers in opposing the House of Saud. Additionally, he made a special plea to the *ulama* to reconsider their support of the royal family. Although no *ulama* stepped forward, “it appears that al-Utaibi and his followers were at least tacitly supported by some members of the body [*ulama*] who were also opposed to the moral decay they saw, and the al-Saud’s modernization programs.”¹³⁴

The House of Saud was initially stunned by the takeover. It was inconceivable to the Saudi regime that a well-armed and hostile force could elude Saudi Arabia’s elaborate internal security force, let alone seize control of the Grand Mosque. Even more troubling to the Saudi regime was the fact that the rebels seemed to have supporters within the National Guard and the Hejaz.

Retaking the mosque proved to be a highly sensitive issue for four reasons: 1) the Grand Mosque surrounds the Kaaba, the symbol of the oneness of God, 2) the Mosque’s courtyard is one of the sites where the hajj, the fifth pillar of Islam, is

¹³² Prior to destroying the *Ikhwan*, Ibn Saud sought the advise of and received approval from the religious leaders. Later, the *ulama* were placed on the House of Saud payroll and thus became beholden to it.

¹³³ Juhaiman’s accusations against the Saudi monarchy closely resembled Ayatollah Sayyid Ruhollah Musavi Khomeini’s diatribes against the shah of Iran. Metz, 39-40.

¹³⁴ Wilson, 57.

enacted, 3) no non-Muslim may enter the city of Mecca, let alone the Mosque's courtyard, and 4) to shed blood in the Mosque is strictly forbidden, as is defacing or polluting it in any way.¹³⁵ Thus, the House of Saud needed the *ulama* to issue a *fatwa* authorizing the use of force.¹³⁶ When all was said and done, it took Saudi forces and French paratroopers two weeks to dislodge the dissidents at a cost of 244 people killed¹³⁷ (127 government troops and 117 rebels) and 461 wounded.¹³⁸ These numbers do not include the 63 rebels that were distributed to cities throughout the kingdom and publicly beheaded, without trial.

In the aftermath of the uprising, and having realized the extent of its vulnerability, the House of Saud went on a public relations offensive, which included delineating the content of the Friday sermons (the *ulama* and imams were to extol the House of Saud's religiosity, denounce the destructive nature of uprisings, emphasize that Islam was a religion of moderation, and reiterate that material well-being and Islam were not incompatible). Additionally, many high-ranking governmental employees lost their positions, including members of the House of Saud. For example, the governor of Mecca, Prince Fawwaz bin Abdulaziz, who had been especially criticized by al-Utaibi for his unabashed drinking, gambling, and corruption, was replaced, as were three other governors. Furthermore, two generals were "allowed to retire," and the director of public

¹³⁵ Metz, 40.

¹³⁶ It is interesting to note that after the *ulama* debated the issue for several days, when granted, the *fatwa* proclaimed by the *ulama* did not denounce the rebels for heresy but rather for using weapons in the holy Ka'ba and rising up against a legitimate regime. Among the thirty leading *alims* who signed the *fatwa* were, ironically, leading Najdi ultra-fundamentalists known for their opposition to modernization, such as Abd al-Aziz al-Baz, Shaykh Abdallah ibn Humayd, Shaykh Abd al-Aziz ibn Nassir ibn Rashid, and Shaykh Salih ibn Muhammad ibn Lahidan. Abir, 148-152.

¹³⁷ Estimates of those killed range from 227-244.

¹³⁸ Wilson, 58-59.

security, Fayyaad Mohammed al-Awfi, was replaced. The House of Saud also raised the *ulama*'s salaries and advised expatriates to abide by the Kingdom's Unitarian teachings.

Additionally, the House of Saud dusted off its old promise of a Consultative Assembly for the Kingdom and alluded to adopting other political reforms. Although nothing ever came of the reform promises the lessons of the al-Utaibi revolt were not lost. In addition to an increase in police surveillance, the *mutawaeen* were given free rein in the cities, rights of women were curtailed, and there was a Kingdom-wide crackdown on Western influences.¹³⁹ All of these actions were targeted at improving the House of Saud's Islamic credentials, for even Khalid noted that "if al-Utaibi and his cohorts had targeted palaces rather than the Grand Mosque, the results of the uprising might have been very different."¹⁴⁰

b. *The 1979 Shi'ite Riots*

After the successful Islamic Revolution in Iran, tensions in Saudi Arabia skyrocketed. The House of Saud viewed the rise of radical Shi'ism as a direct threat to the heart of the Saudi economy, and thus to the Saudi regime. While the Shi'ites only comprised some 10 percent of Saudi Arabia's population in 1979, they made up one-third and possibly up to one-half of the population of Al-Sharqiyya, Saudi Arabia's oil-rich Eastern Province.¹⁴¹

Sunni-Shi'ite relations in Saudi Arabia have always been a source of considerable angst for the House of Saud. The Najdi establishment has always despised, discriminated against, and persecuted Saudi Arabia's Shi'ite minority. In 1980, a young

¹³⁹ Ibid., 59-60.

¹⁴⁰ Robert Lacey, *The Kingdom: Arabia and the House of Saud* (London: Hutchinson, 1981), 512.

¹⁴¹ Abir, 153.

Shi'ite told a foreign correspondent that “there are Sunni, below them are Christians and below them are Jews; we are below the Jews.”¹⁴² Thus it is not surprising that the Al-Sharqiyya Shi'ite community had a history of rebellious behavior; nor was it surprising that the House of Saud viewed them as a credible threat, especially under the circumstances.

Shortly after the al-Utaibi revolt was put down, inflamed by the Khomeini's calls to arms and with Iranian financial backing, the Kingdom's Shi'ites sought to assert their rights. The *mujahids*¹⁴³ of Qatif and the nearby Shi'ite villages announced their determination to hold the *Ashura*¹⁴⁴ processions in defiance of the government's prohibition. When the police tried to disperse the large crowds who participated in the *Ashura* procession, the Shi'ite crowds began to riot. The rioting, which lasted three days, quickly spread to Sayhat and other Shi'ite settlements in the region. Many demonstrators carried pictures of Khomeini and placards denouncing the House of Saud and the American imperialists. Roughly 20,000 Saudi National Guard troops brutally suppressed the demonstrators, arresting hundreds and killing or wounding many others.¹⁴⁵

In the wake of the riots, the Saudi regime sent Prince Ahmad, the Deputy Minister of the Interior, to the region to evaluate the impact of the Iranian Revolution and the Shi'ite dissention on the security of its oil industry. Prince Ahmad wisely confessed that the Saudi government had neglected the Eastern Province and had actively

¹⁴² New York Times, 3 January 1980, A2., as cited in Abir, 154.

¹⁴³ A *mujtahid* is a person qualified to exercise *ijtihad* and give authoritative opinions on Islamic Law. *Ijtihad* is “exerting oneself” in Islamic Law.

¹⁴⁴ *Ashura* is the Shi'ite holiday commemorating the martyrdom of Husayn.

¹⁴⁵ Metz, 40-41.

discriminated against its Shi'ite population. He also announced the beginning of a new era in which he promised massive investments in the development of Al-Hasa's economic infrastructure, educational system, and other services. However, this good news was balanced with the threat that if the Shi'ites continued to undermine law and order in the region, then they would be severely punished.¹⁴⁶

Between 1980 and 1982 a dual policy was followed in the Al-Hasa. On the one hand roads were paved, schools built, sewage systems constructed, and hospitals opened. A naval base was opened in Jubayl, and one billion dollars in public service projects was announced. Additionally, all those who were arrested in the 1979 and 1980 riots were pardoned, and a general amnesty enabled political refugees to return to their homes. On the other hand, the Saudi government substantially increased its military presence in the Eastern Province following the eruption of the Iran-Iraq War. The Shi'ite community in Al-Hasa, constantly incited by Khomeini's revolutionary regime, were closely watched, if not harassed by the authorities.¹⁴⁷

The Shi'ite riots in the Eastern Province again reminded the House of Saud that the continuance of its regime was threatened more by popular uprisings from its own citizens, than by external enemies. While the House of Saud's pragmatic carrot-and-stick policy successfully brought the turbulent region under control, it had come only at a huge monetary expense. Essentially, the House of Saud was again able to buy itself out of a tough situation. However, it is critical to note that dolling out money does not buy legitimacy, just time.

¹⁴⁶ Abir, 156.

¹⁴⁷ Ibid., 157.

E. CONCLUSION

Stephen David's omnibalancing thus very accurately describes the House of Saud. As omnibalancing contends, the House of Saud is a militarily and ideologically weak regime. Both of these points were dramatically exposed during the Gulf War, when the House of Saud implored the infidels (in the United States) to protect Saudi Arabia from its Arab brothers (in Iraq). Additionally, omnibalancing states that both internal and external factors are important in the decision-making process of Third World leaders. This is obviously the case with the House of Saud. The Saudi regime has taken great pains to gain security agreements from powerful Western allies (first Britain and then the United States) to protect Saudi Arabia's borders from external attack. Likewise, the House of Saud works feverishly on a daily basis to monitor and suppress all forms of internal opposition. Furthermore, as omnibalancing suggests, the stakes for domestic politics are very high. Whoever controls Saudi Arabia controls one quarter of the world's proven oil reserves. Thus, every opposition group in the country is just one step away from being the wealthiest regime on earth. Finally, as the House of Saud has exemplified time and time again, omnibalancing predicts that Third World leadership will balance against the principal threat it faces regardless of the consequences. By following this pragmatic policy, the House of Saud has managed to survive thus far. However, this policy has been shortsighted and very dangerous, as was seen when the House of Saud played its "Islamic Card" to help defend it against Nasser's pan-Arabism, which then in turn played directly into Khomeini's hand after the Iranian Revolution. This extreme Saudi move could have proved fatal to the House of Saud had Khomeini not been engaged in a decade-long struggle against Iraq. Likewise, King Khalid's words still ring

hauntingly true today, “if al-Utaibi and his cohorts had targeted palaces rather than the Grand Mosque, [in their 1979 uprising] the results of the uprising might have been very different.”¹⁴⁸

¹⁴⁸ Robert Lacey, *The Kingdom: Arabia and the House of Saud* (London: Hutchinson, 1981), 512.

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IV. CHALLENGES FACING THE HOUSE OF SAUD

A. INTRODUCTION

Few can deny that the House of Saud will face increasing challenges as it navigates Saudi Arabia further into the twenty-first century. This chapter focuses primarily on the regime's internal challenges, since the House of Saud is unlikely to give up its security relationship with the United States in the foreseeable future and thus will not have to worry about external threats. This chapter examines the political, social, religious, and economic problems that the Saudi regime faces in the short- and mid-term as they relate to regime stability. Although the internal problems in Saudi Arabia are very diverse, they do share a common thread – they, in some way, affect almost every Saudi citizen and are the source of their increasing frustration with the House of Saud. The stability and longevity of the House of Saud is directly related to how the regime responds to the nearly universal upsurge in frustration that its citizens are experiencing. Thus, this chapter opens with a brief discussion of frustration-aggression theory.

B. FRUSTRATION-AGGRESSION THEORY

The concept of frustration has been the psychological variable most commonly evoked to account for an individual's participation in political protest and violence. In 1939, the father of frustration-aggression theory, J. Dollard, hypothesized that aggression always results from frustration.¹⁴⁹ Since 1939, dozens of researchers have added various nuances to Dollard's original hypothesis; however, on the point of frustration leading to political protest and violence, they all agree that "some psychological variables do appear

¹⁴⁹ J. Dollard, L. W. Doob, N. E. Miller, O. H. Mowrer, and R. R. Sears, *Frustration and Aggression* (New Haven: Yale University Press), 1939.

to have rather strong explanatory power.”¹⁵⁰ Ted Gurr identifies three psychological variables that predispose individuals to participate in protest and violence: 1) The belief in the justifiability of aggressive action on utilitarian grounds, 2) The expectancy that aggressive action will be beneficial, 3) The belief in the normative justifiability of aggressive action (arising out of broad-based alienation from the political system and ideological approval of political aggression).¹⁵¹ Simply put, people rebel when they believe it is right to rebel, and when they believe that rebellion will achieve their goals.

However, there are additional constructs that are important to the explanation of protest and violence. For example, prevailing social norms play a critical role in determining if individuals who feel political aggression is justifiable on normative and utilitarian grounds will act on their beliefs. In other words, if most others in a given social group or community feel that political aggression is unjustified, deviant individuals will be unlikely to go against the grain of the prevailing sentiment. In this case however, Islam is the wild card. The tenants of Islam are highly debated and interpreted very differently from person to person in Saudi Arabia, and hence these tenants are very subjective. Thus, those Islamic fundamentalists who strongly believe that the House of Saud is anti-Islamic in its rule are probably more prone to aggressive behavior even if their views represent minority ones. Research has also shown that “the pure availability of time for protest and violence afforded by unemployment, by being a student, or by being unmarried, plays a role in determining propensity to protest.”¹⁵² This last point is a powder keg in Saudi Arabia, as will be discussed later.

¹⁵⁰ Ted Robert Gurr, *Handbook of Political Conflict: Theory and Research* (New York: The Free Press, 1980), 97.

¹⁵¹ Ibid.

¹⁵² Ibid.

C INTERNAL FACTORS PROMOTING INSTABILITY IN SAUDI ARABIA

The internal threats faced by the House of Saud are deeply rooted and very complex; they can generally be broken down into four interconnected areas: political, social, religious, and economic.

1. Political Factors

a. *Credibility*

In addition to being viewed as an ideologically weak regime on moral and religious grounds (as discussed in Chapters 2 and 3), the House of Saud is suffering from a credibility crisis that if not addressed, will continue to fester and produce unnecessary friction between the government and its citizens. While a relatively small number of influential princes occupy the most important ministerial posts,¹⁵³ some two thousand princes play an active role in the economy. Of these, many have a normal role in business. Others, however, demand special privileges or use their influence in a corrupt manner or to violate Saudi Law. On March 1, 1992 King Fahd issued a royal decree establishing a basic law of government. Article thirty-eight of chapter five on Rights and Duties states that “Penalties shall be personal, and there shall be no crime or penalty except in accordance with Shari’ ah or organizational law. There shall be no punishment except for acts committed subsequent to the coming into force of the organizational law.”¹⁵⁴ When the Saudi royal family transgresses Saudi Law and is not held accountable, it loses credibility and agitates an already tense relationship with its citizens.

¹⁵³ See Appendix C and Appendix D.

¹⁵⁴ Jerichow, 14.

Furthermore, this kind of corruption, however limited or widespread, has led to jealousy and political friction within Saudi society by undermining the rule of law in the kingdom.

b. *Absolute Monarchy*

The House of Saud represents one of the world's last absolute monarchies. As such, the king is not constrained by a written constitution, a legislative body, or elections. While King Fahd instituted the formation of the Consultative Council (Majlis al-Shura), he made it clear in a decree read on state television in 1993, he made it clear that "the role of the Majlis was purely advisory. He also stated that he was retaining the power of the monarchy, and that Saudi Arabia would remain an Islamic state and would not become a Western democracy."¹⁵⁵ In the past, the House of Saud has largely been able to ignore the last part of the old dictum "with authority comes responsibility and with responsibility comes accountability." However, two-thirds of the Saudi population is under the age of 30¹⁵⁶ and has only known Saudi Arabia as a *rentier states*. When the *rentier* payments decrease, there is a proportionate drop in the Saudi standard of living. As an absolute monarchy with the authority and responsibility for the Kingdom's economy, under these circumstances the king becomes the target of heavy criticism. Thus, with every prolonged dip in the oil market, there is a decrease in the Saudi's standard of living due to governmental cuts in subsidies.¹⁵⁷ This naturally increases the frustration-level of Saudi society. At some point, if no reforms are made and the voices of the citizens are ignored, frustration will reach a boiling point and give way to increased rebelliousness.

¹⁵⁵ Cordesman, 28.

¹⁵⁶ Daniel L. Byman and Jerrold D. Green, "The Enigma of Stability in the Persian Gulf Monarchies," *Middle East Review Of International Affairs (MERIA)*, vol. 3, no. 3, (September 1999). Available [Online]: https://www.cc.columbia.edu/sec/dlc/ciao/olj/meria/meria99_byd01.html

¹⁵⁷ A cut in a subsidy in a *rentier state* is equivalent to a tax increase in a free-market economy.

c. *Growth Of The House of Saud*

The rapid growth of the Saudi royal family is the basis for much grumbling within the Kingdom. With little exception, per capita income has been on the decline in Saudi Arabia for almost twenty years. Despite the average citizen's economic troubles, the annual allocation from the treasury to over five thousand Saudi princes was \$8 billion in 1996. That figure represented about one fifth of Saudi Arabia's annual oil export revenue during that year.¹⁵⁸ Furthermore, it is instructive that during the first half of the 1990's, years in which the House of Saud ran horrible budget deficits, the two governmental departments whose budgets continued to increase were the royal household and the Ministry of Defense – the ruling family and its protectors.¹⁵⁹ This is a source of tremendous tension. Further tension results from the double standard that is applied to the royal family regarding King Fahd's 1982 royal decree. The decree clearly maintains that the state's wealth will be used for the benefit of the citizens and that state law will govern the use of public resources.¹⁶⁰ However, the extended royal family and others close to it continue to enjoy very high incomes, while many or most Saudis are suffering from declining living standards. The Saudi public cannot reconcile these excesses with stated law, and thus view the House of Saud with a jaundiced eye.

¹⁵⁸ Eliyahu Kandusky, "The Middle East Economies: The Impact of Domestic and International Politics," *Middle East Review of International Affairs*, no. 2 (July 1997). Available [Columbia International Affairs Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria797_kanovsky.html

¹⁵⁹ Aburish, 3.

