



# Saudi Arabia: Background and U.S. Relations

**Christopher M. Blanchard**  
Analyst in Middle Eastern Affairs

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## Summary

The kingdom of Saudi Arabia, ruled by the Al Saud family since its founding in 1932, wields significant political and economic influence as the birthplace of the Islamic faith and by virtue of its large energy reserves. Since 2005, King Abdullah bin Abd al Aziz Al Saud has sought to strengthen Saudi relations with European and Asian counterparts and has worked to build and lead an Arab consensus on regional security issues such as Lebanon and the Israeli-Palestinian conflict. Domestic reforms under King Abdullah have codified royal succession rules, begun restructuring the justice system, and updated some educational curricula and practices. An Al Qaeda-inspired terrorist campaign inside the kingdom appears to have ebbed as security improvements and anti-extremism campaigns have been implemented. However, the threat of domestic terrorism remains: In February 2009, Saudi authorities identified several dozen individuals suspected of continuing involvement in Al Qaeda activities, including some former prisoners of the U.S. facility at Guantanamo Bay. Robust energy export revenues in recent years strengthened the kingdom's regional and global economic position and are now providing Saudi leaders with resources to meet fiscal challenges posed by the global economic downturn.

A close Cold War-era relationship between the United States government and the ruling Al Saud family was built on shared interests in securing Saudi oil production and in combating global Communism. Since the end of the Cold War, the emergence of the Al Qaeda terrorist threat and volatile regional security conditions in the Middle East have tested U.S.-Saudi relations. The direct participation of 15 Saudi nationals in the terrorist attacks of September 11, 2001, and the identification of several Saudi nationals and entities as alleged supporters of terrorism have called into question Saudi Arabia's reliability as an ally for some U.S. observers. Increased official counterterrorism cooperation and shared concerns about Iranian foreign policy have provided a new strategic logic for U.S.-Saudi security relations since 2003. Longstanding defense ties remain intact, and U.S. arms sales have continued, with over \$16.7 billion in potential Foreign Military Sales to Saudi Arabia approved by the executive branch and Congress from 2005 to 2009.

While security cooperation has improved since 2003, the United States and Saudi Arabia continue to face a core challenge identified by the 9/11 Commission in its final report: defining a broader bilateral relationship that "leaders on both sides are prepared to publicly defend." The Bush Administration attempted to meet this challenge by continuing high-level consultations with key decision makers in the Saudi royal family on issues of mutual concern, including energy policy, finance, Israeli-Arab peace, human rights, and political and economic reform. In conjunction with a May 2008 visit by President Bush to Saudi Arabia, the Administration announced new agreements relating to nuclear cooperation, infrastructure security, and visas.

The 111<sup>th</sup> Congress and the Obama Administration may consider further agreements and initiatives to implement or enhance these arrangements. Congress did not include a prohibition on the provision of U.S. foreign assistance to Saudi Arabia in the Omnibus Appropriations Act, 2009 (P.L. 111-8). Prohibitions had been included in foreign operations appropriations acts adopted since FY2005. The Obama Administration has requested \$400,000 in border security assistance and \$65,000 in International Military Education and Training (IMET) funding for Saudi Arabia in FY2010. This report provides background information about Saudi Arabia and analyzes current issues in U.S.-Saudi relations. See also CRS Report RL32499, *Saudi Arabia: Terrorist Financing Issues*, and CRS Report RS21695, *The Islamic Traditions of Wahhabism and Salafiyya*.

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## Recent Developments

President Obama's visit to Riyadh on June 3, 2009, marked his first visit to the kingdom, where he reportedly discussed a range of political and economic issues with King Abdullah bin Abd al Aziz. The visit occurred amid increasing international focus on U.S. efforts to restart Israeli-Palestinian peace negotiations and President Obama's efforts to reengage with Muslims, which Saudi Arabia has welcomed. Critics have highlighted the lack of a tangible gesture from Saudi Arabia toward Israel after the President's visit beyond references to their standing peace proposal.

On March 27, 2009, King Abdullah bin Abd al Aziz named his half-brother Prince Nayef bin Abd al Aziz as second deputy prime minister, a post that in the past has served as a stepping stone to the position of crown prince and heir apparent. Prince Nayef has served as Interior Minister since 1975. The position of second deputy prime minister had remained vacant following the death of King Fahd bin Abd al Aziz in 2005. The announcement came in the wake of a medical visit by Crown Prince and Deputy Prime Minister Sultan bin Abd al Aziz to the United States for surgical treatment. Prince Nayef has taken on added national administrative duties since the announcement. Some observers have speculated that the announcement signals that Prince Nayef is likely to succeed Prince Sultan as crown prince. However, Saudi sources have indicated that they expect any future succession questions to be considered according to rules and procedures promulgated by King Abdullah in 2006 that established an council of royal family members for that purpose (see "Leadership and Succession" below).

In February 2009, King Abdullah announced significant changes to the leadership and membership of several influential institutions in the kingdom, including the religious police, the consultative Shura Council, the Ministries of Justice, Education, and Islamic Affairs, and the Supreme Judicial Council. Some conservative figures who had resisted reform or had sparked public controversy with their comments or actions were replaced. Some observers have hailed the changes as an indication of the king's desire to advance reform, particularly in judicial and educational affairs. Others argue that the impact will be limited without further political reform. In May 2009, Saudi officials announced that scheduled municipal elections would be delayed for two years.

The 2008 U.S. State Department Country Reports on Terrorism (released April 30, 2009) praised improvements in Saudi counterterrorism practices, credited Saudi cooperation with U.S. counterterrorism efforts as "significant," and characterized Saudi anti-extremism initiatives as "aggressive." The report also stated that "Saudi Arabia needs to continue to take steps to exercise oversight of fundraising activities in the Kingdom and Saudi charitable activities abroad." The 2009 State Department International Narcotics Control Strategy Report (INCSR) on money laundering (issued February 2009) concluded that Saudi Arabia "continues to be a significant jurisdictional source for terrorist financing worldwide" and notes that the Saudi government "continues to take aggressive action to target direct threats to the Kingdom, but could do more to target Saudi-based support for extremism outside of Saudi's borders."

The Obama Administration is requesting \$65,000 for IMET and \$400,000 in border security assistance funding for Saudi Arabia for FY2010. IMET assistance makes Saudi Arabia eligible to purchase other U.S. military training at reduced rates. Section 7041 of the House version of the FY2010 Foreign Operations Appropriations bill (H.R. 3081) would prohibit the obligation or expenditure of funds appropriated by the act for Saudi Arabia unless the Obama Administration certifies Saudi counterterrorism cooperation.

# Background

## Saudi Arabia's Political Development

As the birthplace of the Islamic religion in 622 A.D. and as the home of Islam's two holiest sites (the cities of Mecca and Medina), the Arabian Peninsula has long occupied a position of importance within the broader Middle East. However, with the establishment of Arab empires based in Damascus and Baghdad in the centuries following the Prophet Mohammed's death, the peninsula sank into disunity and its relative political influence gradually declined. In the 16<sup>th</sup> century, much of the Arabian Peninsula came under the nominal rule of the Ottoman Empire, although tribal leaders effectively controlled most of the region. In the mid-eighteenth century, an alliance developed between an influential eastern family, the Al Saud, and the leaders of a puritanical religious movement known by outsiders as Wahhabism, after its founder, Mohammed ibn Abd Al Wahhab. The Al Saud-Wahhabi alliance built two states in the Arabian peninsula during the next century that eventually collapsed under pressure from outside powers and inter- and intra-family rivalries.<sup>1</sup>

During the first quarter of the 20<sup>th</sup> century, a chieftain of the Al Saud family, Abd al Aziz ibn Abd al Rahman Al Saud (commonly referred to as Ibn Saud) overcame numerous tribal rivals with the support of his Wahhabi allies and, at times, the British government. By 1932, King Abd al Aziz had unified most of the Arabian Peninsula by force under his rule, and declared the establishment of the Kingdom of Saudi Arabia. Five of his sons—Kings Saud, Faisal, Khaled, Fahd, and Abdullah—have succeeded him as rulers of the third Saudi state during seven decades characterized by a rapid socioeconomic transformation of the country. A series of agreements, statements by successive U.S. administrations, arms sales, training arrangements, and military deployments have demonstrated a strong U.S. security commitment to the Saudi monarchy since the 1940s.

### Saudi Arabia in Brief

Population (2009): 28,686,633 (includes 5,576,076 non-nationals) Growth rate: 1.85%

Area: 1,960,582 sq.km. (756,985 sq.mi.); just over one fifth the size of the United States

Ethnic Groups: (native Saudis only) Arab 90%; Afro-Asian 10%

Religion: (native Saudis only) Sunni 85-95%, Shiite 5-15%

Literacy (2003): 78.8% (male 84.7%, female 70.8%)

GDP (purchasing power parity, 2008): \$582.8 billion; growth rate: 4.2%

External Public Debt (2009 est.): \$63.2 billion

Inflation (2008 est.): 10.3%

Unemployment (2008): 8.8% (Saudi males); some estimates range up to 25%

Sources: International Monetary Fund (IMF); U.S. Department of Commerce; U.S. Central Intelligence Agency (CIA) World Factbook; Economist Intelligence Unit; and Saudi Arabian Monetary Agency (SAMA).

<sup>1</sup> For more information about Mohammed ibn Abd al Wahhab, see CRS Report RS21695, *The Islamic Traditions of Wahhabism and Salafiyya*, by Christopher M. Blanchard. For an account of the earlier Al Saud states see Alexei Vassiliev, *History of Saudi Arabia*, New York University Press, 2000.

Figure I. Map of Saudi Arabia



Source: Map Resources Adapted by CRS. (March 2008)

### Saudi-U.S. Relations, 1931-1991

Saudi-U.S. diplomatic relations were established on the foundation of military, political, and commercial understandings developed during and immediately following the Second World War. The United States recognized King Abd Al Aziz as the ruler of Hejaz and Nejd (the western and central regions of the peninsula) in 1931. However, prior to 1942, the United States did not have resident diplomatic representatives in the kingdom. From the early 1930s through 1945, U.S.-Saudi relations were shaped significantly by the awarding in 1933 of an oil exploration concession to the California Arabian Standard Oil Company [CASOC, the forerunner of the Arabian American Oil Company (Aramco, the forerunner of today's Saudi Aramco)]. CASOC's

discovery in 1938 of substantial oil reserves in eastern Saudi Arabia and subsequent private and public U.S. efforts to manage and defend oil production operations during the war years led to a deepening of bilateral relations. The United States gradually replaced the United Kingdom as the chief external political and economic supporter of the Saudi government during this period.<sup>2</sup>

Many observers of U.S.-Saudi relations identify a February 14, 1945 meeting between President Franklin Delano Roosevelt and King Abd al Aziz aboard the U.S.S. Quincy as the starting point for the more robust U.S.-Saudi political relationship that developed thereafter.<sup>3</sup> The construction of a U.S. military airfield at Dhahran and the provision of U.S. military planning and training assistance from the mid-1940s onward formed the basis for bilateral military cooperation during the early postwar era. Aramco operations and oil exports, U.S. contributions to the establishment of the Saudi financial system,<sup>4</sup> and the involvement of U.S. contractors in the development of the kingdom's infrastructure were the key pillars of bilateral economic and commercial relations during this period.