¹⁶⁰ The following three articles from chapter four, which deals with economic principles, state that: 1) Article Fourteen: All God's bestowed wealth, be it under the ground, on the surface or in national territorial waters, in land or maritime domains under the state's control, are the property of the state as defined by law. The law defines the means of exploiting, protecting and developing such wealth in the interests of the state, its security and economy. 2) Article Fifteen: No privilege is to be granted and no public resource is to be exploited without a law. 3) Article Sixteen: Public money is sacrosanct. The state has an obligation to protect it and both citizens and residents are to safeguard it. Jerichow, 12.

d. Succession

The potential for future factional infighting within the Saudi royal family is real, and thus is another potential source of instability. Since the time of Ibn Saud, quiet competition over the succession and senior appointments has been a major factor in Saudi politics. The Saudi royal family has historically been able to resolve each succession both peacefully and privately. In the near-term this trend is likely to continue. Evidence suggests that the next succession is likely to be determined by internal consultation among the *ahl-aqd wal hal*, or other senior members of the royal family – at least until Prince Abdullah and the *Sadairi Seven* are dead.

However, with five to ten thousand princes in the royal family, 80 of which have significant status as ranking members of the “next generation,” it is not at all clear that future transitions will go as smoothly as they have in the past. Again, it is instructive to remember that attempts to disrupt the political and social fabric in the Kingdom occurred within a four-year period after each succession.¹⁶¹ Knowing that there will soon be both a positional and generational succession occurring in Saudi Arabia, and being well aware that any prolonged family squabbling would surely threaten internal stability, a full-blown succession struggle that would polarize the House of Saud is possible (but not anticipated). However, if such infighting occurs, the House of Saud could to be its own worst enemy. The Saudi regime has survived and succeeded largely due to the success of its divide-and-rule policies. If Ibn Saud’s grandsons use this policy

¹⁶¹ Revolts within the military in 1954 and 1955, for example, as well as uprisings between 1958 and 1960 occurred under the troubled rule of King Saud. These were dealt with swiftly. Similarly, when a coup plot was discovered in the Royal Saudi Air Force (RSAF) in 1969 – a few years after King Faysal ascended to the throne – systematic purges were organized to cleanse the military of “undesirable elements.” Another RSAF coup plot was detected in 1977 when King Khalid ruled, producing similar results. (Gathered from a yet unpublished book from Joseph A. Kechichian, entitled *Succession In Saudi Arabia*.)

against other family members at the time of succession, this could serve as a catalyst for various fractionalized opposition groups to join forces to rid Saudi Arabia of its unpopular royal family.

2. Social And Religious Factors

a. *Islam And Secularism*

Another potentially explosive internal threat facing Saudi Arabia is the inherent tension between Islam and secularism. As stated earlier, Saudi Arabia is an Islamic Fundamentalist country led by a conservative royal family. Because the mainstream Wahhabi sect, to which the royal family belongs, is so fundamentalist and conservative, it is often times difficult to distinguish between fundamentalism and Islamic extremism.

Most of the *ulama* and many citizens, who occupy the middle ground of Saudi society, support the recent Islamic revival in Saudi Arabia. While these supporters may oppose or challenge some aspects of secular changes and Western behavior, they neither incite violence nor are in opposition to the Saudi government, but instead simply advocate a more strict interpretation of Wahhabi doctrine. Therefore, these groups pose no threat to the regime.

Conversely, most Islamic extremists are radicals (“Neo-Wahhabis” or “Neo-*Ikhwan*”) who oppose all those who do not subscribe to their Islamic views. While historically such extremist groups have had little organizational unity, with an ailing economy and rising unemployment, they have in recent history steadily gathered considerable support. As could be expected, a large percentage of the support has historically come from the young, poor, and disenfranchised. Recently, urbanized Saudis

living outside their traditional familial structures have also overwhelmingly joined the ranks of extremist organizations. In fact, a disturbing trend beginning after the Gulf War was the previously unheard of public opposition coming from a wide range of Saudi citizens. Participants ranged from “moderate liberal businessmen and intellectuals,” to “a broad-based coalition between the different streams in the ranks of the *ulama*.”¹⁶² Thus it is ironic that the House of Saud is largely responsible for broadening its opposition’s base of support. Joseph Kostiner explains that “The new fundamentalist opposition’s most important characteristic has been its educational and socio-economic base. Its members were neither lower class nor tribally identified. Instead, the common denominator was membership in the new middle class: higher education graduates working as professionals or administrators.”¹⁶³ Thus, these activists were the product of the affluent *rentier* era.

William Ochsenwald notes that in the 1970’s, as the House of Saud began sending greater numbers of students to newly constructed universities, “in their studies, young Saudis mixed lay, academic or technical studies with a religious curriculum.” This resulted in a new sort of young *ulama*, “who mixed traditional tutorials with university education, where they were exposed both to a secular education and currents of thought popular among foreign *Ulama*, the Muslim Brotherhood in Egypt and various Islamic revivalists. In addition, many *ulama* embarked on secular careers.” Therefore, today

¹⁶² Daryl Champion, “The Kingdom of Saudi Arabia: Elements of Instability Within Stability”, *Middle East Review of International Affairs*, vol. 3, no. 4 (December 1999). Available [Columbia International Affairs Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria99_chd01.html

¹⁶³ Joseph Kostiner, “State, Islam and Opposition in Saudi Arabia: The Post Desert-Storm Phase,” *Middle East Review Of International Affairs*, Issue no. 2 (July, 1997). Available [Columbia International Affairs Online (CIAO)]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria797_kostiner.html

Saudi society is mixed with “lay-educated professionals with religious knowledge, and *ulama* interacting with wider elements of society.”¹⁶⁴

The careers and occupations of some of the main activists in the fundamentalist opposition reflect these changes.¹⁶⁵ The fundamentalist opposition has maintained that its resentment of the House of Saud has derived from the regime’s “violation of moral and efficient administration and economics, and lack of attention to strategic planning.”¹⁶⁶ This opposition has focused on discrediting both the ruler’s interpretation of the *Shari’a* and the senior *ulama*’s authority. Kostiner notes that the House of Saud has benefited from the fact that despite some violent incidents on the part of the Saudi Islamist opposition, terrorism has not developed into an organized institutionalized activity. He explains that “The lack of a violent, anti-government tradition, typical of Islamist opposition activists in other countries, and particularly their tendency to fight the government by religious discourse on the level of moral and religious principles, has so far limited the development of a major terrorist course of action.”¹⁶⁷

Thus, the extent of the threat of the opposition Saudi Islamist movement to the House of Saud will depend on two things: 1) Its ability to draw supporters from the educated, professional circles, and 2) The credibility of its criticism of the House of

¹⁶⁴ William Ochsenwald, “Saudi Arabia” in S. Hunter (ed.), *The Politics of Islamic Revivalism* (Bloomington: Indiana University Press, 1988), 103-115, as cited in Kostiner.

¹⁶⁵ Safar al-Hawwali, a preacher with his own following, was a lecturer and then head of the religious department at the Islamic University in Medina. Another popular preacher, Salman al-’Awad, studied both natural sciences and law before becoming a lecturer in religious studies at the *Imam* Muhammad University, Qasim Branch, in the city of Burayda. The Main activists of the fundamentalist opposition in London, the Committee for the Defense of the Legitimate Rights (CLDR) (*Lajnat Difa’ ‘an al-Huquq al-Shar’iyya*) were Muhammad al-Mas’ari, a physicist, and Sa’d al-Faqih, a lawyer and former head of the Saudi Board of Grievances. *Ibid.*

¹⁶⁶ *Ibid.*

¹⁶⁷ *Ibid.*

Saud's leadership and administrative incompetence, and attack against it on moral and religious grounds. While the success of the opposition is possible, it will be difficult because currently there is no socio-political order, religious center, or prominent ruling figure to replace the House of Saud.¹⁶⁸

Occupying the opposite end of the political spectrum are the Saudi technocrats and businessmen. These more liberal groups denounce the regime's strict interpretation of Wahhabi doctrine and advocate a more moderate approach. Furthermore, they openly oppose the royal family's nepotism, abuse of power, and total disregard for Saudi law. In fact, many technocrats and businessmen support the liberalization of Wahhabi restraints on issues such as commerce, the role of women, and social customs. Additionally, these largely Western-educated Saudis desire a greater voice in Saudi Arabia's decision-making process, and this brings them in direct conflict with the royal family. Their petitions and protests have resulted in harassment by the authorities and many arrests.¹⁶⁹

However, since the liberal opposition's contempt for the House of Saud is not religious (Islamic) in nature, its base of support is extremely small. Conversely, because fundamentalist opposition groups appeal to Koranic teachings, and thus to sentiments that cut across the economic spectrum, they potentially could attract a greater support base. Due to the potential of this broad-based support, and to the seriousness of their accusations – that the Saudi regime is un-Islamic and thus illegitimate – these groups pose a much greater threat to the House of Saud.

¹⁶⁸ Ibid.

¹⁶⁹ Cordesman, 35-36.

Thus, when the House of Saud enacts reforms (even if only symbolic ones), it assuages the fundamentalist opposition, not the technocrats and businessmen. This is probably in part to reinforce its conservative Islamic credentials, but also to atone for its willingness to allow vast numbers of “infidel” (United States) soldiers to reside in its Kingdom in the aftermath of the 1991 Gulf War. Whatever its rationale, the social tensions in Saudi Arabia are real and are mounting.

b. *Ethnic, Sectarian, And Regional Tensions*

Longstanding tensions between ethnic, sectarian, and regional factions present still further problems for the House of Saud. These tensions are particularly acute between the Sunni majority and the Shi’ite minority. This is significant for two reasons. First, although Shi’ites comprise only about 5-7 percent of Saudi Arabia’s total population, they comprise as much as 40-50 percent of the population of the Eastern Province.¹⁷⁰ Second, the Eastern Province contains the vast majority of Saudi Arabia’s known oil reserves. While the Eastern Province has received a massive influx of government assistance since the 1979 Shi’ite riots, Shi’ite’s still occupy the lowest rung of the Saudi socio-economic ladder. Anti-Shi’ite discrimination is still the norm. This discrimination has been a significant source of social tension in the kingdom, driving many Shi’ites to clash with the government. Realistically, the best result that the Saudi regime can hope to achieve in this struggle is an awkward “truce,” since neither group trusts the other. This truce, typical of the regime’s insidious divide-and-rule policies, amounts to a campaign of coercion through largesse and, in the past has been quite successful. The regime’s divide-and-rule policies, however, require constant attention and updating in order for the regime to maintain social order.

¹⁷⁰ Ibid., 44.

However, in addition to the Sunni-Shi'ite tensions, there are numerous other regional tensions in Saudi Arabia that could be a source of increased turmoil for the House of Saud. Regionally there is tension between secular moderates in the coastal cities and conservative Wahhabis in the Najd, and between the Shafii and Shi'ite immigrants in the Hejaz. Additionally, there has been longstanding tension between the Hijazis and Najdis and those from the south, between urban dwellers and those having rural and nomadic lifestyles, and between the traditional and the "modern." While Saudi Arabia is homogeneous in the sense that it is almost entirely made up of Arab Muslims, these facts should not lead one to conclude that Saudi Arabia is a society free from internal conflict. This polarity is the source of additional social friction, giving the House of Saud little room to maneuver without enraging some segment of its population.

3. Economic Factors

a. *Introduction*

The *social contract* between the Saudi regime and its citizens is incompatible with the sporadic nature of the oil market and Saudi Arabia's demographic trends. This fundamental flaw in the social fabric of the Saudi Kingdom, more so than any other, has resulted in growing social tensions. These, if not addressed, will eventually threaten the very existence of the House of Saud. The House of Saud's presuppositions for governing have not changed since the reign of Ibn Saud, but the economic role of the government has changed radically. As the world's leading autocracy, the House of Saud runs the country as a family fiefdom, so much so that Saudi Arabia and the House of Saud are virtually one and the same. Saudi Arabia's *rentier*

social contract has facilitated the House of Saud to this end. Implicit in this *social contract* is the trading of one's political voice for monetary gain.

The unprecedented wealth that began pouring into Saudi coffers in the 1970's enabled King Faysal to implement many reforms aimed at modernization, development, and improving the living conditions of Saudi citizens through an intricate network of subsidies, welfare services, and opportunities for advancement. Furthermore, Faysal's reforms and the expansion of modern education in Saudi Arabia led to rapid urbanization, as well as substantial growth in the new middle class and the educated elite. Due in no small part to Faysal's largess, the House of Saud's paternalistic regime continued to enjoy the "loyalty" of the newly urbanized masses and rural population, whose allegiance to their traditional institutions began to erode.¹⁷¹ By the early 1980's, Saudi citizens were enjoying their newfound wealth, and the House of Saud enjoyed its seemingly firm control of the country. In short, Saudi Arabia had become a *rentier state*.

b. *Sporadic Nature Of The Oil Market*

However, in the mid-1980's oil prices plummeted almost as quickly as they had risen. Peaking in 1981, oil prices eroded and then fell sharply, especially when measured in constant (inflation corrected) dollars. Oil discoveries outside the Middle East raised non-OPEC oil supplies, which served to further depress oil prices. By 1983, Saudi Arabia incurred both budgetary and balance of payments deficits. However, seeing these deficits as a temporary aberration, the Saudi regime did little to cut public spending. The Saudi government instead opted to utilize its financial reserves accumulated during

¹⁷¹ Abir, 129.

the “Years of Plenty.” But contrary to expectations, deficits persisted through the end of the century, and by 1987 most of Saudi Arabia’s financial reserves had been exhausted.

Eventually the Saudi government began scaling back expenditures in the “projects” budget, including cuts in infrastructure, as well as in housing, health, and educational facilities. There were also drastic cuts made in aid to poorer Arab states. However, a wide range of expenditures including free health and educational services and numerous other subsidies, as well as the burgeoning and bloated civil service, were hardly touched for fear of public reaction.¹⁷² Nonetheless, despite the regime’s best efforts, further cuts were made due to mounting budget deficits. When the standard of living continued to fall, citizens began to view the once generous providers as corrupt and inefficient tyrants.¹⁷³ Thus *social contract* developed and implemented by the House of Saud had fallen prey to the sporadic nature of the oil market. Saudi Arabia’s persistent budget deficits and dependency on volatile oil prices were warning signs of growing structural problems in the Saudi economy that persist to this day. They were also, and more importantly, a warning that its past policy of using a large portion of the nation’s oil wealth to minimize internal tensions and religious friction could not continue indefinitely.¹⁷⁴ In short, the Saudi *social contract* was, and remains, in a state of disrepair and in dire need of reform.

¹⁷² Eliyahu Kandusky, “The Middle East Economies: The Impact of Domestic and International Politics,” *Middle East Review of International Affairs*, no. 2 (July 1997). Available [Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria797_kanovsky.html

¹⁷³ James Midkiff, *Saudi Arabia: A Kingdom In Decline*, (M.A. Thesis, Naval Postgraduate School, Monterey, California, 1995), 18.

¹⁷⁴ Cordesman, 51.

c. *Population Growth, Unemployment, And Employment Expectations*

In addition to the threat posed by a sporadic oil market, one of the greatest threats to the House of Saud is its inability to fulfill its end of the *social contract* due to exploding birth rates, employment expectations, and rising unemployment. The latest UN demographic statistics indicate that the birth rate in Saudi Arabia is now the highest in the world. The report states that “At the time when an Egyptian child is born every five minutes, a Chinese child every three minutes, an Indian child every two-and-a-half minutes, a Saudi child is born every minute.”¹⁷⁵ That number equates to a birth rate of almost 4percent per annum.¹⁷⁶ Saudi Arabia has a fertility rate of 6.48 children per woman. If these trends persist, the population of Saudi Arabia will double (from 20 million to 40 million) in the next 20 years.¹⁷⁷

This rapid population growth rate has recently become a major economic and political issue for the Saudi regime. Economic growth has not kept pace with population growth. Per capita income in Saudi Arabia has fallen from \$19,000 in the first half of the 1980’s to about \$7,000 at the end of the 1990’s.¹⁷⁸ With the 2000-2001 rebound in oil prices this figure may rise; but Saudi government officials know that following every boom there is a bust – it is only a question of time.

Closely related to the issue of high birth rates is that of increased unemployment. Current figures from the Ministry of Planning suggest that some 46

¹⁷⁵ *Saudi Gazette*, November 20, 1999.

¹⁷⁶ Statistics on Saudi birth rates vary from 2.2 percent to 4.2 percent per year. However, most experts agree that the number is somewhere between 3.5 to 3.8 percent per year.

¹⁷⁷ Cordesman, 31. Also see, “Saudi Arabia – The Energy Base,” Information Access Company (IAC) Newsletter Database, (1 November 1999).

¹⁷⁸ “Saudi Arabia – The Energy Base,” Information Access Company (IAC) Newsletter Database, (1 November 1999).

percent of the Saudi population was under 15 years old in 1999, with only 38 percent aged 15-39 years, and only 16 percent over 40 years.¹⁷⁹ The World Bank and ILO estimate that the annual growth rate of the working age population will rise from 3.06 percent per year in 1960-1975, and 3.51 percent in 1975-1990, to 3.91 percent during 1990-2010.¹⁸⁰ Other sources report the labor force growing at a phenomenal 5.7 percent.¹⁸¹ This represents the highest growth rate for the working-age population of any nation in the Middle East.

Thus, given the number of new Saudi citizens entering the job market each year, the task of generating more jobs for Saudi nationals has become critical. This is especially true in light of the fact that Saudi Arabia's civil service is already overstuffed with graduates who have become accustomed to being provided "cushy" jobs in government bureaucracies where little is expected of them. Until the recent upswing in the oil market, Saudi Arabia has experienced large budget deficits since the early-1980's; and with a per capita GDP that has dropped some 3.5 percent per year during that same period, the regime has recently reneged on its promise to find governmental positions for all of its graduates.¹⁸² This has served to exacerbate the mounting unemployment crisis in Saudi Arabia. In fact, the situation in Saudi Arabia has become so bad that the director of King Abd al-Aziz University in Jeddah estimated in 1999 that unemployment among Saudi graduates had risen to 27 percent from 12 percent in 1993.¹⁸³ According to some

¹⁷⁹ "Saudi Arabia," Economist Intelligence Unit (EIU) Ltd., (21 August 2000).

¹⁸⁰ Cordesman, 34.

¹⁸¹ Michael Field, "Modernizing the Middle East Economies," In *Economic and Political Impediments to Middle East Peace*, J.W. Wright JR., and Laura Drake (eds.), (London: Mac Millan Press, LTD., 2000), 23.

¹⁸² Cordesman, 51.

¹⁸³ "Saudi Arabia," Economist Intelligence Unit (EIU) Ltd., (21 August 2000).

estimates, the national unemployment rate among Saudis has reached 20 percent and is still climbing while others suggest that as many as one-third of Saudi's are unemployed.¹⁸⁴

In other words, with a strong Western-educated middle-class, with state bureaucracies already staffed beyond capacity, with greater numbers of Saudi students entering the work force every year, with unemployment on the rise, with explosive birth rates expected well into the future, and with declining per capita incomes, the pressure for change is mounting, to say the least. All of these issues considered individually are serious, but considered together they represent a growing threat to the House of Saud, if they are not effectively dealt with.

d. *Education*

The House of Saud is additionally threatened by the very educational system that it instituted for its citizens. The regime's failure to give direction to the educational system in Saudi Arabia, while at the same time vastly expanding the numbers of participants in the system, has had extremely detrimental effects on the country. As the Saudi budgetary shackles were unlocked in the aftermath of skyrocketing oil revenue, vast sums of money were invested into Saudi Arabia's higher education system. During the early 1970's, the only thing on the decline in Saudi Arabia was university entrance requirements. This was done by order of the government in order to "provide higher education to more students, who in addition to free education, housing, grants, book allowances, subsidized food and other privileges were assured [until recently] of

¹⁸⁴ Eliyahu Kandusky, "The Middle East Economies: The Impact of Domestic and International Politics," *Middle East Review of International Affairs*, no. 2 (July 1997). Available [Columbia International Affairs Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria797_kanovsky.html

government employment upon graduation.”¹⁸⁵ Again, the regime’s actions were motivated by many reasons, but chiefly by the need to defuse socio-economic tensions. Unrestrained by requirements to enter fields, such as engineering and the sciences which were desperately needed in the Kingdom’s developing economy, the majority of students opted for the less demanding humanities and social sciences.

Very small minorities of the university graduates were employed by the private sector upon graduation. The Saudi government employed all of those graduates not employed in the private sector. The vast majority of the latter flocked to the ministries and government agencies in Riyadh. By the early 1980’s, most of the Saudi bureaucracies employed three to four Saudis for every legitimate job, and then hired a foreigner to do the actual work. This aspect of Saudi Arabia’s *social contract* explains why the government currently employs 34 percent of the Saudi native labor force. However, with little chance for upward mobility, and with the government’s now refusing to guarantee employment to university graduates, Saudi citizens’ frustration is mounting. In short, the House of Saud has compromised its end of the social contract and thus risks losing what little legitimacy that it still enjoys.

In addition to the problem of increases in unemployed university graduates, university enrolment amongst the “lower class” has been on the rise. During the 1990’s, the relatively small but growing numbers of “lower class” students with secondary educations have chosen to attend Islamic universities with their traditional character and curriculum, easy admission requirements, and higher stipends. Unless well-connected, these “lower class” graduates rarely get appointed to high administrative

¹⁸⁵ Abir, 45.

posts. Thus, with no apparent chance of upward mobility, it is not surprising that these disenfranchised students, as one senior Saudi government official confirmed, have joined Islamic extremist organizations in greater numbers than any other segment of Saudi society.¹⁸⁶

There are additional unintended consequences of Saudi Arabia's commitment to increase its number of university graduates. In an effort to rapidly modernize, the Saudi government sent many of its brightest students to Western universities. When these students returned to Saudi Arabia, they were appointed to mid or high-level governmental posts, or employed by the private sector. This segment of the population made up a substantial portion of the growing middle-class in Saudi Arabia. This is exactly what the Saudi regime had hoped would happen. What it did not anticipate is that these same Western-educated people would become into a powerful force within Saudi Arabia and eventually begin to pressure the Saudi regime for a greater voice in government. While the reforms that King Fahd announced on March 17, 1991 did include the creation of a Council of Saudi Citizens, or *Majlis al-Shura*, this council is purely advisory in nature. In fact, in a speech given on September 23, 1992, the sixtieth anniversary of the founding of the monarchy, King Fahd stated that "The democratic systems prevailing in the world are systems which, in their structure, do not suit this region and our people...The system of free elections is not part of Islamic theology."¹⁸⁷ Thus, King Fahd clearly reiterated the notion that Saudi Arabia was and will continue to

¹⁸⁶ Eliyahu Kandusky, "The Middle East Economies: The Impact of Domestic and International Politics," *Middle East Review of International Affairs*, no. 2 (July 1997). Available [Columbia International Affairs Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria797_kanovsky.html

¹⁸⁷ Cordesman, 28.

be an absolute monarchy, much to the chagrin of many of the more progressive, Western-educated middle-class.

Furthermore, there is growing friction between graduates from the “secular” universities and those from religious universities – and between both of these groups and their Western-trained colleagues. The former two groups are incensed that the supposed fundamentalist House of Saud routinely prefers Western-educated Saudi students over them, assigning the Western-educated students to fill key positions in the central government and its agencies.

e. *Labor Issues*

The issue of expatriate workers in the Kingdom of Saudi Arabia is another enormous problem for the Saudi regime and, again, one of its own making. The labor problem is multifaceted. First is the problem of education.¹⁸⁸ The existing Saudi educational and cultural systems produce workers who are difficult to integrate into the private sector. In fact, the bulk of the graduates of the Saudi educational system do not have the skills to operate in a modern economy. Most Saudis with a secondary education attended Koranic schools and colleges whose only success has been in flooding the country with PhD’s in Islamic Studies and breeding leaders for Islamic extremist movements. While their education is suitable for government employment, it is of little use in the private sector.

¹⁸⁸ From 1990-1995 it was estimated that 574,800 Saudis would enter the work force, many having no skills or minimal educational training. The Ministry of Planning projected that 15.7 percent (90,400) of the entrants had not completed elementary education. An additional 22.1 percent (127,000) had only an elementary education. Secondary School graduates were estimated at 10.5 percent (60,500). High School graduates were estimated at 25.8 percent (148,500). Students holding post secondary technical degrees were only estimated to number 7,400 or 1.3 percent. University Graduates were estimated at 12 percent (68,600). The remaining 12.6 percent had vocational degrees. Wilson, 256-257.

Second is the problem of culture and motivation. The generations that have grown up since the 1970's expect to be provided for by the state and are unwilling to accept the discipline of a private sector job, a job of low status, or worst of all, a job entailing any form of manual labor.¹⁸⁹ Sir James Craig, a former British ambassador to Saudi Arabia, notes

[In the Kingdom there is] a disdain for any work which is not noble (*sharif*). Most people shy away from work which they consider ignoble. Not only do they reject all manual and menial work; they are also reluctant to undertake anything which is tedious or humdrum. Plumbing is manual and roadsweeping is menial; for these tasks they employ foreigners. But whereas making decisions is noble, the work of preparing to take decisions is ignoble; so the collection of facts, the collation of statistics, the checking of references, the planning of timetables is skimped. The results are sometimes disastrous.¹⁹⁰

Thus, with a dearth of technically competent workers or workers willing to perform manual labor, the Saudi economy has become increasingly reliant on foreign workers.¹⁹¹

Third, due to the massive influx of foreign workers in the past 30 years, Saudi unemployment has risen dramatically. According to statistics published by the Saudi Arabian Monetary Agency in 1999, the Saudi work force consisted of 7.2 million people. Of these, 2.5 million (34.7 percent) were Saudi citizens, with the remaining 4.7 million (65.3 percent) foreigners. Thus with 4.7 million foreigners working in Saudi Arabia, it is somewhat mystifying that "unemployment of [Saudi] men is estimated at up

¹⁸⁹ The only Saudis whose jobs entail manual labor are the Shi'ite population working in the oil sector in the Eastern Province. The Sunni population in Saudi Arabia believes manual labor is beneath them.

¹⁹⁰ Sir James Craig, "Valedictory Number two: The Saudi Arabians." Foreign and Commonwealth Office, 1984, as cited in Wilson, 256.

¹⁹¹ From the start of the First Five-Year Plan in 1970, the Kingdom's work force has grown at an annual rate of 8 percent, adding 4.3 million workers during the twenty-year period beginning in 1990. Most of the latter were foreigners, called in to build and then maintain the Kingdom's extensive infrastructure. The Saudi percentage of the Kingdom's work force has steadily contracted as a result. Saudi's made up 72 percent of the Kingdom's work force in 1975, 40 percent in 1980, and an estimated 33 percent in the 1990's. Some estimates place the Saudi content of the work force even lower. Wilson, 254.

to 35 percent,” as recently reported by Susan Sachs of the *New York Times*.¹⁹² Additionally, according to 1996 statistics, expatriates are employed overwhelmingly by the private sector, and despite strong official pressure to hire Saudis, only 7 percent of private sector employees are Saudi nationals, which again is due to their lack of training and poor work ethic.¹⁹³

Fourth is the problem of “hidden” unemployment. “Hidden” unemployment refers to those who are employed, but whose jobs are unnecessary. The overwhelming majority of Saudi bureaucratic positions meet this criterion. These are the jobs “made up” by the government in order to guarantee university graduates a prestigious job with a comfortable salary. Roger Owen estimates that as many as 90 percent of these bureaucratic positions are unnecessary.¹⁹⁴ If Owen’s statistics are even halfway accurate, then very few nationals are productively employed. With the recent upswing in the oil market, this problem is manageable. However, with a daily increase in the number of Saudis entering the work force, an already over-staffed bureaucracy, and a cultural aversion to certain jobs, an extended drop in oil prices could prove disastrous for the Saudi regime.

Therefore, the Saudi government must come to grips with its growing demographic problems and its over-dependence on foreign labor. Saudi Arabia’s high population growth rate is making the current level of subsidy and welfare too expensive for the Saudi government to sustain. At the same time, Saudi Arabia’s welfare economy

¹⁹² Susan Sachs, “Saudi Prince Urges Reform, and a Move From Shadow,” *New York Times* (4 December 2000).

¹⁹³ Eliyahu Kandusky, “The Middle East Economies: The Impact of Domestic and International Politics,” *Middle East Review of International Affairs*, no. 2 (July 1997). Available [Columbia International Affairs Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria797_kanovsky.html

¹⁹⁴ Roger Owen and Sevket Pamuk, *A History of Middle East Economies in the 20th Century* (Cambridge: Harvard University Press, 1999), 80.

has helped create a dependence on foreign labor that is both expensive and counter-productive to the “Saudiazation” of the labor force and the development of productive careers and realistic expectations among Saudi Arabia’s native population.

Fifth, the Saudi economy is not only hindered by one quarter of its citizens being out of work, but also by millions of foreigner workers repatriating between 13 and 15 billion dollars per year. Put into context, that number represents approximately 10 percent of the Saudi GDP.¹⁹⁵ Thus, the Saudi government suffers doubly for stubbornly clinging to a *social contract* that it has not been able to afford for almost two decades.

The combination of population growth and dependence on foreign labor may be the greatest threat to Saudi Arabia’s internal stability and possibly to the House of Saud’s longevity. Over-dependence on foreign workers threatens the structure of the Saudi economy, and the very fabric of Saudi society, because a rapidly growing citizenry and declining real per capita oil revenue both call for major new measures to force reliance on native Saudi labor. Even if the House of Saud had the political resolve to enact such measures, the very act of enacting them would destroy Saudi Arabia’s social contract. If the Saudi government pushed forward with these measures, the public outcry would be deafening and would almost certainly result in increased problems with Islamic extremism and with its Shi’ite minority. However, if these measures are not enacted, then the House of Saud is in danger of doing irreparable harm to its economy. It is therefore not surprising that one of the regime’s favorite ways of dealing with problems is

¹⁹⁵ Cordesman, 71.

“not to do anything and hope it goes away – sometimes it works, sometimes it doesn’t.”¹⁹⁶

4. Globalization

The Globalization phenomenon may prove to pose the single greatest threat to the House of Saud in the short term. Thomas L. Friedman believes that globalization is not just some economic fad or a passing trend, but instead he perceives it to be the dominant international system that replaced the Cold War system after the fall of the Berlin Wall. Friedman defines globalization as

The inexorable integration of markets, nation-states and technologies to a degree never witnessed before – in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before, and in a way that is enabling the world to reach into individuals, corporations and nation-states farther, faster, deeper, cheaper than ever before.¹⁹⁷

Thus, globalization poses a tremendous threat to the House of Saud on every front – political, social, religious, and economic – largely because it empowers individuals, and it does so largely at the expense of the state. This is especially the case in highly authoritarian and repressive societies such as Saudi Arabia.

Friedman argues that the driving force behind globalization is free-market capitalism. He explains, “the more you let market forces rule and the more you open your economy to free trade and competition, the more efficient and flourishing your economy will be.” He further contends that globalization’s economic rules “revolve around opening, deregulating and privatizing your economy, in order to make it more

¹⁹⁶ Daryl Champion, “The Kingdom of Saudi Arabia: Elements of Instability Within Stability”, *Middle East Review of International Affairs*, vol. 3, no. 4 (December 1999). Available [Columbia International Affairs Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria99_chd01.html

¹⁹⁷ Thomas, L. Friedman, *The Lexus and the Olive Tree* (New York: Anchor Books, 2000), 9.

attractive to foreign investment.”¹⁹⁸ These concepts – deregulating, laissez faire, becoming more transparent, essentially giving up control – are very threatening to a regime that owes its longevity to its ability to rule with an iron fist.

Additionally, globalization poses a threat to the House of Saud on a social and religious plane. Unlike with the bi-polarity of the Cold War, globalization tends to have a homogenizing effect.¹⁹⁹ According to Friedman, “Culturally speaking, globalization has tended to involve the spread (for better and for worse) of Americanization – from Big Macs to iMacs to Mickey Mouse.”²⁰⁰ Globalization technologies have facilitated the onslaught of Western culture in Saudi Arabia, creating complex problems for the House of Saud. For example, for the last decade satellite television, and particularly Western programming, has become very popular among the Saudi middle-class. In fact, Daryl Chapman contends that satellite television has had an especially large influence on “young Saudi males below the age of 20, creating the basis of a generation gap that may lead to social dislocation in the future.”²⁰¹ Thus, under pressure from the *ulama*, the House of Saud banned all satellite dishes in 1994, fearing that “Saudis would be able to obtain morally and politically harmful material that avoided state censorship.”²⁰² However, the Ministry of the Interior, responding to opposition by the prominent middle-class, has not enforced the ban. Thus, globalization’s advanced technologies have

¹⁹⁸ Ibid.

¹⁹⁹ In previous eras this sort of cultural homogenization happened on a regional scale – the Romanization of Western Europe and the Mediterranean world, the Islamification of Central Asia, North Africa, Europe and the Middle East by the Arabs and later the Ottomans, or the Russification of Eastern and Central Europe and parts of Eurasia under the Soviets. Ibid.

²⁰⁰ Ibid.

²⁰¹ Daryl Champion, “The Kingdom of Saudi Arabia: Elements of Instability Within Stability,” *Middle East Review of International Affairs*, vol. 3, no. 4 (December 1999). Available [Columbia International Affairs Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria99_chd01.html

²⁰² Dale F. Eickelman, *Muslim Politics*. (Princeton: Princeton University Press, 1996), 130.

divided Saudi society and made the House of Saud the center of criticism from both sides. What the House of Saud fears most, however, is the combined influence of culture creep, travel abroad, and studies in western countries on its young people. Champion quantifies the regime's fear stating, "Many of these young people will probably come to occupy positions of influence in Saudi society, threatening to challenge the traditional perspectives upon which much of the current social system is based, and therefore contributing to change from within the society."²⁰³ If Champion's prediction proves accurate, then the House of Saud, as the keeper of the two holy places, may soon have a destabilizing social revolution on its hands.

The way in which the opposition uses globalization's new technologies poses another major threat to the House of Saud. Central to the Saudi oppositions' vision is the idea that "Islam" and its values are under attack both globally and locally, and that the Saudi government has failed to protect Islam and Muslims. Mamoun Fandy explains that, "New communications technologies [have] allowed marginal groups to elaborate a new transcript or a cultural paradigm, to construct new identities, and to rewrite the story of Saudi Arabia."²⁰⁴ Globalization's new technologies – fax machines, videos, photocopiers, satellite television, cellular phones, and especially the miracle of real-time two-way communications on the World Wide Web – have empowered marginal figures to promote their political programs free of risk and without any domestic interference. Thus, when CNN or the other major news networks latch onto these figures, sensationalize their stories, and beam their messages back to the Middle East via satellite

²⁰³ Daryl Champion, "The Kingdom of Saudi Arabia: Elements of Instability Within Stability," *Middle East Review of International Affairs*, vol. 3, no. 4 (December 1999). Available [Columbia International Affairs Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria99_chd01.html

²⁰⁴ Fandy, 5.

television or the internet, then the opposition gains legitimacy through their apparent international credibility. Therefore, if the Ayatollah Khomeini was able to topple the powerful Shah of Iran using cassette tapes passed hand to hand, how much more threatening are these new technologies to a regime like the House of Saud? Thus globalization threatens the House of Saud politically by giving the opposition a risk-free forum to air their grievances not only to their fellow Saudis, but also to the world.