Saudi Arabia and the United States pursued some common national security objectives from the 1950s onward, in spite of recurring differences of opinion over regional issues, the most significant of which was the Arab-Israeli conflict. The Saudi and U.S. governments' divergent responses to Arab-Israeli conflicts in 1948, 1967, and 1973 created conditions that severely tested bilateral relations. Nevertheless, the Truman, Eisenhower, Kennedy, Johnson, and Nixon Administrations each viewed the Saudi monarchy as an ally in relation to other nationalist and socialist governments in the region and as a bulwark against the spread of Communism in the Gulf region and beyond.

The October 1973 Arab-Israeli war brought latent tensions in U.S.-Saudi relations to the surface and altered the prevailing political and economic dynamics of the relationship. Saudi leaders responded to U.S. support for Israel during the war by instituting an oil embargo and oil production cuts. In the United States, the oil shocks produced inflation, new concern about foreign investment from oil producing countries, and open speculation about the advisability and feasibility of militarily seizing oil fields in Saudi Arabia or other countries.<sup>5</sup> In the wake of the embargo, both Saudi and U.S. officials worked to re-anchor the bilateral relationship on the basis of shared opposition to Communism, renewed military cooperation, and through economic initiatives that promoted the recycling of Saudi petrodollars to the United States via Saudi investment in infrastructure, industrial expansion, and U.S. securities.<sup>6</sup>

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<sup>2</sup> See Aaron David Miller, *Search for Security: Saudi Arabian oil and American foreign policy, 1939-1949*, University of North Carolina Press, Chapel Hill, 1980; and, Simon Davis, "Keeping the Americans in line? Britain, the United States and Saudi Arabia, 1939-45: Inter-Allied Rivalry in the Middle East Revisited," *Diplomacy & Statecraft*, Volume 8: Number 1, 1997, pp. 96 -136.

<sup>3</sup> See Memorandum of Conversation Between King of Saudi Arabia (Abdul Aziz Al Saud) and President Roosevelt, February 14, 1945, Aboard the U.S.S. "Quincy". Foreign Relations of the United States (FRUS), 1945, Volume VIII, pp. 2-3, 7-9. See also, "Texts of Letters Exchanged by Ibn Saud and Roosevelt," *New York Times*, October 19, 1945, pg. 4.

<sup>4</sup> Arthur N. Young, *Saudi Arabia: The Making of a Financial Giant*. New York University Press, 1983; and, Oral History Interview with Arthur N. Young, Pasadena, California February 21, 1974 by James R. Fuchs, Harry S. Truman Library, available at <http://www.trumanlibrary.org/oralhist/young.htm>.

<sup>5</sup> See, for example, Miles Igotus, "Seizing Arab Oil," *Harper's Magazine*, March 1975; and, Congressional Research Service, "Oil Fields as Military Objectives: A Feasibility Study," Committee Print Prepared for the House Committee on International Relations Special Subcommittee on Investigations, August 21, 1975.

<sup>6</sup> These economic initiatives were coordinated in part through the U.S.-Saudi Arabian Joint Commission on Economic Cooperation, which was established in 1974. See Joint Statement on Saudi Arabian-United States Cooperation, June 8, (continued...)



During the Carter and Reagan Administrations, the Saudi Arabian government supported anti-Communist causes around the world in efforts that often ran parallel to or that were coordinated with U.S. policy.<sup>7</sup> The 1979 Iranian revolution and the Soviet invasion of Afghanistan helped fuel a decade of collaborative U.S.-Saudi foreign policy efforts, including shared support for anti-Soviet mujahidin fighters in Afghanistan and for Saddam Hussein's war against Iran. The 1991 Persian Gulf War placed Saudi Arabia in the role of host for U.S. combat troops and military equipment involved in operations to evict Iraqi forces from Kuwait. The continued presence of U.S. troops in Saudi Arabia during the 1990s was cited as a serious provocation by some Saudi opposition figures and extremists, including Al Qaeda leader Osama Bin Laden, whose supporters, allies, and affiliates have since attacked the United States, Saudi Arabia, and others around the world.

### **Saudi-U.S. Relations, 1991-2001**

The end of the Cold War eliminated the shared anti-Communist interests that had helped define U.S.-Saudi security relations since the late 1940s. Continuing interests in preventing conflict from threatening the political status quo in the Persian Gulf region and from interrupting the continued flow of Saudi oil to international markets remained strong. U.S.-Saudi differences over the Arab-Israeli conflict and other regional issues also persisted. The Clinton Administration's policy of "dual containment" of both Iraq and Iran was supported in part by U.S. military personnel based in Saudi Arabia, 24 of whom were killed and hundreds of whom were injured in two terrorist bombings in Riyadh in 1995 and Dhahran in 1996.<sup>8</sup>

Inside the kingdom, Saudi political activists sought to reopen domestic debates over fiscal policy, constitutional government, and foreign policy that had been largely proscribed by the government since the 1950s and 1960s. Following the 1991 Gulf War, citizens submitted several petitions to King Fahd calling for reform, and several Islamist opposition figures who were critical of the Saudi government were imprisoned. The pan-Islamic solidarity movement that drove Saudi involvement in Afghanistan during the 1980s continued to inspire international activism among Saudis, as private Saudi citizens, Saudi government charitable committees, and international Islamic charity organizations based in the kingdom funneled financial and material support to a range of Muslim groups around the world. This included support for entities and individuals engaged in or victimized by nationalist conflicts in Chechnya, Afghanistan, Bosnia, Kashmir, Kosovo, and the West Bank and Gaza. At times, this support complicated U.S. policy and peacemaking efforts in those regions and, whether directly or indirectly, contributed to the development and sustainment of a transnational network of violent activists, some of whom were affiliated with Al Qaeda. U.S. policy makers' concern about these trends predated the September 11, 2001 terrorist attacks, as evidenced by Clinton Administration's efforts to secure Saudi

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(...continued)

1974, 26 UST 1689.

<sup>7</sup> This included Saudi funding of anti-Communist groups that were prohibited from receiving U.S. foreign assistance by Congress, such as the Nicaraguan Contras. See Independent Counsel, Court Record, "U.S. Government Stipulation on Quid Pro Quos with Other Governments as Part of Contra Operation," April 6, 1989, available at <http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB210/index.htm>; and Rachel Bronson, *Thicker than Oil: America's Uneasy Partnership with Saudi Arabia*, Oxford University Press, 2006, pp.168-190.

<sup>8</sup> See The 9/11 Commission Report, p. 60, and House National Security Committee Staff Report, "The Khobar Towers Bombing Incident," August 14, 1996.

cooperation with regard to Saudi detainees and citizens suspected of supporting international terrorism.<sup>9</sup>

As the first post-Cold War decade of U.S.-Saudi relations came to a close, the bilateral relationship remained strong in traditional areas such as defense cooperation, but showed signs of weakness in other areas. Political ties were challenged by the lingering effects of anti-U.S. terrorist attacks, disagreements over the resurgence of Israeli-Palestinian fighting from late-2000 onward, and basic incompatibilities in some U.S. and Saudi figures' expectations concerning political reform and human rights in the kingdom.

## **September 11, 2001 and its Aftermath**

The direct participation of 15 Saudi nationals in the September 11, 2001, terrorist attacks kindled strong criticism in the United States of Saudi involvement in terrorism or of Saudi laxity in acting against terrorist groups. The attacks constituted the most serious challenge to U.S.-Saudi relations since the 1973-1974 oil embargo, and some analysts have since contended that Al Qaeda planners may have chosen a large number of Saudi participants for the attacks in an attempt to damage U.S.-Saudi relations. Saudi officials have acknowledged the deeply negative effect the attacks had on Saudi Arabia's relations with the United States.<sup>10</sup> Al Qaeda leader Osama Bin Laden is a Saudi national, although Saudi authorities revoked his citizenship in 1994.

Some critical commentators have gone as far as to accuse Saudi government officials of responsibility for the September 11 attacks through design or negligence. Others have taken a longer-term view and argued that Saudi policy decisions over several decades directly or indirectly supported the development of certain types of religious extremism and international terrorism, which now threaten citizens of the United States, Saudi Arabia, and other countries. In particular, many critics of Saudi policies have cited reports that the Saudi government permitted or encouraged fund raising in Saudi Arabia by some charitable religious groups and foundations that espoused extremist ideologies or were linked to or exploited by Al Qaeda and other terrorist groups. As noted above, this trend emerged as an outgrowth of a pan-Islamic solidarity movement in Saudi Arabia that began under King Faisal in the 1960s and 1970s and was embraced by the United States in the 1980s as an asset during the anti-Soviet struggle in Afghanistan.<sup>11</sup>

Nevertheless, by the 1990s, Osama bin Laden and other Saudi dissidents had increased their criticism of the Saudi government's domestic and foreign policies and its close relationship with the United States. Bin Laden and his followers declared war on the United States in 1996, ostensibly to secure the withdrawal of U.S. troops from the Arabian Peninsula and the broader

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<sup>9</sup> For example, the final report of the National Commission on Terrorist Attacks Upon the United States (the 9/11 Commission) highlights a series of unsuccessful U.S. government efforts to gain access to a senior Al Qaeda financial operative who had been detained by Saudi Arabia in 1997. The report credits the Saudi government with assisting U.S. officials in interviewing members of the bin Laden family in 1999 and 2000.

<sup>10</sup> Current Saudi Ambassador to the United States Adel Al Jubeir famously characterized the revelation that 15 Saudi nationals had participated in the attacks as "a disaster" and argued that "Bin Laden, at that moment, had made in the minds of Americans Saudi Arabia into an enemy." See *PBS Frontline*, "House of Saud," February 8, 2005. Available at <http://www.pbs.org/wgbh/pages/frontline/shows/saud/>.

<sup>11</sup> Saudi antipathy to Communism was based largely on the view that the Soviet Union's atheistic official ideology posed a direct threat to Saudi Arabia and Muslims globally. See Steve Coll, *Ghost Wars: The Secret History of the CIA, Afghanistan, and Bin Laden, From the Soviet Invasion to September 10, 2001*, Penguin Press: New York, 2004. See also footnote 70 below.