D. CONCLUSION

The internal threats facing Saudi Arabia are much more complex and more threatening to the House of Saud than its external threats. The internal threats facing the Saudi regime are multi-dimensional and deeply woven into the fabric of Saudi society because they involve almost every aspect – political, social, religious, and economic – of Saudi culture. Saudi Arabia is only as strong as the loyalty of its citizens, and this loyalty is ultimately dependent on the Saudi regime's ability to maintain its legitimacy. While the House of Saud's legitimacy formula is a complex one, today the dominant ingredient is economic in nature. As stated before, the Saudi regime's legitimacy is now closely associated with its ability to fund Saudi Arabia's *social contract*. However, the House of Saud devised its *social contract* during a decade-long oil boom, when the Saudi population was just a fraction of what it is today. With two-thirds of the Saudi population having been reared during the *rentier era*, Saudis are accustomed to a relatively high standard of living. However, because Saudi Arabia is a *rentier state*, by definition it is almost entirely reliant on its oil revenue to fund its *social contract*. Therefore, because the oil market is sporadic and the length of the booms and busts are

unpredictable, the Saudi regime is now stuck with a *social contract* that is both unaffordable and ultimately may prove to be its undoing.

During the bust economy of the 1980's and 1990's, the Saudi regime kept afloat by depleting its cash reserves, running large deficits, and (finally) making small annual cuts in its subsidies and welfare payments. However, with the highest birth rate in the world and sky rocketing unemployment, this option will only be available to the regime for a short time,²⁰⁵ if in fact the time has not already passed. Although the Saudi government has been implementing reforms (see Chapter 5) that are aimed at buttressing and slightly altering its failing *social contract*, its actions may not go far enough to fend off major economic complications in the future.

In any event, the clock is ticking. In twenty years the Saudi population will double to 40 million people. At the rate that the House of Saud is implementing change, no matter how high the price of oil gets, it will not be able to fund its end of the *social contract*. Hence, the question is begged, what happens then?

Due to Islamic laws and the conservative nature of the Saudi government, its options are limited. While trying to broaden its political base and implement change, it is constantly challenged by a fractionalized population, no matter which direction it attempts to go. Anthony Cordesman rightly states that, "Any analysis of the royal family's effort to broaden and restructure its political base must also take account of the fact that Saudi Arabia is caught up in a constant struggle between efforts to preserve the

²⁰⁵ The caveat here is if oil prices were to remain high indefinitely, then it would buy the House of Saud a longer amount of time.

nation's character as an Islamic state and the need to adapt religious and social customs to modern social and economic needs."²⁰⁶

Thus, Saudi Arabia's diverse population, its oil economy, its *social contract*, its various reforms, and the Koran have all served to back the Saudi regime into a corner.

²⁰⁶ Cordesman, 23.

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V. REFORM AND THE HOUSE OF SAUD: RHETORIC VS.

ACTION

A. INTRODUCTION

If anything is true of the House of Saud regarding reform, it is that its rhetoric rarely matches its actions. Regardless if one evaluates political, social, religious, or economic reforms, the Saudi regime rarely proposes any type of reform unless it believes that the stakes are so high that the very continuance of its rule is threatened if changes are not made. Under these extreme conditions, in order to placate the opposition, then and only then does the Saudi regime promise to enact new reforms. Historically a wait-and-see period then ensues. If the promise of future reforms suffices to restore a requisite degree of civility to the country, then the regime reverts to the status quo, and the proposed reforms are shelved until a threat reappears. If the opposition continues to escalate even after the reforms are proposed, then the regime enacts *changes* that are largely symbolic, and but which essentially maintain the status quo. Thus, in either case, there is little deviation from the status quo. These antics are straight out of the omnibalancing tool box, again strengthening the argument that the House of Saud has been motivated by narrow self-interest which has expressed itself in the obsessive quest to preserve the ruler's power at all cost.

This chapter focuses on reforms proposed and enacted by the House of Saud in the past decade. It identifies two major themes regarding reforms proposed by the House of Saud. First, the Saudi regime is bent on preserving the status quo; and second, even when the Saudi regime actually wants to implement real changes, it is largely thwarted due to obstacles of its own making. Additionally, the chapter argues that the House of

Saud will not be able to maintain the status quo indefinitely due to mounting internal and global changes.

B. DRIVING FORCES BEHIND SAUDI POLITICAL AND ECONOMIC REFORM

That oil has substantially altered the relationship between the state and society in Saudi Arabia is indisputable. However, the effect of this change, especially on the nature of political demands emanating from Saudi society, is a more contentious issue. The majority view is that the increased standard of living enjoyed by the populace in conjunction with the dominant role of the state in financing this increased standard of living has served to reduce demands for political representation and participation. Giacomo Luciani, one of the great apologists for the *rentier state* phenomenon states it this way: “The fact is that there is no representation without taxation and there are no exceptions to this version of the rule.”²⁰⁷ In other words, oil wealth has lessened the need for the House of Saud to include its population in the decision-making process.²⁰⁸

This paradigm of the relationship between the *rentier state* and political participation was largely accurate through the 1970’s and 1980’s. During this period the people’s lack of a political voice did not affect the stability or legitimacy of the House of Saud, despite the social upheaval brought about by massive oil wealth and the political pressures of the Iranian Revolution and the Iran-Iraq War. Generally speaking, the first generation of *rentier* recipients in Saudi Arabia saw vast improvements in their standard of living and credited the House of Saud, at least in part, for these changes.

²⁰⁷ Giacomo Luciani, “Allocation v. Production States: A Theoretical Framework,” in Luciani, (ed.), *The Arab State* (Berkeley: University of California Press, 1990), 76-66.

²⁰⁸ Gause, 78-79.

However, Saudi Arabia has been a *rentier state* for some thirty years, and the majority of its citizens now view the economic benefits of Saudi Arabia's oil not as largesse on behalf of the ruling family, but as a right of Saudi citizenship. In Saudi Arabia the state has become the generator of economic development, the major employer, and the provider of numerous services, and is thus central to the daily lives of its citizens.

Gause states that

Much as taxpayers want responsible governments to spend their money, the beneficiaries of *rentier states* want responsible governments to sign their checks. Their financial dealings with the state are as important to their daily lives, if not more important, as those of taxpayers in the Western democratic countries. A sudden change in the state policy in the Gulf monarchies could mean higher rents, mortgage payments, health care costs, food bills, and utility bills; it could mean the loss of one's job and livelihood.²⁰⁹

It is precisely because the state had become so important and so powerful that the Saudi citizens began to agitate for a political voice. Thus, at one time massive oil wealth had reduced demands for participation in governmental affairs, or at had given the rulers the resources to divert what demands there were. However, by the 1990's the process of state growth and educational expansion had led to a new wave of participatory demands from Saudi citizens.²¹⁰

C. POLITICAL REFORM

Saudi Arabia's mounting social and economic pressures came to a head during the Gulf War. Facing unprecedented expressions of political disapproval from virtually every pocket of Saudi society, the House of Saud was convinced that "now" was the time to announce a new round of reforms. On August 5, 1990, King Fahd reorganized his

²⁰⁹ Ibid., 81-82.

²¹⁰ Ibid., 82-84.

cabinet and began hinting of future political reforms. On March 1, 1992 those hints were fleshed out when King Fahd announced three royal decrees. Among the decrees was the often-promised (but never enacted) formation of the Council of Saudi Citizens, or Consultative Council (*Majulis al-Shura*). Additionally, the King announced the introduction of a basic body of governing laws and increased autonomy for Saudi Arabia's fourteen provinces.

1. Petitions, Memorandums, And Political Reform

a. *Secular Petition*

The King's rhetoric in 1990 was apparently taken as an indication that the House of Saud was at least somewhat open to allowing Saudi citizens to present their demands in more organized ways. Losing no time, the first in a series of petitions was drafted by forty-three public figures, mostly from secular backgrounds, and was circulated in late 1990. It became known as the "liberal petition" (see Appendix A). The signators proposed ten reforms with three major themes: 1) recommendations pertaining to the issue of representative institutions, 2) the importance of fairness and consistency in the application of the rule of law, 3) concern with curbing the arbitrariness in state actions, specifically calling for the establishment of a basic system of government, investigation and reworking of all aspects of the judicial system, total equality among all citizens, comprehensive reform of the Association for the Propagation of Virtue and the Deterrence of Vice, changes in laws governing Muslim women, and changes in laws governing education.²¹¹

²¹¹ Jerichow, 50-52.

b. *Islamist Petition*

In February of 1991, shortly after the liberal petition was circulated, over 400 of Saudi Arabia's top religious leaders promulgated the more critical "Islamist petition" (see Appendix B). This petition began by castigating the Saudi regime as follows: "In this critical period, everybody has recognized the need for change. We therefore find that the most requisite duty is to reform our present conditions that have caused us to suffer these tribulations. Consequently, we ask that the ruler of the nation check the deterioration of these conditions, which need reform in the following area..."²¹² The petition then went on to make twelve specific points. Other than being more acrid and religious in tone, and addressing domestic and foreign policy issues, it shared all of the same themes as the secular petition. However, what gave this petition devastating potency was the fact that Shaykh Abd al-Aziz bin Baz, the most eminent religious figure in Saudi Arabia and head of the government-appointed Council of Senior Scholars and the Institution of *Ifta* and Scholarly Research,²¹³ was among its senators. Directly confronted by one of the most important groups in its legitimacy equation – the government-appointed *ulama* – the House of Saud realized that after years of holding out the "carrot," it might finally have to deliver.²¹⁴

c. *The Shi'ite Petition*

At the end of 1991 the leaders of Saudi Arabia's Shi'ite community in the Eastern Province delivered yet another petition to King Fahd. Again this petition reiterated the main themes of the previous two petitions. However, it specifically

²¹² Ibid., 52.

²¹³ The Institution of *Ifta* and Scholarly Research is the government agency that is in charge of all religious matters.

²¹⁴ Gause, 96-97.

requested that the King include the Shi'ite community in any future reforms and uphold their rights as Saudi citizens. It raised four Shi'ite-specific issues dealing with: 1) the harassment of Shi'a in the performance of their religious rites and lack of financial support for the building of Shi'ite mosques and religious institutions, 2) the discrimination against Shi'a in hiring practices by the government and state companies, 3) the "obstacles...being deliberately placed to prevent them [Shi'a] from admission" into Saudi universities, and 4) the allegation that the Saudi Armed Forces deliberately blocked the Shi'a from "defending the soil of this country."²¹⁵

Thus, it is interesting that of the three petitions, none advocated doing away with the Saudi regime. Instead, these petitions expressed support of the House of Saud while at the same time calling for limits on the regime's power. The petitions represented *mainstream* opinions coming from every corner of the kingdom, representing every strata of Saudi society, and they all had the same request – more involvement in the political decision-making process. Thus, the evidence is quite compelling that while in their early years; policies in *rentier states* may tend to temporarily "depoliticize" citizens. However, over the long-term, this is not the case.

d. *The Basic System of Government*

In March of 1992, in an effort to stifle the unprecedented criticism that the Saudi regime was receiving, the King announced the enactment of the Basic System of Government and reemphasized his intention to create the Consultative Council. The foundation of the Basic System of Government is the Koran and the *sunna* (traditions) of the Prophet Muhammad. Although many Westerners refer to this document as the Saudi

²¹⁵ Ibid., 98.

constitution, the Saudi regime specifically maintains the position that “Saudi Arabia, as the Islamic state par excellence, has no need for a formal constitution.”²¹⁶ However, the Basic Laws were intended to demarcate the foundations of the state and the distribution of political powers within it.

The new laws did codify existing legal traditions and constitutional rules in Saudi Arabia, thus making it easier for citizens to challenge their validity and appeal for their change. However, the new laws did not break any new ground in providing protection for most fundamental human rights. Actually, in some key areas, such as elections and the mandate of the Consultative Council, the new laws amounted to backsliding from previous legislation. Such shortcomings are especially glaring in Saudi Arabia where its citizens do not have a bill of rights, where the government has rejected most internationally recognized human rights agreements, and where the government has historically engaged in the systematic violation of civil and political rights. Furthermore, the need to spell out human rights explicitly is all the more important since there is no constitutional court in the country. Thus, the implementation of the Basic Laws was just another example of the Saudi regime’s form-over-substance policies conceived in the turmoil that it was designed to dampen.

e. *Memorandum Of Advice*

The distribution of the Sahykh bin Baz-endorsed Islamist petition coincided with the ending of the Persian Gulf War and paved the way for public dissent throughout Saudi Arabia. This was especially true of elements in the Islamic movement which pushed against the outer limits of tolerated criticism. Numerous university

²¹⁶ Ibid., 106.

lecturers and mosque preachers chastised the House of Saud on a myriad of points. As these groups became increasingly brazen, Shaykh bin Baz publicly condemned the religious militants who criticized the regime in December 1991. In fact, at the end of January 1992, King Fahd addressed the Council of Ministers and the senior religious officials warning them that “If matters exceed their limit, then for every action there is a response.”²¹⁷ In addition to his warnings, “the stick,” King Fahd announced “the carrot” on March 1, 1992. He put forth the three royal decrees (previously mentioned) that established *important changes* in the Saudi domestic political system (a Basic System of Government, a Consultative Council, and a system of regional governors). However, these decrees were lost on over 100 members of the *ulama* who in the summer of 1992 signed a forty-six page “Memorandum of Advice” (*muzakkarat al-nasiha*) to the King. This document was unique on many points – its tone, bluntness, depth of criticism, widespread dissemination, and revolutionary suggestions.²¹⁸ While it echoed and expanded upon many of the same points of the earlier petitions, its authors made a radical leap when they advocated making the *ulama* a separate and coequal branch of government. It was thus unprecedented in its exacting criticisms and radical suggestions.

²¹⁷ *al-Hayat*, January 28, 1992, 1.

²¹⁸ The Memorandum began with the assertion that the Saudi people and government displayed a “lack of seriousness” in abiding by the *shari’as*. It complained that the *ulama* were being marginalized in the policy process, their *fatwas* relating to policy issues were being ignored, and their independence was being circumscribed by state restrictions and prohibitions. Foreign legal codes, particularly on business and financial issues, were being introduced and secular judicial bodies set up, diluting the role of the *shari’a* in society and introducing “paganistic” (*al-taghut*) practices into the kingdom. “All this,” the Memorandum read, “may lead to the separation of religion from the reality of the life of the people.” The signers called for truly independent religious institutions, with sources of revenue independent of the state, and for the equivalent of a religious “supreme court” with the power to invalidate any law or treaty found to contravene the *shari’a*. In effect, they advocated making the *ulama* a separate and coequal branch of government. Gause, 35.

f. Consultative Council (*Majulis al-Shura*)

Having adopted the Basic Laws in March 1992, and with open criticism of the House of Saud continuing to increase, King Fahd took an additional step towards making the long promised Consultative Council a reality. On September 23, 1992, the sixtieth anniversary of the founding of the monarchy, King Fahd appointed Mohammed bin Ibrahim bin Jubair as speaker of the still nonexistent Council. However, even when he did that, it remained unclear as to whether the King would follow through with his promise when he delayed appointing the council, stating that, “The democratic systems prevailing in the world are systems which, in their structure, do not suit this region and our people...The system of free elections is not part of Islamic theology.”²¹⁹ With dissent still widespread, on August 21, 1993, King Fahd conceded, and appointed 60 members to the first Council, with the Council’s inaugural meeting occurring in 1994.

The long evolution in the creation of the Consultative Council exemplified both the tenacity with which the House of Saud guards its power as well as the “form over substance” policies typical of the Saudi regime. King Fahd’s words bore this out when over state television he read his decree making it painfully clear that the role of the Consultative Council was purely advisory. He also stated that he was retaining all of the power of the monarchy, and, again, that Saudi Arabia would remain an Islamic state and would not become a Western-style democracy.²²⁰ Also, a critical precondition to forming the Council was the understanding that the King retained the power to appoint or dismiss all Council members. Therefore, it is ironic that even though the Consultative Council

²¹⁹ Cordesman, 28.

²²⁰ *Washington Times*, August 22, 1993, A-9., as cited in Cordesman, 28.

was devoid of any *real* power, the House of Saud was quick to promise its creation during times of trouble, but extremely hesitant in following through with its promise.

g. *System of Regional Government*

The third decree that King Fahd announced on March 1, 1992 regarded reforming the system of regional governance of the Kingdom's fourteen provinces. Again, this decree was largely one of form-over-substance." Although the statute was advertised as 1) giving provincial governors greater autonomy on spending and development priorities in their regions, and 2) authorizing the establishment of provincial consultative councils on the model of the national Consultative Council,²²¹ the fact remains that to this day all of the governors remain members of the House of Saud. The question thus becomes, will a provincial governor (a prominent member of the royal family) take a course of action in his province that is inconsistent with family leaders at the national level, especially when he knows that he can be replaced at the whim of the King? Therefore, what was billed by the Saudi regime as a major effort to decentralize the authority in the Kingdom was somewhat of a ruse.

h. *Conclusion: Political Reform*

The royal decrees put forth on March 1, 1992 were an attempt by the House of Saud to regain favor with the constituencies that the regime relied on to maintain Saudi Arabia's stability. The popular indignation that came to a boiling point after the Persian Gulf War, depicted by the flood of petitions and memorandums signed by literally every constituent in Saudi Arabia, was too great for the King to ignore. While King Fahd's predecessors had previously committed themselves to these kinds of

²²¹ Gause, 110.

changes only to indefinitely postpone their implementation, the crisis in which King Fahd found himself forced him to act. Although the petitions shared many of the same themes and came from opposite ends of the political spectrum – the liberals and the Islamists – the King had to remember his most important constituency, the royal family itself. Thus, in typical fashion, while attempting to bolster support from his liberal and Islamist constituencies, the underlying objective of these *reforms* was to reassure the ruling family that its position was not being challenged. While these reforms did make minute and mostly superficial changes to Saudi Arabia’s political system, they surreptitiously reconfirmed the absolute authority of the ruling family.

While these reforms went a long way in smoothing over the fractures between the regime and the majority of Saudi citizens, for a time in the mid-1990’s the House of Saud appeared headed for a period of acute instability. Financial crisis had hit the country during 1993 and 1994, and 1995 ushered in a cycle of violence that lasted until the following summer.²²² Concurrently, the House of Saud was feverishly repressing opposition movements that had surfaced both inside the country and abroad.²²³ However, Champion notes that by 1997 “it was clear that the political opposition had been effectively silenced – domestically, through repression and, internationally, through various means of pressure in collusion with Western

²²² The August 1995 execution of an opposition activist in the kingdom, for example, was followed in November by the bombing of a U.S.-run Saudi National Guard installation in Riyadh. Less than a year later, the beheading of four Saudis on May 31, 1996 for the Riyadh bombing was again followed by an opposition attack. This time, a much more devastating bomb hit U.S. military barracks in Khobar, near the eastern city of Dahrán, on June 15. Nineteen American servicemen were killed in this attack. Daryl Champion, “The Kingdom of Saudi Arabia: Elements of Instability Within Stability,” *Middle East Review of International Affairs*, vol. 3, no. 4 (December 1999). Available [Columbia International Affairs Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria99_chd01.html

²²³ The Committee for the Defense of Legitimate Rights (CDLR), which was established in London in 1994 was one of the regime’s primary targets.

governments, agencies, and multinational interests, as demonstrated by the two-year string of affairs surrounding the CDLR and Mas'ari in the UK.”²²⁴

D. ECONOMIC REFORM

1. The Saudi Economy

The Saudi Economy has been in various stages of crisis for the past two decades and is unlikely to ever regain the strength that it had during the heady oil boom of the 1970's.²²⁵ Acknowledging this fact, the Saudi regime has attempted to diversify its economy in order to reduce its dependence on the fluctuating oil market.²²⁶ To date their efforts have largely failed. As a result, Saudi revenues still are prone to extreme fluctuations as evidenced most recently by the near tripling of the price of a barrel of oil since January 1999.²²⁷ Fiscal planning therefore remains at the mercy of forces largely outside the government's control. Most would agree that the Saudi regime has faced and will continue to face serious economic hardships in the years to come.

The oil market crash of 1983 brought recession to Saudi Arabia and ushered in an era of high budget deficits which persisted through the end of the century. Exacerbating the problem of weak oil prices was the tremendous burden of funding Iraq during its 10-

²²⁴ Daryl Champion, “The Kingdom of Saudi Arabia: Elements of Instability Within Stability”, *Middle East Review of International Affairs*, vol. 3, no. 4 (December 1999). Available [Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria99_chd01.html

²²⁵ The extreme fluctuations in oil prices are quite evident when evaluating the oil price crash of the 1980's, in which oil prices slumped from their historic highs – briefly touching \$40 per barrel in 1982 before dropping below \$10 per barrel in 1986, and generally staying below \$20 per barrel until 1999.

²²⁶ The Saudi government has made efforts to reduce Saudi Arabia's dependence on oil wealth, but the petroleum sector still accounts for about 90 percent of all Saudi export revenues, 75 to 85 percent of all budget revenues, and 53 percent of the Saudi GDP. Other activity accounts for 35 percent of GDP, but virtually all of this percentage is petroleum oriented, and more than 55 percent of Saudi capital investment still goes to oil and petrochemicals. While agriculture accounts for up to 10 percent of the GDP, it only does so because of vast government subsidies and the waste of irreplaceable “fossil” well water. Cordesman, 51.

²²⁷ F. Gregory Gause III, “Saudi Arabia Over A Barrel,” *Foreign Affairs* (May/June 2000): 80.

year war with Iran. This cost Riyadh some \$26 billion of its \$100 billion reserves.²²⁸ Additionally, after the termination of the Iran-Iraq war, the Saudi regime received only a short reprieve before it found itself funding yet another major conflict – The Persian Gulf War – which in the end cost Saudi Arabia some \$65 billion. This conflagration of events almost entirely depleted the House of Saud’s foreign holdings and official reserves. Concurrently, domestic frustration was on the rise as Saudi per capita income, which was around \$14,000 in the early 1980’s, dropped to about \$6,000 by 1994. Although the Saudi regime made some cuts in their budget, they did not go far enough; deficits persisted, and thus by 1994 “Saudi economic activity gradually ground to a halt.”²²⁹

2. Budget Cuts And Revenue Increases

Additional measures were taken by the House of Saud to balance its budget. First, it canceled numerous high dollar development projects. Second, the Saudi government delayed payments to suppliers and contractors, on many accounts for up to three years. However, these actions seriously affected Saudi entrepreneurs and the middle class. Furthermore, these actions increased the number of unemployed among school and university graduates as well as lower class Saudis. Yet, despite the recession, growing unemployment, and the other severe hardships that the Saudi population faced, the one area of the budget that was immune from cuts was the stipends received by the royal family. Thus, the House of Saud’s avarice became even more pronounced in the eyes of its citizens.

²²⁸ Ibid., 82.

²²⁹ Mordechai Abir, “Saudi Arabia in the 1990s: Stability and Foreign Policy,” *The Jerusalem Center for Public Affairs* (September 1997). Available [Columbia International Affairs Online]: <https://www.cc.columbia.edu/sec/dlc/caio/pbei/jcpa/abm01.html>

Third, the government began to scrutinize applicants to Saudi universities. Abir explains that “Admission to universities, which had been practically automatic and entitled students to meaningful remuneration and eventually assured them of respected government employment, was made far more difficult.”²³⁰ Thus, as educational and employment opportunities evaporated, students increasingly disapproved of the regime and of the royal family’s excesses.

By 1995, Saudi Arabia’s economic situation was desperate. The House of Saud had been unwilling to pursue the additional spending cuts and revenue increases required to offset the low oil prices of 1995. Essentially, the Saudi economic plan called for austerity without reform, and the IMF indicated that it would take massive reform for Saudi Arabia to really come to grips with its problems.²³¹ Although the International Monetary Fund’s (IMF) suggested cuts went largely unheeded, from 1995-1997 Saudi Arabi’s budget deficits were the smallest that they had been in years, averaging less than \$5 billion per year. Once again, strong oil prices, more than anything else, were responsible for the improved situation.

Nevertheless, deficits persisted, but nothing seemed capable of curbing Saudi spending habits. When the Saudi regime ran out of cash reserves to its deficits, they began borrowing on the domestic market.²³² Again in 1998 Saudi Arabia returned to the

²³⁰ Mordechai Abir, “Saudi Arabia in the 1990s: Stability and Foreign Policy,” *The Jerusalem Center for Public Affairs* (September 1997). Available [Columbia International Affairs Online]: <https://www.cc.columbia.edu/sec/dlc/caio/pbei/jcpa/abm01.html>

²³¹ The IMF called on the Saudi government to enact the following cuts: 1) Freezing total government expenditures at their 1995 level, 2) A consumption tax of 5 percent; an excise duty of 10 percent on goods like jewelry, clothes, and vehicles; a 2 percent turnover tax for local and foreign companies, 3) a 29 percent increase in gasoline and diesel fuel prices in 1996-1997 and subsequent price rises to match inflation, 4) an annual wage cut of 1 percent in government wages in 1996-1997 and a 2 percent cut in 1998-2000, and 5) further reductions in all subsidies to the minimal level necessary to preserve the social safety net. Cordesman, 62-63.

²³² Saudi Arabia’s domestic debt in 2000 was estimated to be as much as \$133 billion, more than 100

precipice of economic disaster when oil prices dropped, and its budget deficit (as a percentage of its GDP) reached double digits. This prompted Crown Prince Abdullah to announce at a Gulf Cooperation Council (GCC) summit meeting in December of 1998 that “The age of abundance is over...We must get used to a new lifestyle that does not rely entirely on the state.”²³³ In 1998, despite their financial woes, the Saudi government only made half-hearted attempts to reduce government spending and raise revenue. By 1999, the House of Saud made another round of politically unpopular reforms; but these too were small in scope.²³⁴ For example, the Saudi regime increased the prices for gasoline, phone services, and visas; yet those increases only generated an estimated \$1 billion in a year in which Saudi Arabia’s deficit was slightly over \$9 billion.²³⁵ Needless to say, more economic reform was needed.

3. Economic Reform

a. Privatization

Saudi Arabia’s 2000-2005 development plan acknowledges the need to reduce state involvement and increase private sector – including foreign – participation and investment in the economy. In a recent speech, Crown Prince Abdullah stated that

percent of GDP – a level of domestic debt that approaches the limits set by the Organization for Economic Cooperation and Development and the Bank of International Settlements for fiscal soundness. Gause, “Saudi Arabia Over A Barrel,” 83.

²³³ Ibid., 82.

²³⁴ To this day the Saudi government maintains price controls for basic utilities, energy, and many agricultural products. Water and electricity, for most consumers, are subsidized, with consumer prices often well below the cost of production, especially for potable water. Petroleum products and feedstocks for petrochemical industries are provided at below world market pricing, presumably reflecting discounts for lower costs in production and transportation. The government maintains that local petroleum prices that are below world market averages (e.g., a gallon of gasoline sells for \$.90 at the pump) reflect the low costs of production. 1999 Country Report on Economic Policy and Trade Practices – Saudi Arabia, Bureau of Economic and Business Affairs U.S. Department of State, March 2000. Available [Online]: http://www.state.gov/www/issues/economic/trade_reports/saudi.html

²³⁵ Gause, “Saudi Arabia Over A Barrel,” 84.

“The Kingdom has adopted a comprehensive policy for economic reforms. It has chosen the privatization route as a strategic option to augment the role of the private sector and increase efficiency and productivity.”²³⁶ Although the House of Saud has spoken of privatization for years, it has dragged its feet in forcing the issue until recently. Here again omnibalancing possesses significant descriptive powers. By privatizing the economy, the royal family and wealthy merchant class stand to land massive windfalls,²³⁷ however, at the same time the Saudi regime has feared that the privatization of state-run businesses would result in widespread layoffs for Saudi citizens, as well as be met with resistance by civil servants,²³⁸ the private sector,²³⁹ and some members of the royal family. Although many of these fears are justified, the Saudi regime recently privatized its telecommunications sector and is in the process of privatizing its power sector and utility services.

However, privatization may prove more difficult than the House of Saud currently acknowledges. The Saudi government will have a difficult time divesting itself of state-owned corporations which are heavily subsidized and that operate at huge losses (such as its national airline *Saudia*). Additionally, a takeover of major sectors of the economy by powerful, capital-rich families, comprising both royalty and merchants,

²³⁶ Available [Online]: <http://www.saudinf.com/main/y1572.htm>.

²³⁷ Privatization represents a major step in an economic liberalization process that could truly revolutionize the Saudi economy. The privatization of Saudi Arabia’s massive state-run corporations requires a massive amount of capital. Indeed, most of the \$50 to \$200 billion of Saudi funds overseas, which would provide the bulk of these investments, belongs to the House of Saud and a few large merchant families. Such investments would give a few powerful families and princes a controlling stake in the economy. They would wrest the power over the economy from the civil servants who presently control SAMA, SABIC, the Ministry of Finance and SIDF. Jean-Francois Seznec, “The Gulf Capital Markets At A Crossroads,” *The Columbia Journal Of World Business*, (Fall 1995), 13.

²³⁸ The civil servants in charge of running Saudi Arabia’s economy represent a modern Weberian bureaucracy. They are mostly well-trained and genuinely seek to protect the public interest. They have sought in the past to spread the benefits of industrialization to the public, while limiting the emergence of large shareholders and speculative activities. Ibid.

²³⁹ Private sector fears revolve around the potential for a very small number of phenomenally wealthy individuals to buy up these massive corporations and, in so doing, control Saudi Arabia’s economy. Ibid.

could aggravate social tensions and widen the rich-poor gap, thus inciting anti-government opposition groups. Thus, even though the Crown Prince endorses privatization as the cornerstone of his economic reforms, and many in the royal family are positioned to exponentially expand their wealth and power, the word is still out on whether the benefits outweigh the risks to this weak regime.

b. “Saudiization” And Educational Reform

In 2000, depending on the source, Saudi Arabia’s population was estimated at roughly 22 million, five to seven million of which were foreign workers. In a May 8, 2001 report, Saudi’s Labor Ministry stated that the foreign work force in Saudi Arabia had to be slashed to one million from the current seven million within the next 30 years in order to make way for Saudi job seekers. According to ministry statistics, the labor market will offer a total of 13.5 million jobs, while the Saudi work force will swell from 3.2 million at present to 12.5 million, thus leaving one million jobs for foreigners. In order to achieve this goal, the report indicated that the government and private sector had to work together to transfer more than 150,000 jobs per year from foreign to Saudi hands.²⁴⁰

To this end, the government’s most recent “Saudiization” plan necessitates radically revamping educational and training programs – along with some social engineering – to ensure that young Saudi nationals are technically qualified, and willing, to take jobs currently filled by expatriates. Saudiization, however, has been around since the early 1980’s and has encountered enormous problems, not the least of which is the

²⁴⁰ Unattributed, “Saudi To Slash Foreign Labor By Six Million,” Riyadh (AFP), May 08, 2001.

mudir syndrome²⁴¹ – which dictates that nothing less than a position of authority, status, and respect is honorable. Another major hurdle Saudiization faces is that “estimates indicate that 27.9 percent of new labor market entrants during the Sixth Plan period [2000-2005] will be dropouts from elementary level and adult vocational training programs.”²⁴² Thus, despite the lofty goals recently articulated by the Ministry of Labor, according to Abdullah al-Shidadi, it will likely take at least a decade to counter these problems [of training the currently unqualified Saudi nationals for private sector jobs and curbing the social stigma associated with technical and vocational jobs] and attain the desired economic and social benefits.²⁴³

The House of Saud has adopted other tactics to facilitate Saudiization. It has established quantitative targets of employment of nationals in certain private companies. It has also provided incentives for hiring and training nationals, and it is trying to increase the cost of foreign labor through visa and other fees. But, according to Abdelali Jbili, assistant director of the IMF’s Middle East Department, “these measures [government hiring incentives, tariffs, and fees] alone cannot make a dent in the problem [of significantly reducing unemployment among nationals]. Even worse, if these targets

²⁴¹ Coined by Daryl Champion, the *mudir* syndrome entails the “hierarchical” view of jobs. *Mudir* is the Arabic word for “director.” The *mudir* syndrome stems from a bedouin legacy in which a man’s role is seen to be that of a warrior and desert survivalist, and in which manual work is not honorable. Senior Saudis are worried about the “morale” effects of this attitude. The trait is widely acknowledged and is recognized as an obstacle to progress in reducing unemployment and improving the kingdom’s long-term economic prospects. Additionally, Saudi Arabia’s legacy of slavery – in which slaves conducted all manual labor -- may also be a contributing factor in the persistence of the syndrome. Daryl Champion, “The Kingdom of Saudi Arabia: Elements of Instability Within Stability,” *Middle East Review of International Affairs*, vol. 3, no. 4 (December 1999). Available [Columbia International Affairs Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria99_chd01.html

²⁴² Ministry of Planning, Sixth Development Plan, 171, *Ibid.*.

²⁴³ Abdullah al-Shidadi is the General Director of Research, Training, and Research, at the Saudi Chamber of Commerce and Industry. Shidadi has since reaffirmed the 10-year time frame for Saudiization, although he said it would be a good result if Saudiization were in fact achieved in 10 years, *Ibid.*

are applied without flexibility, they could hurt private-sector competitiveness.”²⁴⁴ With these problems in mind, the IMF made the following recommendations: 1) reducing the differential in wages and benefits between the public and private sectors, 2) extending social allowances to nationals in the private sector, 3) placing a greater emphasis on training and improving educational systems, and 4) introducing unemployment benefits and reducing government hiring.²⁴⁵ Therefore, with all of the difficulties that Saudiization faces, it is not at all clear that the newest iteration of the Saudiization plan will be any more effective than the regime’s 1995 version.²⁴⁶

c. *New Bureaucracies*

In order to hasten economic development and the diversification of the economic base, in 1999 and 2000 the House of Saud created a number of new organizations. In August 1999, Crown Prince Abdullah created the Supreme Economic Council and charged it with boosting investment, creating jobs for Saudi nationals, and promoting Saudi Arabia’s private sector. In early January 2000, Saudi Arabia announced that it was establishing an 11-member Supreme Petroleum Council (SPC) to oversee

²⁴⁴ From a transcript from the Capitol Hill Conferences convened by the Middle East Policy Council on February 1, 2000, in the Dirksen Senate Office Building with Chas W. Freeman, Jr., moderating, “Joining the Global Rules-based Economy: Challenges and Opportunities for the GCC.” Available [Online]: <http://www.mepc.org/forums/chcs/20.htm>.

²⁴⁵ Ibid.

²⁴⁶ The 1995 Saudiization plan, for example, called for hotels to increase the Saudi portion of their labor force by 5 percent per year. It also established penalties for firms that did not “Saudi-ize,” including denial of subsidies and loans, refusal of new applicants to import foreign labor, and being barred from competition for government contracts. Between 1995 and 1999 it was clear that the government was not enforcing many of its measures to reduce Saudi Arabia’s dependence on foreign labor. It also did little to address the fact that many of its policies -- its mandated salary scales, welfare charges, and regulations requiring the firing of Saudi employees -- acted as deterrents to hiring native labor. For example, the salary scales for unskilled laborers called for a salary of 600-800 Rials for expatriates and 1,500-2,000 for nationals. The scale for skilled laborers was 1,500-2,000 Rials for expatriates and 3,000-4,000 for nationals. The scale for experienced employees was 3,500-4,000 Rials for expatriates and 5,000-7,000 for nationals, and the scale for engineers was 3,000-4,000 Rials for expatriates and 6,000-8,000 for nationals. Thus there were very few incentives to hiring nationals, especially given the low work ethic and productivity of most Saudis. Cordesman, 72-73.