Middle East.<sup>12</sup> Following September 11, 2001, Bin Laden sought to justify the attacks as a response to what he and his supporters perceived to be anti-Islamic U.S. policies in the Middle East and other regions. However, Al Qaeda rhetoric condemning secular democracy, U.S. society, and aspects of Western culture leads many observers to question the notion that Bin Laden and other Al Qaeda figures were then or are now motivated by political concerns that can be distinguished from a broader religious or cultural agenda. Al Qaeda attacks in the kingdom following the withdrawal of thousands of U.S. troops in 2003 created further doubts about Al Qaeda's stated motives.

### **The 9/11 Commission Report**

In its final report, released on July 23, 2004, the U.S. National Commission on Terrorist Attacks upon the United States (the 9/11 Commission) described Saudi Arabia as having been “a problematic ally in combating Islamic extremism.” However, the Commission found “no evidence that the Saudi government as an institution or senior Saudi officials individually funded” Al Qaeda. According to the report, Saudi Arabia “was a place where Al Qaeda raised money directly from individuals and through charities,” and indicates that “charities with significant Saudi government sponsorship,” may have diverted funding to Al Qaeda. The report takes note of long-standing cooperative relations between the U.S. and Saudi governments, growing misunderstandings at the popular level, and the U.S. government's desire for Saudi officials to do more to fight terrorism. The report acknowledged increased Saudi efforts in that regard after mid-2003, when terrorists began attacking targets in Saudi Arabia with more frequency.<sup>13</sup>

### **Saudi Responses**

The Saudi government has denied any knowledge of or involvement with the September 11, 2001, attacks and has focused intensely since 2003 on combating the domestic terrorist threat from Al Qaeda in the Arabian Peninsula (AQAP). Members of this group and others inspired by its activities have carried out a number of attacks on civilians, government officials, foreigners, and oil facilities in the kingdom. Saudi officials maintain that they are working closely with the United States against Al Qaeda and its supporters, whom officials on both sides say are targeting both the Saudi regime and the United States. Saudi efforts to confront and control extremist religious beliefs and practices continue, but remain complicated by the ruling regime's historically close relationship with Saudi Arabia's conservative clerical community and by the beliefs and activism of some Saudi citizens (see “Combating Extremism” below).

### **Recent Assessments**

U.S. government statements have generally complimented Saudi cooperation with U.S. counterterrorism initiatives since 2003, while sometimes suggesting that the Saudi government can and should do more, particularly with regard to terrorist threats beyond Saudi borders. In its most recent *Country Reports on Terrorism, 2007* (published April 30, 2008), the U.S. Department of State assessed that, over the last year, “the government of Saudi Arabia continued to confront

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<sup>12</sup> See CRS Report RL32759, *Al Qaeda: Statements and Evolving Ideology*, by Christopher M. Blanchard.

<sup>13</sup> The Commission concluded that the Saudi government had become “locked in mortal combat with Al Qaeda.”

terrorism and extremist ideologies, though with varying degrees of success.”<sup>14</sup> The 2006 report stated that the Saudi government still had “significant ground to cover” to address terrorism financing and educational extremism concerns,<sup>15</sup> and the 2007 report describes new initiatives by the Ministry of Interior and Ministry of Islamic Affairs to address these challenges.

Bush Administration officials routinely praised Saudi domestic counterterrorism efforts, led by Assistant Interior Minister for Security Affairs Prince Mohammed Bin Nayef (see “Counterterrorism” below). Saudi Arabia established a terrorist suspect rehabilitation program and sought to promote it as a model for regional governments. However, questions about the utility of the program in dealing with hardened terrorists have arisen after several participants have rejoined Al Qaeda outside of the kingdom.

### **Terrorist Financing Concerns**

Terrorist financing concerns have proven to be a persistent point of contention.<sup>16</sup> From 2003 onward, Saudi Arabia has established new entities and laws designed specifically to combat terrorist financing in accordance with U.S. and international standards. The 2007 Country Report on Terrorism in Saudi Arabia praised Saudi authorities for arresting dozens of terrorist financing suspects and for enacting new declaration requirements for the cross-border transfer of cash and other high value items. Nevertheless, U.S. counterterrorism officials have continued to express alarm about alleged terrorist financing activities involving Saudi nationals. For example, on September 11, 2007, Undersecretary of the Treasury for Terrorism and Financial Intelligence Stuart Levey stated in an interview that, “If I could somehow snap my fingers and cut off the funding from one country, it would be Saudi Arabia.”<sup>17</sup> Saudi authorities were highly critical of Levey’s September 2007 remarks.

Undersecretary Levey repeated his criticism before the Senate Finance Committee in April 2008, stating that, Saudi Arabia is “serious about fighting Al Qaeda in the kingdom, and they do,” but that “the seriousness of purpose with respect to the money going out of the kingdom is not as high.” According to Undersecretary Levey, “Saudi Arabia today remains the location from which more money is going to terror groups and the Taliban—Sunni terror groups and the Taliban—than from any other place in the world.”<sup>18</sup> Saudi officials insist that their counter-terrorist financing efforts are robust and are not limited to targeting domestic threats. On February 2, 2009, the Obama Administration announced that Undersecretary Levey will continue to serve in his current position.

Other U.S. government entities have offered general praise for Saudi efforts, while acknowledging there remains work to be done. In testimony before the Senate Select Committee on Intelligence on February 5, 2008, then-Central Intelligence Agency Director General Michael Hayden stated that “there are some cultural challenges for our [Saudi] partners to take [terrorist

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<sup>14</sup> U.S. Department of State, Coordinator for Counterterrorism, Country Reports on Terrorism, 2007 - Saudi Arabia, April 30, 2008. Available at <http://www.state.gov/s/ct/rls/crt/2007/index.htm>.

<sup>15</sup> U.S. Department of State, Coordinator for Counterterrorism, Country Reports on Terrorism, 2006 - Saudi Arabia, April 30, 2007. Available at <http://www.state.gov/s/ct/rls/crt/2006/>.

<sup>16</sup> See CRS Report RL32499, *Saudi Arabia: Terrorist Financing Issues*, by Christopher M. Blanchard.

<sup>17</sup> Brian Ross, “U.S.: Saudis Still Filling Al Qaeda’s Coffers,” *ABC News*, September 11, 2007.

<sup>18</sup> Testimony of U.S. Department of the Treasury Undersecretary for Terrorism and Financial Intelligence Stuart A. Levey before the Senate Finance Committee, April 1, 2008.

financing] on as thoroughly as we might want.” However, he added that, “there have been very concrete steps taken by the Saudis against donors.”<sup>19</sup> Similarly, the 2007 Country Report on Terrorism in Saudi Arabia highlighted efforts by Saudi government and religious figures to encourage Saudis to exercise caution when making charitable donations.

The 2009 U.S. State Department International Narcotics Control Strategy Report on money laundering concludes that Saudi Arabia “continues to be a significant jurisdictional source for terrorist financing worldwide” and notes that the Saudi government “continues to take aggressive action to target direct threats to the Kingdom, but could do more to target Saudi-based support for extremism outside of Saudi’s borders.” Specifically the report calls on Saudi authorities to “hold terrorist financiers publicly accountable through prosecutions and full implementation of United Nations Security Council obligations” and “to establish a charities oversight mechanism that also oversees ‘multilateral organizations’ and enhances its oversight and control of Saudi entities with overseas operations.” In December 2008, the Saudi Arabian Monetary Agency (SAMA) issued new bank account regulations that appear to significantly strengthen the rules regarding charitable organizations, including so-called ‘multilateral organizations’ that have been of concern to U.S. terrorist financing officials.<sup>20</sup>

## **Toward a New Relationship?**

Following the last severe test of U.S.-Saudi relations in the early 1970s, Saudi and U.S. officials engaged in a multi-track effort to re-anchor the bilateral relationship on a range of joint military and economic commitments. Official political relations recovered and remained close, but a degree of public mistrust persisted on both sides. Several contentious debates regarding proposed U.S. arms sales to Saudi Arabia in the 1980s and 1990s demonstrated this mistrust; some Members of Congress and others made evident their doubts about Saudi Arabia’s reliability as an ally, and some Saudi officials questioned the reliability of U.S. commitments to Saudi Arabia.

Saudi support for the coalition response to the Iraqi invasion of Kuwait in 1990 helped mitigate some of those mutual doubts, but created conditions that ultimately made it more challenging for officials on both sides to publicly defend the bilateral relationship. Saudi officials faced withering criticism from some quarters for inviting foreign military forces into the kingdom, for hosting U.S. troops after the end of major combat operations against Iraq, and for continuing to cooperate with the United States diplomatically, in spite of U.S. airstrikes on Iraq and ongoing U.S. support for Israel. The Bush and Clinton Administrations sought to justify continuing military cooperation and arms sales initiatives with Saudi Arabia for strategic reasons amid growing U.S. concern about human rights and political reform in the kingdom, terrorist attacks on U.S. forces stationed there, and increasing U.S. awareness that some Saudi citizens were espousing religious extremism and supporting international terrorism.

The September 11, 2001 terrorist attacks compounded the effects of these negative factors in both the official and broader public spheres. The 9/11 Commission Report recommendations directly addressed the resulting challenges which continue to complicate the U.S.-Saudi official relationship:

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<sup>19</sup> Testimony of Central Intelligence Agency Director General Michael V. Hayden before the Senate Select Intelligence Committee, February 5, 2008.

<sup>20</sup> Saudi Arabia Monetary Agency, Rules Governing the Opening of Bank Accounts and General Operational Guidelines in Saudi Arabia, Third Update, December 2008.

“The problems in the U.S.-Saudi relationship must be confronted, openly. The United States and Saudi Arabia must determine if they can build a relationship that political leaders on both sides are prepared to publicly defend—a relationship about more than oil. It should include a shared commitment to political and economic reform, as Saudis make common cause with the outside world. It should include a shared interest in greater tolerance and cultural respect, translating into a commitment to fight the violent extremists who foment hatred.”<sup>21</sup>

Under the Bush Administration, the Saudi and U.S. governments sought to maintain the mutual strategic benefits of existing cooperative arrangements while managing the potential negative side effects of policy differences and working level disagreements. In 2005, the United States and Saudi Arabia established a cabinet-level strategic dialogue to address issues of mutual importance. Six associated working groups met “as needed” to discuss: (1) counterterrorism; (2) military affairs; (3) energy; (4) economic and financial affairs; (5) partnership, education, exchange, and human development; and (6) consular affairs.<sup>22</sup>

The relative strengthening of Iran as a regional power since 2001 has helped provide a new strategic logic for official U.S.-Saudi cooperation. However, U.S. military engagement in Iraq and Afghanistan, fluctuating oil prices, and dilatory Saudi action on some reform and counterterrorism issues continued to complicate public relations. In May 2008, one former U.S. Ambassador to Saudi Arabia characterized the state of U.S.-Saudi relations as reflecting “an odd disconnect,” in which, in his view, there has been:

“...recognition on the part of the governments in both countries that this is a very important relationship. But in both cases, the public is extremely negative. Saudi Arabia has been successfully vilified in American politics, and the United States is now extraordinarily unpopular in Saudi Arabia.”<sup>23</sup>

Efforts to restore and redefine U.S.-Saudi partnership continued during the term of the 110<sup>th</sup> Congress. Section 2043 of P.L. 110-53 (the Implementing the 9/11 Commission Recommendations Act of 2007) required the Bush Administration to report on the long-term strategy of the United States to work with the Saudi government to facilitate political, economic, and social reforms, including greater religious freedom, and to combat terrorism, including efforts to prevent and prohibit terrorist financing by Saudi institutions and citizens. The report was transmitted to the Congress on January 30, 2008, and described a “multi-dimensional” U.S. approach to achieving goals for relations with Saudi Arabia.<sup>24</sup> The extent to which the Obama Administration and the 111<sup>th</sup> Congress will seek to reinforce that strategy or chart a new course for U.S.-Saudi relations remains to be seen.

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<sup>21</sup> National Commission on Terrorist Attacks Upon the United States, Final Report, p. 374.

<sup>22</sup> H.Con.Res. 202 (referred to the House Committee on Foreign Affairs on August 3, 2007) called on the Administration to create an additional working group to address human rights.

<sup>23</sup> Ambassador Chas Freeman, President of the Middle East Policy Council, served as U.S. Ambassador to Saudi Arabia from 1989 to 1992. Tabassum Zakaria, “Analysis—Saudi smile likely for Bush on oil plea, not more,” *Reuters*, May 12, 2008.

<sup>24</sup> U.S. Department of State, *U.S. Strategy Toward Saudi Arabia*, Report Pursuant to Section 2043c of the Implementing the Recommendations of the 9/11 Commission Act, P.L. 110-53, January 30, 2008.

## **New Bilateral Agreements**

On the eve of President Bush's May 2008 visit to Riyadh to commemorate the 75<sup>th</sup> anniversary of the establishment of U.S.-Saudi relations, U.S. National Security Adviser Stephen Hadley argued that the U.S.-Saudi relationship was in "pretty good shape."<sup>25</sup> In conjunction with President Bush's visit, the Administration announced a series of agreements designed to strengthen bilateral relations in key areas:

- **Civil Nuclear Cooperation** - Both governments signed a Memorandum of Understanding on Civil Nuclear Energy Cooperation under which the United States agreed to "assist the Kingdom of Saudi Arabia to develop civilian nuclear energy for use in medicine, industry, and power generation and will help in development of both the human and infrastructure resources in accordance with evolving International Atomic Energy Agency guidance and standards."<sup>26</sup>
- **Enhanced Security Arrangements** - Saudi Arabia agreed to join the Global Initiative to Combat Nuclear Terrorism and the Proliferation Security Initiative, both of which are multilateral Administration initiatives aimed at reducing the threats posed by weapons of mass destruction proliferation, terrorism, and related activities. A White House statement released prior to the President's visit indicated that "the United States and Saudi Arabia have agreed to cooperate in safeguarding the kingdom's energy resources by protecting key infrastructure, enhancing Saudi border security, and meeting Saudi Arabia's expanding energy needs in an environmentally responsible manner."<sup>27</sup> Under Secretary of State for Political Affairs William Burns said in April 2009 that the United States and Saudi Arabia are continuing to discuss the establishment of a training program that will provide Saudi security forces with expertise to protect critical energy infrastructure.<sup>28</sup>
- **Reciprocal Visa Policies** - Both governments agreed to issue business and tourist visas to each others' citizens on reciprocal terms: valid for five years, with multiple entries. Both governments also agreed to issue student visas valid for the duration of the student's study program, up to a maximum of five years, without two-year renewal requirements. See Consular Issues below for more information.

## **Recent Congressional Interest in Saudi Arabia**

The September 11 terrorist attacks created an atmosphere of skepticism about U.S.-Saudi relations that has characterized much of the discourse in Congress on Saudi Arabia since late 2001. During the 107<sup>th</sup> and 108<sup>th</sup> Congresses, some Members of Congress frequently criticized what they perceived to be Saudi policies that may have contributed to the development of terrorist

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<sup>25</sup> Tabassum Zakaria, "Analysis—Saudi smile likely for Bush on oil plea, not more," *Reuters*, May 12, 2008.

<sup>26</sup> U.S. Department of State, Office of the Spokesman, "Media Note: U.S.-Saudi Arabia Memorandum of Understanding on Nuclear Energy Cooperation," May 16, 2008.

<sup>27</sup> The White House, Office of the Press Secretary, "Fact Sheet: Strengthening Diplomatic Ties with Saudi Arabia," May 16, 2008.

<sup>28</sup> Remarks of Under Secretary of State William Burns, New America Foundation Conference – "U.S.-Saudi Relations in a World Without Equilibrium," Washington, D.C., April 27, 2009.

threats to the United States and other countries. In the 109<sup>th</sup> Congress, some Members' perspectives evolved to reflect a degree of solidarity with Saudi citizens in the face of Al Qaeda terrorist attacks inside Saudi Arabia, amid persistent concerns about the Saudi government's counterterrorism policies, reform efforts, and positions toward Iraq and the Israeli-Palestinian conflict. Many Members of Congress have acknowledged Saudi domestic counterterrorism efforts as significant, while continuing to raise questions about Saudi efforts to combat religious extremism and to support U.S. counterterrorism and regional policies.

During the 110<sup>th</sup> Congress, issues of mutual interest to Members of Congress and Saudi Arabian officials included the conflict in Iraq, Iran's nuclear technology development efforts, Saudi political and economic reform efforts, Saudi oil policies, counterterrorism cooperation, and new initiatives to revive dormant Israeli-Arab peace negotiations. These issues, along with Afghanistan, Pakistan, and security cooperation are likely to remain at the top of the agenda for U.S. and Saudi leaders during the term of the 111<sup>th</sup> Congress. The Obama Administration and the 111<sup>th</sup> Congress may seek to continue or alter the established patterns of foreign assistance, security cooperation, and arms sales described below.

## **U.S. Foreign Assistance to Saudi Arabia and Congressional Prohibitions**

U.S. foreign assistance programs for Saudi Arabia were a consistent point of contention between some Members of Congress and the Bush Administration from 2001 through 2008. Some Members criticized the provision of U.S. foreign assistance to Saudi Arabia by arguing that Saudi oil revenues made U.S. assistance unnecessary or by citing security and terrorism concerns about Saudi government policies. Others have argued that security-related support for the Saudi Arabian government is necessary and important in order to help Saudis confront the threat of Al Qaeda terrorism in their country, to protect Saudi infrastructure critical to ensuring global oil supplies, to secure Saudi support for U.S. counterterrorism priorities overseas, to bolster Saudi Arabia against a potential threat from Iran, and to ensure continuing access to and cooperation with the Saudi armed forces.

From 1946 through 2007, the United States provided Saudi Arabia with \$333.1 million (current dollars) in foreign assistance funding, of which \$294.8 million was military assistance and \$38.3 million was economic assistance.<sup>29</sup> Significant U.S. military training and advisory programs in Saudi Arabia have continued in various forms since the mid-1940s. Currently, these programs include the United States Training Mission to Saudi Arabia (USMTM, established 1953) and the Saudi Arabian National Guard Modernization Program (PM-SANG, established 1973). The costs of these training programs are paid by the Saudi government through Foreign Military Sales purchases (see "U.S.-Saudi Military Cooperation" below).

## **International Military Education and Training (IMET)**

The Bush Administration requested limited funding for a small International Military Education and Training (IMET) program for Saudi Arabia from FY2003 through FY2009. The Bush and Obama Administrations have supported Saudi IMET participation because it reduces the cost to

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<sup>29</sup> U.S. Agency for International Development [USAID], U.S. Overseas Loans and Grants, Obligations and Loan Authorizations. Available at <http://quesdb.usaid.gov/gbk/>.



the Saudi government of other training purchases<sup>30</sup> and provides a range of benefits for U.S.-Saudi military to military relations. According to the U.S. Department of Defense and U.S. Department of State:

“Providing minimal IMET to Saudi Arabia permits them to purchase military training at the significantly reduced Foreign Military Sale (FMS) incremental rate ensuring a continued high level of Saudi attendance at U.S. military institutions; enhances technical capabilities; exposes all levels of Saudi military personnel and their families to U.S. values, ideas, and policies; and increases awareness of international norms of human rights, the principle of civilian control of the military, and the rule of law.”<sup>31</sup>

The Bush Administration requested \$15,000 in IMET funds for FY2009, and the Obama Administration is requesting \$65,000 in IMET funds for FY2010.<sup>32</sup>

**Table 1** displays the number of Saudi students receiving U.S. military training from FY2002 through FY2007, with the total dollar value of the training purchased by the Saudi government (see below). For FY2003 through FY2007, this total value includes courses purchased using nominal amounts of IMET assistance. The value of IMET-funded training is provided in **Table 2** below. The net value of the reduction in cost for other non-IMET training purchased by Saudi Arabia through the Foreign Military Sale (FMS) program is not reported by the Defense Security Cooperation Agency (DSCA).

**Table 1. U.S. Military Training Provided to Saudi Personnel**

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
<b>Students Trained</b>	1,110	1,664	596	416	524	435
<b>Value (\$ million)</b>	\$57.4	\$20.2	\$21.1	\$11.2	\$8.9	\$15.9

**Source:** U.S. Department of Defense and U.S. Department of State Joint Reports to Congress on Foreign Military Training, FY2002-FY2007. Available at <http://www.state.gov/t/pm/rls/rpt/fmtrpt/>.

<sup>30</sup> Section 21(c) of P.L.90-629, the Arms Export Control Act (AECA), states that IMET recipient countries are eligible to purchase non-IMET training at reduced cost. Section 108(a) of P.L. 99-83 amended the AECA to provide this reduced cost benefit to IMET recipients. The U.S. Defense Security Cooperation Agency (DSCA) implements the authority provided in P.L. 99-83 to apply a lower cost to U.S. military training purchased by Saudi Arabia and other IMET recipient countries through the Foreign Military Sales (FMS) program. At present, the “incremental rates” applied to the FMS training purchases of IMET recipient countries are calculated according to the terms outlined in Department of Defense Financial Management Regulation (FMR), Volume 15, Chapter 7 (Sections 0711 and 0712).