Saudi Arabia's oil and gas policies. In October 2000, the Saudi regime gave the SPC certain controlling powers over Saudi Aramco. Optimists hold out hope that the SPC could help drive Saudi Arabia's overall goal of accelerating private sector and foreign involvement in the country's oil sector, although there remains large pockets of conservative opposition. The General Organization for Investment was created to bring in foreign investment dollars and to advise the government on legal reform that would facilitate this process. Additionally, the Supreme Commission for Tourism was created to promote and oversee tourism in Saudi Arabia.

While the creation of these new bureaucracies may well fill a much-needed void, there remains a twinge of irony here. In an effort to increase the number of private sector jobs, the House of Saud has created several large bureaucracies, thus adding to the throngs of public sector employees that it desperately needs to reduce. While any good businessman knows that "it takes money to make money," it should also be remembered that many time businesses go bankrupt. Thus, the jury is still out on whether the benefit derived by the Saudi government from these new bureaucracies will justify their expense.

d. *Legal Reform*

One area that the Saudi government does seem to be making steady progress in is the area of legal reform. In this regard, numerous laws have been proposed and enacted since 1999. For example, in early 2000 a law was passed in the area governing foreign investment which granted the same basic rights to foreign investors as to Saudi nationals. Closely related to the changes made in the Foreign Investment Code are the changes being considered in Saudi's foreign corporate taxation laws, which if

passed would result in significant reductions in the amount foreign corporations are taxed. Changes to Saudi Arabia's tariff structure are also being considered. Additionally, a regulation for legal procedures has been passed which regulates litigation and dispute settlements. These and other legal reforms are fundamental for the future liberalization of Saudi's economy. Regarding legal reform, in 1995, Jean-Francois Seznec stated that "The few minute changes that have happened in the past two years are only harbingers of future changes. They are weather balloons testing the public reactions."²⁴⁷ In the absence of public condemnation, and with opportunities both to revolutionize the Saudi economy and personal financial gain, the House of Saud has pressed ahead with its goal of making Saudi Arabia's legal code investor-friendly. However, it must be remembered that given the right circumstances and right spin, these and other economic reforms could be lethal ammunition used against the al-Saud (by their opposition) at some future date.

e. *World Trade Organization (WTO)*

The House of Saud's quest for WTO membership is the motor behind the current and planned economic liberalization in Saudi Arabia. While Saudi Arabia had hoped to be admitted to the WTO by the end of 2000, the most liberal of estimates now place potential membership at the end of 2002.²⁴⁸ The delay is due to a number of issues, including the degree to which Saudi Arabia is willing to increase market access to its banking, finance, and upstream oil sectors. If the House of Saud does make the reforms necessary for WTO membership, this would likely result in significant changes in the Saudi economy, which currently is characterized by relatively high tariff rates, subsidies,

²⁴⁷ Seznec, 13.

²⁴⁸ Unattributed, "Saudi Membership Of WTO Still At Least Two Years Off", Abu Dhabi, AFP, (28 March 2000).

and a variety of restrictions on the free market. According to statements made by Prince Saud, Saudi Arabia's Foreign Minister, the goal of WTO membership is at least partially due to the regime's desire to attract up to \$200 billion in foreign investment over the next 20 years, as well as its desire to push for new markets for the country's petrochemical industry.²⁴⁹ In November 1999, King Fahd stated that "the world is heading for...globalization" and that "it is no longer possible [for Saudi Arabia] to make slow progress."²⁵⁰ Along the lines of successfully becoming integrated into the global economy, King Fahd also emphasized the importance of regional unity among Gulf States – economically, politically, and militarily. To this end, the GCC countries agreed at the December 1999 GCC summit to enact a GCC customs union, which is to be established in March of 2005.

If "The Arabs missed the 19th century capitalist bus which the Japanese boarded so successfully,"²⁵¹ then they certainly do not want to miss the globalization bus of the 21st century. Privatization, WTO membership, and the opening of the Saudi economy to free trade and unhindered foreign investment and capital flows, are all aspects of economic globalization, whose benefits the House of Saud covets. However, such economic benefits come at a price; although the Saudi regime has started down that road, it remains to be seen if they have the endurance to see it through. These economic reforms necessitate greater transparency, and issues of transparency, corruption, "good

²⁴⁹ "Saudi Arabia," Energy Information Administration, November 2000. Available [Online]: <http://www.eia.doe.gov/cabs/saudi2.html>

²⁵⁰ King Fahd's statement was strikingly similar to that of Raul Valdes Vivo, the director of the Cuban Communist party's Nico Lopes school for advanced studies outside of Havana, who when asked about the difficulties Castro's Cuba faced in maintaining socialist principles, even as it was increasingly being forced to adopt capitalist means to survive, answered "Cuba is no longer an island...There are no islands anymore. There is only one world." National Geographic (June 1999), an interview with Raul Valdes Vivo, as cited in Friedman, 68.

²⁵¹ Charles Issawi, *The Middle East Economy: Decline and Recovery* (Princeton: Markis Wiener Publications, 1995), 181.

governance,” and even social and political reform, are now priorities of the IMF, WTO, World Bank, and the Organization for Economic Cooperation and Development (OECD).²⁵² While the House of Saud appears eager to discuss the Kingdom’s economic challenges and somewhat open to receiving advice, other hurdles exist. Champion states that “According to the emerging trends of globalization, the necessary and quite substantial economic reforms that are required in many developing countries cannot be sustained without accompanying political and social reforms.”²⁵³ In an effort not to deviate too far from the status quo, however, the House of Saud is trying to pick and choose what aspects of globalization that it accepts and rejects in order to enjoy economic benefits on its own terms. But, in reference to Saudi Arabia’s WTO application, Chas Freeman asserts, “The decision of Crown Prince Abdullah and others that Saudi Arabia must now welcome the world on the world’s terms rather than only on Saudi terms, in the interest of Saudi Arabia and in the interest of developing the Saudi economy, is historic.”²⁵⁴ In other words, the House of Saud is going to miss the globalization bus if it tries to climb on utilizing its own set of rules.

Regarding Saudi Arabia, Cecilia Klein, a representative of WTO Accessions, Office of the U.S. Trade Representative, recently noted that “the essence of participation in the WTO is compliance: compliance with the rules towards other

²⁵² IMF publications provide a great deal of information on the drive for global economic and political reform. Available [Online]: <http://www.imf.org>.

²⁵³ Daryl Champion, “The Kingdom of Saudi Arabia: Elements of Instability Within Stability”, *Middle East Review of International Affairs*, vol. 3, no. 4 (December 1999). Available [Columbia International Affairs Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria99_chd01.html

²⁵⁴ From a transcript from the Capitol Hill Conferences convened by the Middle East Policy Council on February 1, 2000, in the Dirksen Senate Office Building with Chas W. Freeman, Jr., moderating. “Joining the Global Rules-based Economy: Challenges and Opportunities for the GCC. Available [Online]: www.mepc.org/forums/chcs/20.htm.

people's trade so that you can expect the same treatment for your exports."²⁵⁵ The rules of which Klein speaks include greater liberalization, transparency, stability, predictability, and application of the rule of law in trade matters. Thus, while King Fahd and Crown Prince Abdullah's rhetoric is very pro-WTO, senior Saudi industrial and commercial officials admit that WTO membership will require extraordinary changes to the Kingdom's economy, trade practices, and regulations – a journey that is wrought with pitfalls. It is therefore not surprising that many predictions are proving prophetic in this regard: "implementation of wide-ranging reforms is still expected to be a long process...as many of the reforms required for WTO membership, including measures such as easing restrictive practices in the banking sector, are likely to be strongly resisted by vested interests in the Kingdom."²⁵⁶

Thus, WTO membership has tremendous advantages and disadvantages for the House of Saud. As a WTO member, privatization in Saudi Arabia would get a boost, foreign investments would pour into the country, momentum toward economic reform would be locked into the Saudi's policy process, and Saudi Arabia would finally be freed from its excessive reliance on oil revenues. However, the costs to the House of Saud are potentially equally as great for WTO membership. If membership requires or might incite calls for extensive political and social reform, then it is likely that in the end the House of Saud may intentionally miss the globalization bus and continue to put all of its trust in oil. Ultimately it boils down to a threat analysis. While WTO membership

²⁵⁵ Ibid.

²⁵⁶ Unattributed, Economist Intelligence Unit (EIU Electronic), "Saudi Arabia Investment -- New impetus in privatization", Country Alert (distributed electronically by Reuters Business Briefing Select, August 14, 1997); also see Clement M. Henry, "Guest Editor's Introduction," *Thunderbird International Business Review*, vol. 41, no., 4 (July/August 1999), 3-4., as cited in Daryl Champion, "The Kingdom of Saudi Arabia: Elements of Instability Within Stability," *Middle East Review of International Affairs*, vol. 3, no. 4 (December 1999). Available [Online]: https://www.cc.columbia.edu/sec/dlc/caio/olj/meria/meria99_chd01.html

would help keep the Saudi regime afloat in the long run by diversifying its economy, it also has the unfortunate short-term potential of increasing threats to the regime's rule. Furthermore, WTO membership would limit the regime's flexibility by locking in certain reforms. This in some respects represents a loss of power. Thus, although WTO membership is very attractive from a Western point of view, it would not be surprising if Saudi Arabia's WTO membership date continues to slide.

f. Conclusion: Economic Reform

Today, oil revenues make up almost all of Saudi Arabia's total export earnings, over three quarters of all budget revenues, and over one third of the country's GDP.²⁵⁷ Additionally, about one third of Saudi Arabia's GDP is petroleum oriented with over half of Saudi's capital investment still going to oil and petrochemicals. In short, oil is Saudi Arabia.

The resilience in world oil prices since early 1999 has improved Saudi Arabia's economic outlook, although the House of Saud continues to face both short- and long-term pressures to reform its economy and to open up to increased private investment. For 2000, real GDP was estimated to have grown by about 7.6 percent, and the outlook for 2001, assuming relatively strong oil prices continue, is for growth of around 4 percent.²⁵⁸ Saudi Arabia needs strong economic growth to keep up with its rapidly increasing population, and to face the challenge of finding good private sector jobs for those people. As stated previously, over the past two decades Saudi economic growth has fallen far behind its population growth. This has contributed to reduce per

²⁵⁷ Unattributed "Saudi Arabia," Energy Information Administration, November 2000. Available [Online]: www.eia.doe.gov/cabs/saudi2.html.

²⁵⁸ Ibid.

capita income and increase unemployment. Additionally, Saudi Arabia still has a high level of domestic debt (between 75-100 percent of GDP), which it hopes to pay down while concurrently replenishing foreign assets and official reserves, both of which were largely depleted by the beginning of 1999. Moreover, Saudi Arabia's current five-year plan (2000-2005) has the same lofty goal as the one that preceded it – a budget deficit of zero.²⁵⁹

If the House of Saud is serious about fiscal discipline, then it will have to take budget cuts and economic reform seriously. This will entail making difficult and unpopular decisions, seeing as though the vast majority of the budget – 65 percent in 1998 – goes toward paying government salaries and paying off the national debt.²⁶⁰ Again, the House of Saud now is increasingly constrained by the flawed social contract that it instituted in the 1970's.

E. CONCLUSION

The House of Saud is a status quo regime. It does not make reforms unless it is absolutely out of options, and then the policies adopted are largely symbolic. Even with all of their fanfare, the so-called political reforms of the past decade – the Basic Laws, the Consultative Council, and the System of Regional Government – did not in any meaningful way change the fact that the Guardian of the Two Holy Cities still calls all of the shots in Saudi Arabia. The situation is only slightly different regarding recent economic reforms. It is true that in the four years since King Fahd suffered a stroke and relinquished the day-to-day management of Saudi Arabia to Crown Prince Abdullah that numerous new economic reforms have been *adopted*. But the question is, will they be

²⁵⁹ Ibid.

²⁶⁰ Gause, "Saudi Arabia Over A Barrel," 84.

enforced? Some significant advances have been made in the area of legal reform in an effort to become a member of the WTO. But, again, will these reforms continue? Will Saudi Arabia become a full-fledged WTO member? What effects will WTO membership have on the Saudi economy? Will the latest efforts to privatize government-run businesses be successful? Will privatization lead to increased opposition as Saudi Princes and wealthy merchants wrest control of Saudi Arabia's economy from Saudi bureaucrats? Will the House of Saud ever make the fiscally responsible (but politically damning) cuts necessary to force its citizens to "...get used to a new lifestyle that does not rely entirely on the state,"²⁶¹ as Abdullah desires? Can the regime survive if they attempt to unilaterally adjust Saudi Arabia's social contract? Will admission to the WTO transform the Saudi economy to such an extent that Saudi Arabia's social contract can be changed? These are the numerous questions that have yet to be answered.

Omnibalancing contends that Third World leaders are self-interested and will take whatever actions are necessary to remain in power. This is certainly the case with the House of Saud. Based on the House of Saud's track record there are two explanation for the regimes apparent decision to enact economic reform 1) the 1998 oil crisis convinced the royal family that its future depended on enacting economic reforms now (to attract large sums of foreign investment), and 2) that while losing a modicum of control over the Saudi economy and possibly provoking opposition, the House of Saud will benefit economically from its decisions. Thus the pressure of the:

- Two-decade long oil crisis,
- Two decades of deficit-spending,

²⁶¹ Ibid., 83.

- Depletion of its foreign reserves,
- Long-term instability of oil prices,
- Relative drop in the standard of living,
- Rising birthrates,
- Rising unemployment,
- Rising political demands of its citizens, and
- Rising frustration over the governments wasteful spending habits

have all coalesced to such a degree that the House of Saud is now willing to give up some of its flexibility and accept some risk in order to ensure its political survival and line its own pockets.

VI. CONCLUSION

A. INTRODUCTION

To say that the House of Saud currently faces numerous seemingly insurmountable problems is to state the obvious. Yet, since the formation of Saudi Arabia, predictions of its imminent demise have continuously been written. The years of infighting between Saud and Faisal, foiled coup attempts, Nasser's pan-Arabist overtures, Khomeini's Islamic fundamentalist agitation, and Saddam's thrust into Kuwait all seriously have threatened Saudi Arabia's stability, as well as the continuance of the House of Saud. But in each case the al-Saud have survived and triumphed, a tribute to their political skills and acumen.

B. DEATH OF A CONTRACT

However, unlike the past problems stated above, today the House of Saud faces new problems and challenges, all of which have domestic roots, many of which are hopelessly intertwined, and most of which are of the regime's own making. As evidenced in this thesis' brief historical review, Saudi Arabia's transformation into a *rentier state* in the 1970's radically changed the social contract between the House of Saud and society. The Saudi regime's cooption tactics, which previously focused on Islamic and tribal institutions, were now expanded to every Saudi citizen. Massive oil rents coupled with a small population enabled the House of Saud to liberally spread largesse to its very poor population, essentially buying their contentment.

Although Saudi Arabia's social contract changed drastically, its government did not. In an era when democracy was emerging as the world's dominant political system, Saudi Arabia remained an absolute monarchy. In Saudi Arabia, the King rules supreme

as the head of the al-Saud family, the Prime Minister and chief executive of the Central Government, the Supreme Religious *Imam*, the Commander-in-Chief of the Armed Forces and the Chief Justice. With the King having this type of unchecked control, Saudi Arabia's massive oil revenue remained totally in his hands.²⁶² Apart from the perfunctory need to appease the religious leaders, there were no executive, legislative, or judicial authorities to officially question his decisions. Thus, the new *rentier-based* social contract was tailored in such a way as to dispense wealth to Saudi citizens in return for their unquestioned devotion and loyalty to the royal family.

Unfortunately for the House of Saud, Saudi Arabia's social contract has proven very shortsighted. Although there are many flaws in the social contract, the largest and most obvious ones are that Saudi Arabia has the highest population growth rate on the planet *and* that the oil market is highly volatile. Thus, the House of Saud is always reacting as Saudi Arabia's budget waxes and wanes. Because the House of Saud depends on oil rents to fulfill its end of the social contract, as the oil market drops so does its ability to distribute largesse. While depressed oil market leaches the regime's reserves and eventually leads to deficit spending, that is the lesser of the two problems. The Saudi regime's long-term conundrum is that if Saudi Arabia's social contract remains unchanged, at some point in the future there will come a day when no matter how high the price of oil is, the population will outstrip the regime's ability to sustain its largesse. Thus, the question becomes, what happens then? When the House of Saud can no longer afford to pay its citizens for their political acquiescence, will the regime use coercion to maintain its position or will some kind of political compromise result?

²⁶² As compared to King Ibn Saud, consensus building has been more characteristic of King Fahd's rule, but ultimately, Fahd too rules supreme.

C. OMNIBALANCING AND THE HOUSE OF SAUD

While this thesis has asserted many things, the most important is that Stephen David's omnibalancing accurately describes how the House of Saud has operated to date and, given the regime's aversion to change, is the best predictor of the al-Saud's future actions. If this is true, then the al-Saud:

- Will align with whatever external power that is most likely to do what is necessary to keep it in power,
- Will protect itself at the expense of promoting the long-term security of the state and general welfare of Saudi Arabia, and
- Will balance against the principal threats that it faces (whether internal or external).²⁶³

In other words, regardless of the circumstances the House of Saud is going to act pragmatically – doing whatever is necessary to strengthen its political and financial situation, while retaining the reins of power.

In order to accomplish this the al-Saud will continue to depend on its three power facilitators: 1) a strong external ally, 2) controlling informal networks within Saudi Arabia, and 3) its *rentier policies*. The House of Saud will depend on the above power facilitators for three reasons. First, at no time in the future will the House of Saud be strong enough to protect itself from Iraq or Iran if hostilities were to break out. It is therefore safe to assume that privately (if not publicly) the House of Saud will continue to pursue a close relationship with Washington. Second, the House of Saud has become

²⁶³ David, xi-7.

very proficient in developing and implementing strategies to control its internal security.²⁶⁴ Third, there are no easy ways for the House of Saud to disentangle itself from the cumbersome social contract that now causes it so much angst. However, while Saudi Arabia's social contract may not change in the short- or mid-term, the al-Saud's nearly universal dependence on oil rent to fund its social contract must change. The Saudi population is expected to double in the next twenty years. While oil rent will continue to play a major role in funding the social contract, the Saudi regime will have to diversify its economy to attract foreign investment, create more jobs, and create a cushion against downturns in the oil market.