<sup>31</sup> U.S. Department of Defense and U.S. Department of State Joint Report to Congress on Foreign Military Training In Fiscal Years 2006 and 2007, Volume I, August 2007. Available at <http://www.state.gov/t/pm/rls/rpt/fmtrpt/2007/>.

<sup>32</sup> According to the State Department Congressional Budget Justification for FY2010, “U.S. assistance will encourage Saudi Arabia’s continued participation in U.S. military, education and training programs. This level of funding permits the Saudi government to purchase military training in the United States at considerably lower cost than is charged countries that are not eligible for military, education and training funds. Military training enhances interoperability with U.S. forces, promotes military professionalism and respect for human rights. It also builds Saudi defensive capacities, and reinforces the importance of a strong, cooperative political and military relationship between American and Saudi military officers.”

## **Counterterrorism Assistance**

The Obama Administration has requested \$400,000 in export control and related border security funds (Non-proliferation, Anti-terrorism, Demining and Related programs account, NADR-EXBS) for Saudi Arabia in FY2010 (see **Table 2** below). The funds are intended to continue U.S. programs to improve Saudi border enforcement capabilities, specifically as a means of combating weapons of mass destruction and small arms trafficking. The Bush Administration requested and Congress appropriated similar funds for Saudi Arabia from FY2001 through FY2003. The assistance supported a program to improve Saudi export laws and enforcement procedures. Anti-terrorism assistance (NADR-ATA) was provided in FY2005 in the form of VIP protection courses for Saudi security officers along with counterterrorism financing assistance (NADR-CTF). Assistance in FY2006 funded crisis management training and counterterrorism financing courses related to bulk cash smuggling. The Bush Administration obligated \$300,000 in NADR-ATA funding for Saudi Arabia for FY2007 and requested \$100,000 for FY2008, which was planned, in part, to support Saudi efforts to establish a national counterterrorism center. For FY2009, the Bush Administration requested \$350,000 in NADR-EXBS.

## **Prohibitions on Foreign Assistance**

From 2004 to 2008, several legislative proposals to prohibit the extension of U.S. foreign assistance to Saudi Arabia were considered and adopted by Congress. As the total amount of U.S. assistance to Saudi Arabia has been relatively minuscule in recent years, the practical effect of the prohibitions was to rescind Saudi Arabia's eligibility to purchase U.S. military training at a reduced cost, absent the issuance of presidential waivers or the assertion of existing executive authority. As noted above, some supporters of the prohibitions raised questions regarding Saudi Arabia's reliability as a counterterrorism partner, while opponents of the assistance bans argued that the provisions would unnecessarily jeopardize continuance of cooperative diplomatic and security efforts with a longstanding regional ally. Each legislative proposal differed in its cited reasons for prohibiting aid as well as whether or not it provided national security waiver authority for the President.<sup>33</sup>

The prohibition on FY2006 foreign assistance to Saudi Arabia contained in Section 582 of P.L. 109-102 was carried forward in subsequent continuing appropriations resolutions for FY2007 (P.L. 110-5)<sup>34</sup> and FY2008 (P.L. 110-92). On October 19, 2007, President Bush certified that Saudi Arabia was "cooperating with efforts to combat international terrorism" and waived the prohibition on the use of funds appropriated in P.L. 109-102 and in the continuing appropriations resolutions for FY2007 (P.L. 110-5) and FY2008 (P.L. 110-92) for foreign assistance to Saudi Arabia.<sup>35</sup> Section 697 of Division J of P.L. 110-161, the FY2008 Consolidated Appropriations Act, prohibited the use of funds appropriated by the act for assistance to Saudi Arabia, but

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<sup>33</sup> For example, the House version of the FY2008 Foreign Operations Appropriations bill (Section 699N of H.R. 2764 EH) would have prohibited the use of appropriated FY2008 funds for assistance to Saudi Arabia, including under authority granted to the President by Section 571 or 614 of the Foreign Assistance Act of 1961. It did not provide waiver authority for the President. The Senate version of the bill did not include a similar provision. See H.Amdt. 389, adopted by voice vote on June 21, 2007. For consideration see Congressional Record (CR), June 22, 2007 (H6941-6942); for text, (H6941-6942).

<sup>34</sup> On June 9, 2006, the House adopted H.Amdt. 997 to H.R. 5522 (Foreign Operations Appropriations Act, FY2007) by a vote of 312-97 (Roll no. 244); this amendment would have prohibited U.S. assistance to Saudi Arabia during FY2007 and contained no presidential waiver.

<sup>35</sup> Presidential Determination Relating to Assistance for Saudi Arabia (No. 2008-5), October 19, 2007.

provides waiver authority for the President. President Bush did not issue a waiver applicable to the FY2008 funds appropriated by P.L. 110-161. The FY2008 prohibition was originally carried forward under the terms of the Continuing Appropriations Resolution, 2009, P.L. 110-329. However, the Omnibus Appropriations Act, 2009 (P.L. 111-8) did not contain such a prohibition for FY2009 funds.

Section 7041 of the House version of the FY2010 Foreign Operations Appropriations bill (H.R. 3081) would prohibit the obligation or expenditure of funds appropriated by the act for Saudi Arabia unless the Obama Administration certifies Saudi counterterrorism cooperation. The Prohibit Aid to Saudi Arabia Act of 2009 (H.R. 792, introduced February 2, 2009) would prohibit any and all “funds appropriated or otherwise made available pursuant to an Act making appropriations for the Department of State, foreign operations, and related programs” from being “obligated or expended to finance directly any assistance or reparations to Saudi Arabia.”

**Table 2. U.S. Assistance to Saudi Arabia, FY2002-FY2009**

(\$ thousand)

	FY2003	FY2004	FY2005 <sup>a</sup>	FY2006 <sup>a</sup>
IMET <sup>b</sup>	\$27.0	\$23.5	\$6.9	\$20.3
NADR-EXBS	\$80.0	-	-	-
NADR-ATA	-	-	760 <sup>c</sup>	\$1,387.0
NADR-CTF	-	-	\$200.0	\$189.0
<b>Annual Total</b>	<b>\$107.0</b>	<b>\$23.5</b>	<b>\$966.9</b>	<b>\$1,576.0</b>

	FY2007 <sup>c</sup>	FY2008	FY2009 Estimate	FY2010 Request
IMET <sup>b</sup>	\$19.0	- <sup>d</sup>	\$15.0	\$65
NADR-EXBS	-	-	\$350.0	\$400
NADR-ATA	\$300.0	\$99.0	-	-
NADR-CTF	-	-	-	-
<b>Annual Total</b>	<b>\$319.0</b>	<b>\$113.0</b>	<b>\$365.0</b>	<b>\$465.0</b>

**Sources:** U.S. Department of State - Congressional Budget Justifications for Foreign Operations FY2004-FY2010; and, U.S. Department of Defense and U.S. Department of State Joint Report to Congress on Foreign Military Training, Fiscal Years 2002-2007.

- The Administration requested \$24,000 in IMET and \$100,000 in NADR-CTF funds for FY2006. In late 2005, \$25,000 in no-year funds were obligated for IMET programming for Saudi Arabia.
- FY2003-FY2006 IMET figures contained in the Joint Reports to Congress on Foreign Military Training, Fiscal Years 2002-2006. FY2007 IMET figure based on FY2007 Country Aid Allocation Report by Account (653a Report), June 2007.
- FY2007 Country Aid Allocation Report by Account (653a Report), June 2007.
- On September 20, 2007, the Bush Administration notified the Congress of its intention to use \$15,800 in unobligated no-year IMET funds appropriated in 2002 to support the IMET program with Saudi Arabia. See Executive Communication 3416. A letter from the Director, Defense Security Cooperation Agency, transmitting notification of the intention to use unobligated X-year IMET funds appropriated in fiscal year 2002 for Saudi Arabia, pursuant to the Foreign Operations, Export Financing and Related Programs Appropriations Act, 2002, P.L. 107-115; jointly to the Committees on Foreign Affairs and Appropriations.

## U.S. Arms Sales to Saudi Arabia

### Background

The United States has long been Saudi Arabia's leading arms supplier. From 1950 through 2006, Saudi Arabia purchased and received from the United States weapons, military equipment, and related services through Foreign Military Sales (FMS) worth over \$62.7 billion and foreign military construction services (FMCS) worth over \$17.1 billion (figures in historical dollars). These figures represent approximately 19% of all FMS deliveries and 85% of all FMCS deliveries made worldwide during this period. The largest single recent U.S. foreign military sale to Saudi Arabia was a \$9 billion contract for 72 F-15S fighter aircraft. The contract was signed in May 1993, and delivery of the F-15S aircraft was completed in 1999.

The overthrow of Saddam Hussein's regime in Iraq removed the primary conventional military threat to Saudi Arabia's security. According to many military experts, Saudi Arabia enjoys some qualitative conventional military advantages over Iran, its larger, more populous neighbor and primary peer competitor in the Gulf region. These advantages are expected to grow, and key Saudi deficiencies in areas such as naval technology are expected to diminish as a multi-year Saudi defense investment initiative continues. Saudi officials have announced their intention to devote \$50-60 billion to upgrading existing weapons systems, improving command and control, and expanding the size, training, and capabilities of the Saudi armed forces.<sup>36</sup> From January 2005 through January 2009, the Bush Administration and Congress approved a number of potential<sup>37</sup> U.S. military sales to Saudi Arabia with a possible combined value of over \$16.7 billion.<sup>38</sup> In spite of these improvements, some security analysts believe that Saudi Arabia will remain dependent on the United States to serve as the ultimate guarantor of its security from conventional external threats.

Unconventional threats from Iran, the threat of domestic terrorism, and the residual effects of continuing instability in Iraq, Yemen, and Pakistan now constitute the primary threats to Saudi national security. Counterterrorism, intelligence, and border security improvements are ongoing to respond to these threats, and the United States is seeking to improve the deterrent and defensive capabilities of Saudi and other Gulf Cooperation Council (GCC) militaries vis-à-vis Iran. The Bush Administration sought to coordinate these efforts with other GCC countries via a U.S. initiative known as the Gulf Security Dialogue.<sup>39</sup> However, the Bush Administration

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<sup>36</sup> A downward trend in Saudi arms procurement prevailed from the mid-1990s through 2003 as Saudi Arabia completed payments for many of its post-Gulf War purchases and the country faced strained finances. Higher oil prices, perceived regional threats, and counterterrorism requirements led Saudi officials to reassess their defense and security needs and procurement plans in light of recent developments. Purchases from the United States and other suppliers have increased accordingly. From 2004 through 2007, Saudi Arabia made arms agreements worth \$23.2 billion (in current dollars), including deals signed with four major European suppliers (\$16.9 billion) and the United States (\$5.2 billion). For more information, see CRS Report RL34723, *Conventional Arms Transfers to Developing Nations, 2000-2007*, by Richard F. Grimmett.

<sup>37</sup> The Defense Security Cooperation Agency (DSCA) notifies Congress of the potential value of sales, because the final value of actual sales may change once congressional approval is granted and contracts are signed. DSCA officials report that the notified totals reflect an approximate upper limit of the potential value of a given sale. Author interview with DSCA officials, Arlington, Virginia, December 12, 2007.

<sup>38</sup> DSCA notification press releases are available at [http://www.dsca.mil/PressReleases/36-b/36b\\_index.htm](http://www.dsca.mil/PressReleases/36-b/36b_index.htm).

<sup>39</sup> For more information see, CRS Report RL34322, *The Gulf Security Dialogue and Related Arms Sale Proposals*, by Christopher M. Blanchard and Richard F. Grimmett.

continued to engage with Saudi Arabia on these security issues using established bilateral mechanisms (see below). U.S. and Saudi officials report that future arms sale requests and proposals will be determined by joint assessments of Saudi defense needs and regional security conditions. Recent arms sale proposals are detailed in the **Appendix**.

### **Criticism and Action in the 110<sup>th</sup> Congress**

Members of Congress have not initiated a coordinated bicameral legislative effort to block or significantly modify any U.S. arms sales to any of the GCC states since the early 1990s. However, some in Congress have expressed reservations about sale of sophisticated weaponry and armament packages to the Gulf states, including Saudi Arabia, in recent years. Debate in the 110<sup>th</sup> Congress over weapons sales to the GCC states in general, and to Saudi Arabia in particular, largely mirrored past congressional debate over the sale of major weapons systems to these countries.

As in past debates, some Members recently have argued that sales of sophisticated weaponry to the GCC states may erode Israel's "qualitative military edge" (often referred to as QME) over its Arab neighbors if those states choose to join in any potential joint Arab military action against Israel. Section 201 of the Naval Vessel Transfer Act of 2008 (P.L. 110-429) requires the president to conduct "an empirical and qualitative assessment of the extent to which Israel possesses a qualitative military edge over military threats to Israel" by June 30, 2009, and every four years thereafter. The Act further amends Section 36 of the Arms Export Control Act to require certifications for proposed arms sales "to any country in the Middle East other than Israel" to include "a determination that the sale or export of the defense articles or defense services will not adversely affect Israel's qualitative military edge over military threats to Israel." The Act defines QME as follows:

"the ability to counter and defeat any credible conventional military threat from any individual state or possible coalition of states or from non-state actors, while sustaining minimal damages and casualties, through the use of superior military means, possessed in sufficient quantity, including weapons, command, control, communication, intelligence, surveillance, and reconnaissance capabilities that in their technical characteristics are superior in capability to those of such other individual or possible coalition of states or non-state actors."

Others have expressed concerns about the fate of U.S. weaponry exports should currently-allied Gulf governments suffer abrupt regime changes. Successive U.S. Administrations have maintained that Saudi Arabia and the other Gulf states are too dependent on U.S. training, spare parts, and technology to be in a position to use sophisticated U.S.-made arms against Israel or any other U.S. ally under current conditions or in the event of significant regime changes.<sup>40</sup> By all accounts, Saudi officials continue to view U.S. willingness to sell sophisticated military technology to Saudi Arabia as an indicator of the strength of U.S. commitments to Saudi security and the health of the broader bilateral relationship.

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<sup>40</sup> Gopal Ratnam and Amy Svitak, "U.S. Would Keep Tight Rein on Missile Sold to Bahrain," *Defense News*, September 11, 2000. The U.S. Department of State and the Defense Security Cooperation Agency routinely offer briefings to Members of Congress and congressional and committee staff regarding proposed Foreign Military Sales to Saudi Arabia and other countries.

### ***Proposed Sale of Joint Direct Attack Munitions (JDAMs)***

On January 14, 2008, the Bush Administration formally notified Congress of a proposal to sell 900 Joint Direct Attack Munition (JDAM) bomb guidance kits to Saudi Arabia (Defense Security Cooperation Agency (DSCA) Transmittal No. 08-18). A joint resolution of disapproval (H.J.Res. 76) was introduced in the House to prohibit the proposed sale, but the resolution was not considered within the 30-day period specified by the Arms Export Control Act. In May 2008, a bill (S.J.Res. 32) disapproving of the proposed JDAM sale and three other proposed sales was introduced in the Senate. S.J.Res. 32 sought to link approval of four proposed arms sales to Saudi willingness to increase oil production.

The Bush Administration indicated that a Letter of Offer and Acceptance for the sale of JDAMs to Saudi Arabia was scheduled to be signed in 2008 and that delivery of the weapons would begin in 2011.<sup>41</sup> Congress may take legislative action to modify or prevent the sale at any point up to the physical transfer of Foreign Military Sale items. In the Middle East region, to date, the United States has sold JDAM kits to Israel, the United Arab Emirates, and Oman. From August 2007 through January 2009, the Bush Administration notified Congress of proposals to sell 10,000 JDAM kits to Israel and 200 JDAM kits to the United Arab Emirates.

### **BAE Corruption Inquiry**

The U.S. Department of Justice is investigating British defense contractor BAE Systems plc and its U.S. subsidiary BLC Systems Incorporated for suspected violations of the Foreign Corrupt Practices Act in connection with past arms sales to Saudi Arabia. British press reports have long alleged that BAE executives made illegal payments to Saudi officials in support of a multi-billion dollar, decade-long arms-for-oil barter treaty known as Al Yamamah.<sup>42</sup> BAE officials and Saudi authorities have denied any wrongdoing and claim that any and all payments associated with the deal were legal and reflected commonly understood terms of government-to-government sale agreements between the United Kingdom and Saudi Arabia. U.S. investigators detained and subpoenaed two BAE executives in U.S. airports in May 2008 in connection with their ongoing investigation.<sup>43</sup> Press reports in August 2008 and February 2009 suggested that a settlement may be reached as a result of the Justice Department investigation. However, the Justice Department repeatedly has declined to comment on the case.

The United Kingdom's Serious Fraud Office (SFO) dropped a similar investigation in 2006 when ordered to do so by the government of then-Prime Minister Tony Blair.<sup>44</sup> The Blair government determined that the continuation of the SFO investigation, which was seeking access to Swiss bank records involving Saudi royal family members, constituted a threat to U.K. national security.

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<sup>41</sup> CRS analyst correspondence with DSCA officials, May 9, 2008.

<sup>42</sup> Detailed press coverage of the allegations is available from the British newspaper *The Guardian* at <http://www.guardian.co.uk/world/bae>.

<sup>43</sup> The executives were identified as BAE chief executive Mike Turner and non-executive director Sir Nigel Rudd. Suzy Jagger, "BAE accused of being uncooperative with US investigators," *The Times* (UK), May 20, 2008.

<sup>44</sup> In a personal minute to Attorney General in December 2006, Prime Minister Blair wrote "it is in my judgement very clear that the continuation of the SFO investigation into Al Yamamah risks seriously damaging Saudi confidence in the UK as a partner. It is also my judgement that such damage risks endangering UK national security, both directly in protecting citizens and service people, and indirectly through impeding our search for peace and stability in this critical part of the world."

This determination was based on alleged Saudi threats to withdraw terrorism-related intelligence cooperation or to cancel a then-pending arms sale agreement for U.K.-produced Typhoon aircraft if the SFO investigation did not cease.<sup>45</sup> Britain's High Court overturned the SFO decision to drop the case in April 2008 and criticized what it deemed the Blair government's willingness to "surrender" to alleged Saudi threats, which, in the court's view jeopardized "the integrity of the criminal justice system."<sup>46</sup> The British government won its subsequent appeal of the High Court ruling, with the House of Lords finding that the SFO Director acted lawfully in suspending the investigation in light of an "ugly and obviously unwelcome threat."<sup>47</sup>

In February 2008, a U.S. judge froze the U.S.-based real estate proceeds of Prince Bandar bin Sultan, long-time Saudi Ambassador to the United States, in response to a lawsuit filed by a Michigan pension system that held stock in BAE and sued the prince, BAE, and others in relation to the Al Yamamah allegations.<sup>48</sup> The lawsuit was dismissed in September 2008 on the grounds that the U.S. District Court system did not have jurisdiction over BAE Systems plc. Former U.S. Federal Bureau of Investigation Director Louis Freeh, who now serves as legal counsel for Prince Bandar bin Sultan, said in a recent interview that his client did not receive or accept bribes related to the BAE transactions and argued that while the transactions under investigation may appear inconsistent with U.S. standards, each was audited and approved by relevant authorities in the Saudi government.<sup>49</sup>

## Current Issues in U.S.-Saudi Relations

Saudi-U.S. relations have grown increasingly complex as the number of policy challenges facing both countries has multiplied and as both countries' security and economic interests have become more intertwined. The United States remains the principal external actor in the Middle East region, but by most accounts, many regional policy makers, including those in Saudi Arabia, perceive potential U.S. influence to be limited by current U.S. military commitments in Iraq and Afghanistan. Saudi confidence in U.S. influence and guarantees reportedly has diminished, and the ability of the United States to simultaneously pursue a political and social reform agenda and a close strategic relationship with Saudi Arabia remains in question. Saudi Arabia has weathered economic strains and a dangerous domestic terrorism campaign and arguably has emerged as the most economically and politically powerful Arab state.<sup>50</sup> Over the long-term, growing demand for

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<sup>45</sup> SFO Director Robert Wardle has testified that in response to his inquiries about the alleged threats, he was told by the Saudi Ambassador to the United Kingdom that "British lives on British streets were at risk" if the investigation continued.

<sup>46</sup> High Court of Justice (UK), Approved Judgment, Case No: CO/1567/2007, Neutral Citation Number: [2008] EWHC 714 (Admin), April 10, 2008. Available at <http://media.ft.com/cms/7397bb16-06e8-11dd-b41e-0000779fd2ac.pdf>.

<sup>47</sup> David Leigh, "Law lords: fraud office right to end bribery investigation: in BAE case," *The Guardian*, July 31, 2008; and, Lord Bingham, "Extracts: He was confronted by an ugly and unwelcome threat," *The Guardian*, July 31, 2008.

<sup>48</sup> Michael Isikoff and Mark Hosenball, "The Prince and the Prime Minister," *Newsweek*, April 16, 2008; Brent Gardner-Smith, "Bandar's Aspen real estate proceeds frozen by D.C. judge in bribes case," *Aspen Daily News*, February 12, 2008; and Renee Montagne, "'David vs. Goliath': City Takes on BAE Systems," *National Public Radio (NPR) Morning Edition*, June 10, 2008.