D. IMPLICATIONS FOR THE UNITED STATES²⁶⁵

The better Washington understands specifically how other governments operate, the more effective it is when developing foreign policy. Therefore, that omnibalancing is highly descriptive of the House of Saud's action should be of immense benefit to Washington policymakers in their dealings with the al-Saud. While there are countless subtle ways in which this knowledge could be beneficial to policymakers, there are at least four major areas.

First, Washington should be confident, understanding that the House of Saud is absolutely dependent on the United States to protect Saudi Arabia from external

²⁶⁴ The House of Saud uses a combination of six tools to insure domestic tranquility. First, the Saudi government has a very large, very strong, multi-dimensional, and multi-layered internal security force. Second, the Saudi regime routinely ferrets out and coopts potential dissidents before they can gain widespread support. Third, the Saudi regime has elevated its divide-and-rule strategy to an art form, creating divisions within communities and fragmenting any political opposition. Fourth, the House of Saud remains ideologically flexible, shifting between playing its Islamic or Arabic card as circumstances dictate. Fifth, the House of Saud has allowed pseudo-participation in government in the form of the Consultative Council, which has alleviated much of the criticism over its refusal to grant its citizens a political voice. Sixth, the al-Saud use accommodative diplomacy to try to placate potential foreign adversaries with non-controversial foreign policies and generous aid.

²⁶⁵ These implications are based on the assumption that Washington desires to maintain a close relationship with the House of Saud.

aggression. Second, when devising foreign policy, Washington should consider what affect it will have on local populations. For example, if United States policy incites the Saudi public, then the House of Saud is forced to lash out at the United States in order to maintain domestic credibility. This is not to say that Washington should back away from any decisions that might incite the Saudi public, only that Saudi public opinion should be a policymaking consideration. When it is in the best interest of the United States to pursue policies that will not play well in Saudi Arabia, so be it. Third, Washington should not get anxious if from time to time the Saudi regime publicly chastises the United States over various issues. This is an omnibalancing tactic. When this occurs, the Saudi regime senses that its most pressing threats are internal. The anti-American rhetoric that occasionally comes from the House of Saud in these circumstances serves to re-establish its Arab or Islamic credentials, thus staving off further internal dissent. Nothing more should be read into Saudi's rhetoric. Finally, the United States' dealings with and presence in Saudi Arabia needs to be more incognito. In the past overt policies such as the Eisenhower Doctrine or presidential declarations refusing to allow anyone to topple the Gulf governments (like those made by President Reagan) only served to undercut the regimes that they were meant to support. Similarly, the United States' large military footprint in Saudi Arabia since the conclusion of the Gulf War has also antagonized the Saudi public. These policies, declarations, and actions have focused on Saudi Arabia's external threats. Washington can use diplomatic channels and Aircraft Carrier Battle Groups to dissuade potential external aggressors; the real threats remain internal. The United States and the House of Saud are best served by conducting official business out of the public eye. This would have the direct benefit of lessening both the opportunities

and validity of the opposition to claim that the House of Saud is merely an American puppet regime.

E. THE FUTURE OF THE HOUSE OF SAUD

1. What Can Not Be Analyzed

Because the House of Saud has constantly fabricated ephemeral responses to internal, Arab, Muslim, and world pressures, it is difficult (if not impossible) to assess its unwieldy policies (in any meaningful way so as to predict the regime's future responses). The pressures that the Saudi regime has faced, and will potentially face, have been both very diverse and very expansive, as have its improvised responses. It is impossible to know the vast array of possibilities that might occur in Saudi Arabia and what the al-Saud's responses to them would be so as to present some kind of comprehensible framework by which to analyze everything by. To use a plausible example, a simple change in the government of a neighboring Arab country could lead to a total change in the Saudi approach to Arab and regional affairs. For example, the emergence of an Islamic, radical, and threatening Egypt could lead the House of Saud to befriend once again the presently detested Iraqi regime.²⁶⁶ The fact that Iran and the House of Saud are now on friendly terms drives home the point that nothing is impossible when a weak regime is out for survival and all of its neighbors, as well as its own citizens, are seen as potential threats.

2. What Can Be Analyzed

The safest assumption about how the Saudi regime has functioned and will continue to function is to assume that the House of Saud is totally self-interested. Much

²⁶⁶ Aburish, 71.

can be gleaned by examining how Saudi Arabia has been run under its current and previous kings.²⁶⁷ This takes us back to omnibalancing, since it very accurately describes Saudi Arabia's past under the al-Saud.

Therefore, if one applies omnibalancing to the formidable problems currently facing the House of Saud, what are the results? Unlike the majority of Western academics who continue to rewrite the House of Saud's obituary, it is more logical to conclude that the al-Saud, with the subtleness of a chameleon, will continue to make whatever adjustments are necessary to remain in power. For some seventy years the House of Saud has focused on this goal with fierce tenacity. Although the journey has frequently been tumultuous, the pragmatic and cunning al-Saud has always found a way to weather the storms. Thus, while the current domestic threats facing the royal family have dumbfound even the most skilled advisors and are seemingly insurmountable, no one should assume that they will spell the end to this shrewd regime.

²⁶⁷ Ibid.

APPENDIX A: THE SECULAR PETITION

A. INTRODUCTION

A petition for political reform was drafted in the fall of 1990 and signed in December by forty-three public figures from religious and secular trends, among them former cabinet ministers, prominent businessmen, writers and university professors. According to Middle East Watch the petition was drafted by Abdalla Manna, a doctor and a journalist known for voicing critical views of the government, which has led to his arrest on a number of occasions. Seeking no doubt to disassociate themselves from any radical political group and attempting to avert retribution, the petitioners went to great lengths to demonstrate their loyalty. In a long preamble, they asserted their devotion to the King and their allegiance to “the present system of government, and to preserving the cherished royal family.”

B. THE SECULAR PETITION

The signatories proposed the following ten reforms:

1. A systematic framework for *fatwa*. It must take into consideration the Shari’s, which is infallible and unchangeable, as represented in the unequivocal texts of the Qur’an and the Hadith. But jurisprudence commentaries, Qur’an interpreters’ views and the opinions of *Shari’a* experts that are derived from divergent scholarly doctrines are all human attempts to comprehend the *Shari’a* texts. These views are affected by their authors’ ability to understand, given their level of knowledge and skill. Shaped by the circumstances of time and place, these views are liable to being wrong as well as right, and should be subject to debate. Indeed, there has been a consensus among scholars that no one may ever claim the sole right to determine the meaning of the Qur’an or the Hadith or monopolize the right to decide *Shari’a* rules. It is therefore essential that we clearly and forcefully make a distinction between what is divine and what is human. The revealed and unambiguous texts must be accepted and obeyed. But scholarly opinions may be freely examined and questioned without any limit.

2. Consider issuing a basic law of government in light of the statements and declarations made by the rulers of the country at various times.

3. Formation of a consultative council comprising the elite from among the qualified and knowledgeable opinion makers known for their honesty, forthrightness, impartiality, mortality and public service representing all regions of the Kingdom. The council must have among its responsibilities the study, development and adoption of laws and rules related to all economic scrutiny of all executive agencies.

4. The revival of municipal councils; the implementation of the Law of Provinces; and the generalization of the chamber of commerce experience as a model for all other trades.

5. The investigation of all aspects of the judicial system, in all its degrees, types and areas of competence, for the purpose of modernizing its laws and evaluating the process of preparing judges and their assistants. Every step necessary must be taken to guarantee independence of the judiciary, to assure its effectiveness and fairness, spread its authority and strengthen its foundations. Schools that train for this important field must be open to all citizens, not reserved to one group over the others in violation of the Shari's-based principle of equality of opportunity.

6. Commitment to total equality among all citizens in all aspects of their life, without distinction based on ethnic, tribal, sectarian or social origins. The principle of protecting citizens against interference in their lives except by a court order must be firmly established.

7. Media policy must be reviewed and set according to a comprehensive and precise law reflecting the most advanced legislation in other countries. This law must enable all Saudi media to exercise their freedom in preaching good over evil, calling for virtue and shunning vice, and enriching dialogue in an open Muslim society.

8. Comprehensive reform of the Association for the Propagation of Virtue and the Deterrence of Vice (Hai'at al-Amr bi al-Ma'rouf wa al-Nahi 'an al-Munkar). A precise law must be adopted specifying their functions and the method they must follow, and setting strict rules for hiring chiefs and members of precincts, to ensure judicious and tactful preaching.

9. Although we believe that nurturing the new generation is the highest duty of Muslim women, we nevertheless believe that there are numerous fields of public life where women can be allowed to participate – within the scope of the *Shari'a* – thus honoring them and acknowledging their role in building society.

a. God revealed His holy books, and sent His prophets, to educate and nurture humanity, proving that education is the foremost important basis for the renaissance and progress of nations. We believe that our country's educational system is in need of comprehensive and fundamental reform to enable it to graduate faithful generations that are qualified to contribute positively and effectively in building, the present and the future of the country, and to face the challenges of the age, enabling us to catch up with the caravan of nations that have vastly surpassed us in every field.

Source: Anders Jerichow, *The Saudi File: People, Power, Politics*, New York: St. Martins Press, 1998.

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APPENDIX B: THE ISLAMIC PETITION

A. INTRODUCTION

Following the drafting of the so-called Secular Petition, scores of top religious leaders in Saudi Arabia signed the following document in February 1991, among them Sheikh Abdel-Aziz ibn Baz, the most eminent religious figure in the country and head of the government-appointed Council of Senior Scholars and the Institution of Ifta and Scholarly Research, the government agency in charge of all religious matters. Other members of the council as well as several judges, university professors and preachers also signed the petition.

B THE ISLAMIC PETITION

In this critical period everybody has recognized the need for change. We therefore find that the most requisite duty is to reform our present conditions that have caused us to suffer these tribulations. Consequently, we ask that the ruler of the nation check the deterioration of these conditions, which need reform in the following areas:

1. The formation of a consultative council to decide internal and external issues on the basis of the *Shari'a*. Its members must be honest, straightforward and representing all fields of expertise. They must be totally independent and not be subject to any pressure that may affect the authority of the council.

2. All laws and regulations of political, economic, administrative or other nature must be reconciled with the principles of the *Shari'a*. Trusted committees with expertise in *Shari'a* should be authorized to repeal legislation not conforming to *Shari'a* principles.

3. In addition to possessing specialized expertise, dedication and honesty, government officials and their overseas representatives must be unswervingly moral. Failing any one of the requirements for any reason is an abuse of public trust and a fundamental cause of injury to the national interest and reputation.

4. Justice must be applied, rights granted and duties assigned in full equality among all citizens, not favoring the nobles or begrudging the weak. Abuse of authority

by anyone whether by shirking obligations or denying people what is their right is a cause for the break-up and annihilation of society.

5. All government officials, especially those occupying the highest positions, must be diligently scrutinized and must all be made accountable with no exceptions. Government agencies must be cleansed of anyone whose corruption or dereliction is proven, regardless of any other considerations.

6. Public wealth must be distributed fairly among all classes and groups. Taxes must be eliminated and fees that have overburdened citizens must be reduced. Government revenues must be protected from exploitation and abuse; priority in expenditure must be given to the most urgent necessities. All forms of monopoly or illegitimate ownership must be eliminated. Restrictions imposed on Islamic banks must be lifted. Public and private banking institutions must be cleansed of usury, which is an affront to God and His Prophet, and a cause for stunting the growth of wealth.

7. A strong and fully integrated army must be built and fully equipped with weapons of all kinds, from any source. Attention must be given to manufacturing and developing arms. The goal of the army must be to protect the country and the Holy Sites.

8. Information media must be remodeled according to the adopted media policy of the Kingdom. The goals must be to educate, serve Islam and express the morals of society. The media must be purged of anything conflicting with these objectives. Its freedom to spread awareness through truthful reporting and constructive criticism must be safeguarded within the confines of Islam.

9. Foreign policy must be based on national interest without relying on alliances not sanctioned by the *Shari'a*. It must also embrace Muslim causes. The Kingdom's embassies must be reformed to enable them to reflect the Islamic nature of the country.

10. Religious and proselytizing institutions must be developed and strengthened with financial and human resources. All obstacles preventing them from fully carrying out their objectives must be removed.

11. Judicial institutions must be unified and granted full and effective independence. Juridical authority must apply to all. It is necessary to establish an independent body whose function is to ensure carrying out judicial orders.

12. The rights of individuals and society must be guaranteed. Every restriction on people's rights and their will must be removed, to ensure the enjoyment of human dignity, within the acceptable religious safeguards.

Source: Jerichow, Anders, *The Saudi File: People, Power, Politics*, New York: St. Martins Press, 1998.

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APPENDIX C: GOVERNMENT OFFICIALS

Principal Government Officials

King Saud, Fahd bin Abd al-Aziz al-
Prime Minister Saud, Fahd bin Abd al-Aziz al-
First Dep. Prime Min. Saud, Abadallah bin Abd al-Aziz al-
Second Dep. Prime Min. Saud, Sultan bin Abd al-Aziz al-
Min. of Agriculture and Water Muammar, Abdallah bin Abd al-Aziz al-
Min. of Civil Service Fayiz, Muhammad bin Ali
Min. of Commerce Faqih, Usama Jafar
Min. of Communications Salum, Nasir bin Muhammad al-, Dr.
Min. of Defense and Aviation Saud, Sultan bin Abd al-Aziz al-
Min. of Education Rashid, Muhammad Ahmad al-
Min. of Finance and National Economy Asaf, Ibrahim Abd al-Aziz al-
Min. of Foreign Affairs Saud, Saud al-Faysal bin Abd al-Aziz al-
Min. of Health Shubukshi, Usama bin Abd al-Majid, Dr.
Min. of Higher Education Angari, Khalid bin Muhammad al-
Min. of Industry and Electricity Yamani, Hashim bin Abdallah bin Hashim
Min. of Information Farsi, Fuad Abd al-Salam
Min. of Interior Saud, Nayif bin Abd al-Aziz al-
Min. of Islamic Guidance Shaykh, Salih bin Abd al-Aziz bin Muhammad bin Ibrahim
Min. of Justice Shaykh, Abdallah Muhammad Ibrahim al-
Min. of Labor and Social Affairs Namla, Ali bin Ibrahim
Min. of Municipal and Rural Affairs Jarallah, Muhammad bin Ibrahim al-
Min. of Petroleum and Mineral Resources Naimi, Ali Ibrahim
Min. of Pilgrimage Affairs and Religious Trusts Madani, Iyyad bin Amin
Min. of Planning Ghusaybi, Khalid bin Muhammad
Min. of Post, Telephone and Telegraph Ghusaybi, Khalid bin Muhammad
Min. of Public Works and Housing Saud, Mitib bin Abd al-Aziz al-
Min. of State Alaqi, Madani bin Abd al-Qadir al-
Min. of State Assaf, Ibrahim bin Muhammad al-, Dr.
Min. of State Ayban, Musaid bin Muhammad al-
Min. of State Jihani, Ali bin Talal al-, Dr.
Min. of State Khuwaytir, Abd al-Aziz bin Abdallah al-
Min. of State Mani, Abd al-Aziz bin Ibrahim al-
Min. of State Nafisa, Mutalib bin Abdallah al-
Min. of State Saud, Abd al-Aziz bin Fahd bin Abd al-Aziz al-
Min. of State Shaykh, Muhammad bin Abd al-Aziz al-
President of the Higher Council of Ulema Shaykh, Abd al-Aziz Abdallah al-
Governor, Saudi Arabian Monetary Agency Sayyari, Hamad al-
Ambassador to the U.S. Saud, Bandar bin Sultan bin Abd al-Aziz al-
Permanent Repr. to the U.N., New York Shubukshi, Fawzi bin Abd al-Majid al-

Current as of February 2001

Source: World Service Online, Saudi Arabia Country Report, Available [Online]:
http://www.prsgroup.com/download/worldservice/S_ARABIA.pdf?file=S_ARABIA.pdf

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APPENDIX D: GOVERNMENT ORGANIZATION

Government Organization

Name:

conventional long form:

"Al Mamlakah al-Arabiyah as-Suudiyah" (Kingdom of Saudi Arabia)

conventional short form:

"Al Arabiyah as-Suudiyah" (Saudi Arabia)

Type:

monarchy

Executive Branch:

Chief of State and Head of Government:

King and Prime Minister Fahd bin Abd al-Aziz al-Saud (since June 13, 1982) is an absolute monarch; Crown Prince and First Deputy Prime Minister Abdallah bin Abd al-Aziz al-Saud (half-brother to the king, heir to the throne since June 13, 1982, regent from Jan. 1, to Feb. 22, 1996)

Cabinet:

Council of Ministers is dominated by royal family members appointed by the king

Legislative Branch:

A consultative council composed of 90 members and a chairman who are appointed by the king for a term of four years

Judicial Branch:

Supreme Council of Justice

Constitution:

None; governed according to "Sharia" (Islamic law)

Legal System:

Based on Islamic law, several secular codes have been introduced; commercial disputes handled by special committees; has not accepted compulsory ICJ jurisdiction

Administrative Divisions:

13 provinces (mintaqah, singular - mintaqat); Al Bahah, Al Hudud Ash Shamaliyah, Al Jawf, Al Madinah, Al Qasim, Ar Riyad, Ash Sharqiyah (Eastern Province), 'Asir, Hail, Jizan, Makkah, Najran, Tabuk