<sup>49</sup> Extended Interview With Louis Freeh, *PBS Frontline*, April 7, 2009, available at: [<http://www.pbs.org/frontlineworld/stories/bribe/2009/04/louis-freeh-interview.html>]; and, Tom Hamburger and Josh Meyer, "Freeh defends Saudi payments," *Los Angeles Times*, April 07, 2009.

<sup>50</sup> "Saudi Arabia is arguably the most powerful and influential country in the Arab world today." U.S. Department of State, *U.S. Strategy Toward Saudi Arabia*, Report Pursuant to Section 2043c of the Implementing the Recommendations of the 9/11 Commission Act, P.L. 110-53, January 30, 2008, p. 1.

oil in developing countries, declining oil reserves outside of the Persian Gulf region, and expanding Saudi oil revenues are likely to further raise Saudi Arabia's international profile and influence. U.S. national security interests with regard to Saudi Arabia are likely to persist, while U.S. efforts to achieve policy goals may be complicated by these trends. At present, formal U.S.-Saudi security and political relationships appear strong, in spite of differences in some areas.

## **U.S.-Saudi Military Cooperation<sup>51</sup>**

Longstanding military training programs remain an important pillar of U.S.-Saudi relations. The United States has played an integral role in the development, training, and arming of the Saudi Arabian military since the 1940s, when U.S. military advisors first carried out a comprehensive assessment of the kingdom's defense requirements.<sup>52</sup> Since the 1940s, a number of subsequent U.S. defense assessments, joint planning activities, and training programs have established close and cooperative relationships between the U.S. military services and their Saudi counterparts. The Saudi Arabian government has continually sought U.S. military technology and training as a guarantee of its national security, and Saudi authorities have pursued military procurement and modernization initiatives based on the recommendations of U.S. defense surveys.<sup>53</sup> In the late 1970s and early 1980s, the United States Army Corps of Engineers completed a series of massive military infrastructure construction projects across the kingdom; many U.S.-built facilities remain critical to the operations of Saudi security forces.

As noted above, the Iraqi invasion of Kuwait in 1990 and subsequent coalition efforts to evict Iraqi forces and enforce United Nations Security Council Resolutions provided the basis for the expanded U.S. military presence in Saudi Arabia that lasted from 1990 until 2003. Following the overthrow of the Saddam Hussein regime in 2003, the U.S. military withdrew almost all of the 5,000 troops that had been stationed in Saudi Arabia and moved its Combat Air Operations Center from Saudi Arabia to neighboring Qatar. Now, as before, between 200 and 300 U.S. military personnel remain in Saudi Arabia at any given time to administer long-standing U.S. training programs in conjunction with U.S. civilians and local hires. Almost all U.S. training for the Saudi armed forces is funded via Saudi government purchases through the Foreign Military Sales program. The existence of parallel U.S. training programs for different Saudi security forces reflects the relatively stove-piped nature of Saudi Arabia's security and defense establishment; anecdotal evidence suggests that different Saudi ministries and security forces do not operate jointly and may serve as sources of influence and patronage for members of the royal family.<sup>54</sup>

## **U.S. Military Training Mission in Saudi Arabia (USMTM)**

The U.S. Military Training Mission in Saudi Arabia (USMTM) has served as the focal point for U.S.-Saudi military-to-military relations since its establishment in 1953. Through USMTM, the

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<sup>51</sup> A detailed account of the history of U.S.-Saudi military cooperation is contained in David E. Long, *The United States and Saudi Arabia: Ambivalent Allies*, Westview Press, Boulder and London, 1985, pp.33-72.

<sup>52</sup> The survey was undertaken by Air Force Major General Richard O'Keefe. See Memorandum of Conversation, 890F.00/12-849, December 8, 1949, Washington, DC, FRUS, 1949, Volume VI, pp. 1625-7.

<sup>53</sup> Prominent examples include the U.S. air defense survey of the country, which was completed in 1963, and the U.S. naval defense survey associated with the Saudi Naval Expansion Program (SNEP), which was completed in 1969.

<sup>54</sup> See Joshua Teitelbaum, "A Family Affair: Civil-Military Relations in Saudi Arabia," Draft Paper Presented to the Fourth Mediterranean Social and Political Research Meeting, Robert Schuman Centre for Advanced Studies, Florence, March 2003.



U.S. Department of Defense and the joint military services work with counterparts from the Saudi Ministry of Defense and Aviation (MODA) and Saudi armed forces, which are led by Crown Prince Sultan bin Abd al Aziz and his son Prince Khaled bin Sultan. The USMTM is a joint services training mission under the command of U.S. Central Command (CENTCOM) and works with the Saudi MODA “to assist and advise the Saudi Arabian Armed Forces with respect to the building of military equipment, plans, organization, administrative procedures, training methods, and the conduct of such training.”<sup>55</sup> Organized in 1953 under the auspices of the U.S.-Saudi Mutual Defense Assistance Agreement,<sup>56</sup> the program is now administered according to the terms of a 1977 memorandum of understanding.<sup>57</sup>

### **Saudi Arabian National Guard Modernization Program (PM-SANG)**

The Saudi Arabian National Guard (SANG), which operates separately from MODA forces, is led by King Abdullah bin Abd Al Aziz and his son, Prince Miteb bin Abdullah. The United States Army Security Assistance Command (USASAC) administers PM-SANG, which seeks to “develop, within the Saudi Arabian National Guard, the capability to unilaterally initiate, sustain, and operate modern military organizations and systems.” According to USASAC, modernization support under the PM-SANG mission is “open-ended and includes training, supply, maintenance, operations, medical, construction, equipment fielding, equipment post fielding support, and a host of other related activities.”<sup>58</sup> The program was chartered by and operates according to the terms of a 1973 memorandum of understanding.<sup>59</sup> The Vinnell Corporation, a subsidiary of the Northrop Grumman Corporation, is the primary U.S. contractor charged with training SANG units.<sup>60</sup> In 2004, terrorists shot and killed an American Vinnell employee based in Riyadh. In July 2008, the Bush Administration notified Congress of a potential sale to Saudi Arabia of “continued assistance in the modernization of the Saudi Arabian National Guard as well as associated equipment and services... for the period 1 January 2009 through 31 December 2013.” The estimated potential cost is \$1.8 billion. According to the notification, as of July 2008, there were 215 U.S. military personnel and 500 contractors in Saudi Arabia supporting PM-SANG.

### **Counterterrorism**

The Bush Administration’s January 2008 *Strategy Toward Saudi Arabia* asserted that, “Victory for the United States in the global war on terrorism will be impossible without a partnership to dry up funds for terrorists and to combat Islamic extremism in the kingdom.”<sup>61</sup> Terrorism has long been an issue in U.S.-Saudi relations, and the strategy document constitutes the latest acknowledgment

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<sup>55</sup> USMTM Mission Statement, available at <http://www.usmtm.sppn.af.mil/>.

<sup>56</sup> Agreement Providing for a Military Assistance Advisory Group, June 27, 1953 (4 UST 1482; TIAS 2812; 212 UNTS 335). Terminated February 27, 1977, except that the provisions of paragraph 7 remain in force in respect to activities under the agreement of February 8 and 27, 1977 (28 UST 2409; TIAS 8558).

<sup>57</sup> Agreement Relating to a United States Military Training Mission in Saudi Arabia, February 27, 1977 (28 UST 2409; TIAS 8558).

<sup>58</sup> OPM-SANG, “Historical Perspective,” available at <https://www.opmsang.sppn.af.mil/>.

<sup>59</sup> Memorandum of Understanding Concerning the Saudi Arabian National Guard Modernization Program, March 19, 1973 (24 UST 1106; TIAS 7634).

<sup>60</sup> Information on Vinnell Arabia operations with the SANG is available at <http://www.vinnell.com/ArabiaRecruiting/recruiting.htm>.

<sup>61</sup> U.S. Department of State, *U.S. Strategy Toward Saudi Arabia*, Report Pursuant to Section 2043c of the Implementing the Recommendations of the 9/11 Commission Act, P.L. 110-53, January 30, 2008, p. 1.

by U.S. officials of the roles that Saudi nationals play in both supporting and combating terrorism. U.S. policy makers sought the support of Saudi authorities throughout the 1970s and 1980s in combating various terrorist groups. However, after terrorist attacks on U.S. military facilities in Saudi Arabia in 1995 and 1996, the need for additional U.S.-Saudi counterterrorism cooperation grew more urgent.

Current counterterrorism issues include joint U.S.-Saudi efforts to eliminate threats posed by violent extremists in the kingdom as well as internationally. U.S. officials acknowledge significant Saudi domestic counterterrorism efforts and encourage the Saudi government to build upon the positive steps it has already taken to combat international terrorism. Both U.S. and Saudi officials have said the impetus for closer counterterrorism cooperation in recent years came from a series of terrorist attacks against Saudi, U.S., and other facilities in Saudi Arabia beginning in May 2003. One knowledgeable observer described the May 2003 attacks as “the inevitable wake up call” for Saudi leaders increasingly concerned over attempts by terrorists to target the Saudi regime.<sup>62</sup> According to the 9/11 Commission’s final report, “[a]s in Pakistan, Yemen, and other countries, [Saudi] attitudes changed when the terrorism came home.”

### **Al Qaeda in the Arabian Peninsula**

Terrorism “came home” to Saudi Arabia gradually during the 1990s, although attacks against non-U.S. targets did not begin until May 2003. Saudi veterans of anti-Soviet fighting in Afghanistan (the “Afghan Arabs”), Saudi combatants from subsequent conflicts involving Muslims in other regions, and Saudi graduates of terrorist training camps based in Afghanistan returned to the kingdom during this period. Some eventually formed the core of an organization calling itself Al Qaeda in the Arabian Peninsula (AQAP), which launched a deadly campaign of terrorist attacks in cooperation with local allies in May 2003.<sup>63</sup> Saudi counterterrorism officials describe the AQAP terrorism campaign and the government’s counterterrorism response as having three stages:<sup>64</sup>

- The “Momentum” Phase - From May 2003 through June 2004, Saudi counterterrorism officials faced an organized campaign of terrorist attacks planned and executed by a trained network of AQAP operatives. Saudi officials describe AQAP as having created a network of storage caches and safe houses based on the work of local and foreign operatives trained in document forgery, fund-raising, publishing, weapons and explosives use, and personal security techniques. Major attacks during this period included the May 2003 bombing of residential compounds in Riyadh and the May 2004 attack on a residential facility in Al Khobar. In June 2004, Saudi officials announced they had shot and killed Abd al Aziz al Muqrin, the then-leader of AQAP.
- The “Regrouping” Phase - From June 2004 through April 2005, Saudi officials report that AQAP operatives began working in smaller cells with new leaders in an attempt to reestablish themselves after the government’s initial

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<sup>62</sup> Judith Kipper quoted in Patrick E. Tyler, “Stability Itself Is the Enemy,” *New York Times*, November 10, 2003.