Political Parties and Leaders:

none allowed

Suffrage:

None

Current as of February 2001

Source: World Service Online, Saudi Arabia Country Report, Available [Online]:
http://www.prsgroup.com/download/worldservice/S_ARABIA.pdf?file=S_ARABIA.pdf

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APPENDIX E: KEY DATA

Key Data

Region:	Middle East		
Area:	Total	1,960,582 sq km	
	Land	1,960,582 sq km	
Boundaries:	Iraq	814 km	
	Jordan	728 km	
	Kuwait	222 km	
	Oman	676 km	
	Qatar	60 km	
	UAE	457 km	
	Yemen	1,458 km	
Coastline:	Total	2,640 km	
Flag:			
Population:	22,023,506 (5,360,526 non-nationals included)	July 2000 est.	
Largest Cities:	<u>City</u>	<u>Population/Year</u>	
	Riyadh	3,100,000/1998	
	Jiddah	1,800,000/1994	
	Mecca	1,500,000/1994	
	Medina	600,050/1994	
Capital:	Riyadh		
Climate:	Harsh, dry desert with great extremes of temperature.		
Average Daily Temp.:	<u>Capital</u>	<u>Month</u>	<u>Cel./F</u>
	Riyadh	January	14.1C/58F
		July	42C/108F
Annual Rainfall:		<u>MM</u>	<u>In.</u>
		101.6	4"

Ethnic Divisions:	<u>Ethnic Group</u>	<u>Percentage</u>
	Arab	90
	Afro-Asian	10
	Total	100
Religions:	<u>Religion</u>	<u>Percentage</u>
	Muslim	100
	Total	100
Languages:	Arabic	
Currency:	1 Saudi riyal (SRS) = 100 halalah	
Exchange Rate:	1 SUS= 3.75 Riyals	January 2001
Time Zones:	<u>City</u>	<u>GMT+/-</u>
	Riyadh	+3
National Holiday:	Unification of the Kingdom, Sept. 23 (1932)	

Current as of February 2001

Source: World Service Online, Saudi Arabia Country Report, Available [Online]:
http://www.prsgroup.com/download/worldservice/S_ARABIA.pdf?file=S_ARABIA.pdf

APPENDIX F: ECONOMIC AND SOCIAL INDICATORS, 1990-2000

	1991-1995 Average	1996-2000 Average	1991	1992	1993	1994	1995
Domestic Economic Indicators							
GDP (Nominal, \$bn)	121.55	144.11	118.03	123.20	118.52	120.17	127.81
Per Capita GDP (\$)	7004	7280	7136	7264	6831	6785	7003
Real GDP Growth Rate (%)	2.3	1.8	8.4	2.8	-0.6	0.5	0.5
Inflation Rate (%)	2.3	-0.2	4.9	-0.1	1.0	0.6	4.9
Capital Investment (\$bn)	24.39	26.74	23.10	25.09	26.29	22.49	24.98
Capital Investment/GDP (%)	20.1	18.6	19.6	20.4	22.2	18.7	19.5
Budget Revenues (\$bn)	39.59	48.05	40.32	45.20	37.70	36.00	38.72
Budget Revenues/GDP (%)	32.6	33.1	34.2	36.7	31.8	30.0	30.3
Budget Expenditures (\$bn)	49.19	51.41	48.33	56.30	50.10	45.29	45.93
Budget Expenditures/GDP (%)	40.5	35.9	40.9	45.7	42.3	37.7	35.9
Budget Balance (\$bn)	-9.60	-3.36	-8.01	-11.10	-12.40	-9.29	-7.21
Budget Balance/GDP (%)	-7.9	-2.8	-6.8	-9.0	-10.5	-7.7	-5.6
Money Supply (M1, \$bn)	32.90	39.16	32.04	32.97	32.45	33.56	33.49
Change in Real Wages (%)	6.4	4.5	8.7	7.6	6.3	4.7	4.5
Unemployment Rate (%)	11.8	25.0	6.5	6.5	12.0	15.0	18.0
International Economic Indicators							
Direct Foreign Investment (\$bn)	-0.02	1.31	0.16	-0.08	1.37	0.35	-1.88
Forex Reserves (\$bn)	6.59	14.46	9.74	4.56	5.68	5.89	7.10
Gross Reserves (ex gold, \$bn)	8.21	15.89	11.67	5.94	7.43	7.38	8.62
Gold Reserves (\$bn)	0.23	0.23	0.23	0.22	0.22	0.23	0.24
Gross reserves (inc gold, \$bn)	8.44	16.12	11.90	6.16	7.65	7.61	8.86
Total Foreign Debt (\$bn)	18.12	20.51	17.20	17.20	18.80	20.00	17.40
Total Foreign Debt/GDP (%)	14.9	14.2	14.6	14.0	15.9	16.6	13.6
Debt Service (\$bn)	1.96	3.04	1.25	1.59	1.82	2.00	3.16
Debt Service/XGS (%)	3.5	4.5	2.1	2.6	3.5	4.0	5.4
Current Account (\$bn)	-15.68	1.93	-27.55	-17.74	-17.27	-10.49	-5.33
Current Account/GDP (%)	-13.0	0.7	-23.3	-14.4	-14.6	-8.7	-4.2
Current Account/XGS (%)	-27.8	0.0	-46.4	-29.0	-33.3	-21.0	-9.1
Exports (\$bn)	46.63	57.36	47.79	50.29	42.40	42.61	50.04
Imports (\$bn)	25.81	26.71	25.97	30.25	25.87	21.33	25.65
Trade Balance (\$bn)	20.81	30.65	21.82	20.04	16.53	21.28	24.39
Exports of Services (\$bn)	3.30	4.59	2.91	3.47	3.28	3.35	3.48
Income, credit (\$bn)	6.26	5.70	8.70	7.38	6.21	4.03	4.99
Transfers, credit (\$bn)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Exports G&S (\$bn)	56.19	67.66	59.40	61.14	51.89	49.99	58.51
Liabilities (\$bn)	0.18	0.00	0.25	0.33	0.32	0.00	0.00
Net Reserves (\$bn)	8.26	16.12	11.65	5.83	7.33	7.61	8.86
Liquidity (months import cover)	3.90	7.24	5.38	2.31	3.40	4.28	4.15
Currency Exchange Rate	3.745	3.747	3.745	3.745	3.745	3.745	3.745
Currency Change (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social Indicators							
Population (million)	17.36	19.80	16.54	16.96	17.35	17.71	18.25
Population Growth (%)	2.0	2.5		2.5	2.3	2.1	3.0
Infant Deaths/1000	26	28	28	26	25	25	24
Persons under Age 15 (%)	44	43	45	46	43	43	43
Urban Population (%)	78	81	76	77	78	78	79
Urban Growth (%)	4.4	4.5	4.1	4.1	4.1	4.8	4.8
Literacy % pop.	62	63	60	62	62	63	63
Agricultural Work Force (%)	16	14	16	16	16	16	16
Industry-Commerce Work Force (%)	28	27	28	28	28	28	28
Services Work Force (%)	56	59	56	56	56	56	56
Unionized Work Force (%)	0	0	0	0	0	0	0
Energy - consumption/head	4723	4670	4463	4552	4744	4833	5025
Energy - imports as % Exports	0	0	1	0	0	0	0

Current as of April 2001

	1991-1995 Average	1996-2000 Average	1996	1997	1998	1999	2000
Domestic Economic Indicators							
GDP (Nominal, \$bn)	121.55	144.11	141.32	146.49	128.38	139.38	165.00
Per Capita GDP (\$)	7004	7280	7505	7520	6362	7004	8010
Real GDP Growth Rate (%)	2.3	1.8	1.4	2.7	1.8	0.4	3.0
Inflation Rate (%)	2.3	-0.2	1.2	0.1	-0.8	-1.4	-0.5
Capital Investment (\$bn)	24.39	26.74	24.23	27.34	25.91	25.52	30.69
Capital Investment/GDP (%)	20.1	18.6	17.1	18.7	20.2	18.3	18.6
Budget Revenues (\$bn)	39.59	48.05	47.26	54.47	37.74	39.39	61.37
Budget Revenues/GDP (%)	32.6	33.1	33.4	37.2	29.4	28.3	37.2
Budget Expenditures (\$bn)	49.19	51.41	51.80	56.07	50.71	49.08	49.37
Budget Expenditures/GDP (%)	40.5	35.9	36.7	38.3	39.5	35.2	29.9
Budget Balance (\$bn)	-9.60	-3.36	-4.54	-1.60	-12.97	-9.69	12.00
Budget Balance/GDP (%)	-7.9	-2.8	-3.2	-1.1	-10.1	-7.0	7.3
Money Supply (M1, \$bn)	32.90	39.16	35.54	37.73	37.49	41.87	43.17
Change in Real Wages (%)	6.4	4.5	4.5	4.5	4.5	4.5	4.5
Unemployment Rate (%)	11.6	25.0	20.0	24.0	27.0	27.0	27.0
International Economic Indicators							
Direct Foreign Investment (\$bn)	-0.02	1.31	-1.13	3.04	4.29	-0.78	1.13
Forex Reserves (\$bn)	6.59	14.46	12.82	13.47	12.71	15.49	17.83
Gross Reserves (ex gold, \$bn)	8.21	15.89	14.32	14.88	14.22	17.00	19.04
Gold Reserves (\$bn)	0.23	0.23	0.23	0.22	0.23	0.22	0.24
Gross reserves (inc gold, \$bn)	8.44	16.12	14.55	15.10	14.45	17.22	19.28
Total Foreign Debt (\$bn)	18.12	20.51	17.70	18.00	20.30	21.30	25.25
Total Foreign Debt/GDP (%)	14.9	14.2	12.5	12.3	15.8	15.3	15.3
Debt Service (\$bn)	1.96	3.04	2.33	2.19	2.52	3.78	4.36
Debt Service/XGS (%)	3.5	4.5	3.4	3.1	5.1	6.1	5.0
Current Account (\$bn)	-15.68	1.93	0.68	0.31	-13.15	0.41	21.46
Current Account/GDP (%)	-13.0	0.7	0.5	0.2	-10.2	0.3	13.0
Current Account/XGS (%)	-27.8	0.0	1.0	0.4	-26.8	0.7	24.4
Exports (\$bn)	46.63	57.36	60.73	60.73	38.82	50.76	75.75
Imports (\$bn)	25.81	26.71	25.36	26.37	27.54	25.72	28.55
Trade Balance (\$bn)	20.81	30.65	35.37	34.36	11.28	25.04	47.20
Exports of Services (\$bn)	3.30	4.59	2.77	4.26	4.73	5.38	5.83
Income, credit (\$bn)	6.26	5.70	5.13	5.76	5.81	5.81	6.01
Transfers, credit (\$bn)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Exports G&S (\$bn)	56.19	67.66	68.63	70.75	49.36	61.95	87.59
Liabilities (\$bn)	0.18	0.00	0.00	0.00	0.00	0.00	0.00
Net Reserves (\$bn)	8.26	16.12	14.55	15.10	14.45	17.22	19.28
Liquidity (months import cover)	3.90	7.24	6.89	6.87	6.29	8.03	8.10
Currency Exchange Rate	3.745	3.747	3.745	3.745	3.745	3.750	3.750
Currency Change (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social Indicators							
Population (million)	17.36	19.80	18.83	19.48	20.18	19.90	20.60
Population Growth (%)	2.0	2.5	3.2	3.5	3.6	-1.4	3.5
Infant Deaths/1000	26	28	24	29	29	29	29
Persons under Age 15 (%)	44	43	44	43	42	42	43
Urban Population (%)	78	81	79	78	80	83	84
Urban Growth (%)	4.4	4.5	4.8	4.9	5.0	4.0	4.0
Literacy % pop.	62	63	64	64	63	63	63
Agricultural Work Force (%)	16	14	16	16	16	16	5
Industry-Commerce Work Force (%)	28	27	28	28	28	28	25
Services Work Force (%)	56	59	56	56	56	56	70
Unionized Work Force (%)	0	0	0	0	0	0	0
Energy - consumption/head	4723	4670	5114	4552	4552	4552	4582
Energy - Imports as % Exports	0	0	0	0	0	0	0

Current as of April 2001

Source: World Service Online, Saudi Arabia Country Report, Available [Online]:
http://www.prsgroup.com/download/worldservice/S_ARABIA.pdf?file=S_ARABIA.pdf

APPENDIX G: WORLD PRODUCTION OF CRUDE OIL, 1980-1999

World Production Of Crude Oil 1980-1999, (Million Barrels Per Day)

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Saudi Arabia	1.029	1.027	6.929	5.430	5.033	3.778	5.270	4.698	5.600	5.582
Middle East	19.024	16.417	13.302	12.221	12.021	11.001	13.212	13.709	15.373	16.921
North America	14.761	14.968	15.431	15.465	15.981	16.084	15.565	15.512	15.425	14.839
Central and South America	3.848	3.859	3.681	3.676	3.887	3.916	4.159	4.082	4.323	4.375
Western Europe	2.844	3.027	3.379	3.828	4.140	4.345	4.514	4.568	4.573	4.504
Eastern Europe & Former U.S.S.R.	12.358	12.520	12.619	12.703	12.581	12.300	12.702	12.834	12.827	12.442
Africa	6.229	4.888	4.882	4.928	5.354	5.615	5.420	5.506	5.842	6.258
Far East and Oceania	5.075	5.066	4.921	5.225	5.673	5.988	6.186	6.206	6.327	6.538
World Total	64.139	60.746	58.215	58.046	59.638	59.249	61.758	62.418	64.690	65.877
Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Saudi Arabia	7.045	8.810	9.060	8.917	8.833	8.948	8.930	9.089	9.159	8.514
Middle East	17.528	17.103	18.421	19.355	19.791	20.141	20.310	21.128	22.454	21.704
North America	14.712	15.080	15.045	15.003	14.915	14.940	15.245	15.523	15.494	14.988
Central and South America	4.702	4.942	5.019	5.247	5.524	5.958	6.339	6.830	6.974	6.855
Western Europe	4.662	4.893	5.287	5.499	6.227	6.639	7.053	7.025	6.999	7.064
Eastern Europe & Former U.S.S.R.	11.664	10.633	9.137	8.159	7.487	7.349	7.256	7.428	7.458	7.842
Africa	6.723	7.032	7.124	7.078	7.111	7.403	7.583	7.867	7.823	0.782
Far East and Oceania	6.752	6.934	6.906	6.993	7.190	7.437	7.611	7.857	7.922	7.913
World Total	66.743	66.617	66.941	67.335	68.460	69.868	71.397	73.658	75.124	74.184

Source: International Energy Petroleum (Oil) Data, Availabal [Online]:
<http://www.eia.doe.gov/emeu/international/petroleu.html>

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**APPENDIX H: WORLD OIL PRODUCTION PROJECTIONS,
1990-2020**

World Oil Production Projections, 1990-2020 (Million Barrels Per Day)

	1990 (est.)	1997 (est.)	2000	2005	2010	2015	2020
OPEC							
Persian Gulf							
Iran	3.2	3.9	4	4.3	4.5	4.9	5.5
Iraq	2.2	1.6	2.8	3.2	3.8	4.7	5.9
Kuwait	1.7	2.6	2.7	3.1	3.2	4.3	5.2
Qatar	0.5	0.6	0.5	0.6	0.6	0.6	0.7
Saudi Arabia	8.6	11.4	11.1	13.7	14.1	16.2	20
United Arab Emirates	2.5	2.7	2.8	3.2	3.4	4.2	4.9
Total Persian Gulf	18.7	22.8	23.9	28.1	29.6	34.9	42.2
Other OPEC							
Algeria	1.3	1.4	1.6	2	2.2	2.1	2
Indonesia	1.5	1.7	1.5	1.5	1.5	1.4	1.3
Libya	1.5	1.5	1.5	1.6	1.7	1.6	1.5
Nigeria	1.8	2.2	2.5	2.9	3.2	3.3	3.1
Venezuela	2.4	3.4	3.8	4.6	5.1	5.4	5.8
Total Other OPEC	8.5	10.2	10.9	12.6	13.7	13.8	13.7
Total OPEC	27.2	33	34.8	40.7	43.3	48.7	55.9
Non-OPEC							
Industrialized							
United States	9.7	9.5	9.1	9	9	8.9	8.7
Canada	2	2.6	2.8	3	3.2	3.4	3.4
Mexico	3	3.4	3.7	3.7	4	3.9	3.9
Australia	0.7	0.8	0.8	0.8	0.8	0.8	0.7
North Sea	4.2	6.3	6.9	7.2	7	6.4	5.9
Other	0.5	0.8	0.8	0.8	0.8	0.7	0.7
Total Industrialized	20.1	23.4	24.1	24.5	24.8	24.1	23.3
Eurasia							
China	2.8	3.2	3.2	3.3	3.5	3.6	3.6
Former Soviet Union	11.4	7.1	7.3	7.6	10.1	12.1	13.1
Eastern Europe	0.3	0.3	0.3	0.3	0.4	0.4	0.5
Total Eurasia	14.5	10.6	10.8	11.2	14	16.1	17.2
Other Non-OPEC							
Central and South America	2.4	3.4	3.8	4	4.4	4.8	5
Middle East	1.4	1.9	2	2.1	2.2	2.1	2
Africa	2.2	2.6	2.6	2.7	3.3	4.5	5.5
Asia	1.7	2.2	2.3	2.4	3	3.2	3.3
Total Other Non-OPEC	7.7	10.1	10.7	11.2	12.9	14.6	15.8
Total Non-OPEC	42.3	44.1	45.6	46.9	51.7	54.8	56.3
Total World	69.5	77.1	80.4	87.6	95	103.5	112.2

Source: Energy Information Administration (Oil) Data, Available [Online]:
<http://petroleum.about.com/industry/petroleum/library/tables/bltbieo99prodregn.htm?iam=dpile&terms=+oil++production++barrels+++per+++day>

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