<sup>63</sup> A detailed account of the development and leadership of AQAP is available in Thomas Hegghammer, “Terrorist Recruitment and Radicalization in Saudi Arabia,” *Middle East Policy*, Vol. XIII, No. 4, Winter 2006, pp. 39-60.

<sup>64</sup> Briefings from Saudi Ministry of Interior counterterrorism advisors, Riyadh, Saudi Arabia, February 2008 and Washington, D.C., April 2008.

counterterrorism response. Incidents during this period included a number of attacks on Saudi security facilities and forces, many of which ended in the death or arrest of AQAP fighters. Major attacks during this period included December 2004 attacks on the U.S. Consulate in Jeddah and the Ministry of Interior headquarters in Riyadh. In April 2005, Saudi officials announced the death of AQAP leader Saud al Otaibi following a three-day gun battle in Al Qassim province.

- The “Fragmentation” Phase - From April 2005 to the present, Saudi officials report that the AQAP organization in the kingdom has become increasingly fragmented. According to Saudi counterterrorism officials, current terrorist threats in the kingdom are associated with less organized cells that lack central leadership and that do not exhibit the skills or training evident among AQAP operatives previously detained or killed. Nevertheless, this period has been characterized by high-profile attempted attacks, including an abortive attack in February 2006 on the world’s largest oil processing facility at Abqaiq in eastern Saudi Arabia. Shootouts and large scale arrests continued through late 2007.

Saudi counterterrorism officials appear confident that they have killed or captured most of the leaders and operatives that made up the original AQAP organization. King Abdullah echoed this sentiment in June 2006, when he stated that AQAP had been “defeated.”<sup>65</sup> Nevertheless, continuing terrorist incidents and arrests have sustained concerns about the threat that Al Qaeda and its sympathizers pose in Saudi Arabia. Of particular concern is an apparent shift in attackers’ objectives toward targeting critical energy infrastructure.<sup>66</sup> In response, Saudi authorities are establishing a 35,000-man oil facilities protection service. Longer term challenges include the prospect of better trained Saudi operatives returning from Iraq (see below) and the prospect of new weapons and operatives entering the kingdom from Yemen, where some terrorist operatives have attempted to reestablish AQAP. Saudi authorities also are working to improve border security controls to prevent infiltration of weapons and trained individuals from these areas. According to the U.S. Department of State, “there is an ongoing security threat” in Saudi Arabia, and a travel warning remains in effect.<sup>67</sup>

While some analysts have argued that the AQAP campaign threatened the viability of the Al Saud family’s control over the country, developments since 2004 have shown that relatively basic improvements in Saudi counterterrorism techniques and investigative procedures enabled the government to weather a sustained assault from trained, experienced Al Qaeda operatives. Others have suggested that if AQAP members had completed preparations for a national campaign the outcome of their sustained confrontation with Saudi authorities may have been more in doubt. Saudi counterterrorism officials, like security officials in other Arab states, report that they do not intend to allow combatants from Iraq and Afghanistan to return and that they plan to maintain a state of vigilance and preparedness based on the expectation of enduring terrorist threats, particularly from Al Qaeda affiliates in Yemen.

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<sup>65</sup> “Saudi King Says Al Qaeda Militants Defeated,” *Reuters*, June 7, 2006.

<sup>66</sup> In late April 2007, Saudi authorities arrested 170 terrorism suspects on charges of planning to target critical oil facilities in the Eastern Province. Dan Murphy, “New Saudi Tack on Al Qaeda,” *Christian Science Monitor*, April 30, 2007.

<sup>67</sup> U.S. Department of State Bureau of Consular Affairs, Travel Warning - Saudi Arabia, July 9, 2008.

## Combating Extremism

Saudi officials now consider efforts to combat violent extremist ideology to be a central component in their domestic counterterrorism campaign. Saudi leaders and official religious figures have launched multifaceted public outreach and detainee rehabilitation campaigns that seek to portray Al Qaeda supporters and other violent activists as “misguided” followers of a “deviant ideology.” These characterizations have powerful negative connotations in Saudi society, and are closely associated with longstanding government efforts to promote social consensus and deference to the official views of religious and political authorities. Newspapers and television channels regularly feature articles and programs condemning “deviant ideology” and promoting Saudi government programs designed to root out violent extremism.

The Saudi Ministries of Islamic Affairs, Education, and Interior have launched various programs associated with the campaigns, as have religious bodies such as the Commission for the Promotion of Virtue and the Prevention of Vice.<sup>68</sup> The detainee rehabilitation program is based on the engagement of Saudi counterterrorism officials, psychologists, and religious clerics with terrorism detainees in an effort to dissuade detainees from supporting extremism and violence in the future.<sup>69</sup> Successfully rehabilitated detainees are provided various types of social and financial support designed to prevent recidivism.<sup>70</sup> Saudi authorities report that recidivism rate estimates range from 10-20%.<sup>71</sup>

Some outside observers have hailed the Saudi programs as innovative and effective, while others have questioned the wisdom of releasing and supporting former detainees because of the tangible threats that potential recidivism could pose. Saudi authorities state that they carefully monitor participants during and after rehabilitation, and trials and continued detention await unresponsive detainees. The extent and success of the program and Saudi Arabia’s post-rehabilitation monitoring drew new skepticism in early 2009 when two individuals who had passed through the program and had disappeared resurfaced in Yemen and announced themselves to be the leaders of Al Qaeda operations in that country and in the broader Arabian Peninsula. Subsequent reporting revealed that other program participants could not be located and are believed to have resumed activities in support of Al Qaeda.

The ideological content of reeducation programs and Saudi anti-terrorism outreach statements also may be problematic to the extent that it portrays religiously motivated violence as illegitimate when prohibited by religious and political leaders, rather than as being illegitimate in and of itself. Similar questions could be raised regarding the Saudi anti-extremism campaign’s approach to so-called *takfiri* ideology; this term refers to a practice known as *takfir* in which an individual is ruled insufficiently pious and therefore subject to religious disavowal and potential violence. Some official clerics continue to argue that determinations of religious fidelity and

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<sup>68</sup> OSC Document FEA20070717232153, “Saudi Arabia: Riyadh Announces New Campaigns To Confront Extremist Ideology,” July 17, 2007; and, OSC Document GMP20080429614004, “Saudi Vice, Virtue Chief on Study Documenting Counter-Terrorism Efforts,” *Ukaz* (Jeddah), April 24, 2008.

<sup>69</sup> See Terrence Henry, “Get out of Jihad Free,” *The Atlantic*, June 2007, pp 39-40.

<sup>70</sup> See for example, OSC Document GMP20071008836001, “Saudi Minister Orders Funds, Temporary Release For Returnees From Guantanamo,” *Ukaz* (Jeddah), October 6, 2007.

<sup>71</sup> Briefings from Saudi Ministry of Interior counterterrorism advisors, Riyadh, Saudi Arabia, February 2008.

infidelity are not divisive or illegitimate in and of themselves, but rather that the practice of *takfir* should be performed only by qualified religious scholars.<sup>72</sup>

Some opposition figures have questioned the legitimacy of Saudi officials who call on Saudi citizens to avoid supporting combatants in Iraq or other conflicts involving Muslims. Some critics allege that Saudi officials and clerics are being hypocritical in light of their past encouragement of similar activism among Saudis in other cases.<sup>73</sup> At issue is the government's assertion that activism or violence are illegitimate unless endorsed by the country's leaders. Some critics' counter-arguments contend that the government's endorsements appear to have become arbitrary or based on secular foreign policy priorities rather than on religious principles or solidarity.

## **The Arab-Israeli Conflict**

Many Saudi citizens and officials hold and express the view that the Israeli-Palestinian conflict is the central policy problem in the Middle East region. Many Saudis argue that the United States should support a solution to the conflict that adequately addresses various Palestinian and Arab concerns. The government of Saudi Arabia supports Palestinian national aspirations, strongly endorses Muslim claims in the Old City of Jerusalem, and has frequently criticized Israeli settlement building in the West Bank and Gaza Strip. Since the 1940s, Saudi-U.S. relations have been challenged repeatedly by stark differences of opinion over the Israeli-Palestinian question, with leaders on both sides questioning the other's devotion to achieving a just peace and willingness to abide by stated policy commitments.

Unlike several other Gulf countries, Saudi Arabia has not established open trade or liaison channels for communication with Israel. Nevertheless, Saudi Arabia generally has supported U.S. policy since the early 1990s by endorsing Israeli-Palestinian peace agreements; by joining with neighboring Gulf states in 1994 in terminating enforcement of the so-called secondary and tertiary (indirect) boycotts of Israel;<sup>74</sup> and by adopting a more pro-active approach to Arab-Israeli peacemaking and diplomacy. The outbreak of the second Palestinian *intifadah*, or uprising, in late 2000 and the collapse of the Oslo peace process in early 2001 ushered in a period of renewed tension in Saudi-Israeli relations. Saudi leaders were sharply critical of Israeli military and security responses to Palestinian terrorist attacks and launched massive relief campaigns for the Palestinians, some of which are alleged to have supported the families of Palestinians who died in attacks on Israelis or in engagements with Israeli security forces. In response to Israel's recent military strikes on Hamas in the Gaza Strip, Saudi leaders have been forced to balance their commitment to conditional offers of peace and recognition to Israel with the demands of regional rivals and some Saudi citizens, clerics, and officials to confront Israel directly.

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<sup>72</sup> For example, Saudi Grand Mufti Shaykh Abd al Aziz bin Abdullah Al Al Shaykh has argued that, "The issues of holding others as infidels or debauchers or apostates are *sharia* [Islamic law] issues that should be built on the scholarship of sharia and by qualified religious scholars." OSC Document GMP20080318913003, "Saudi Grand Mufti Lashes Out at Terrorists, Deviants in Lecture at Islamic University," *Al Madinah* (Jeddah), March 18, 2008.

<sup>73</sup> A prominent early example of this type of encouragement was King Khalid's decision in 1980 to create a Committee to Aid the Afghani Mujahidin, which followed an earlier announcement by then-Grand Mufti Shaykh Abd al Aziz Bin Baz that authorized the payment of zakat, a 2.5% alms wealth tax required of Muslims as one of the five pillars of faith, to anti-Soviet fighters in Afghanistan. See Saudi Committee to Collect Funds for Afghan Muslims, U.S. Department of State, Cable Jidda 00530, January 1980. Similar committees were subsequently established over the next twenty years to provide "support" or "relief" to Bosnians, Palestinians, Chechens, Kashmiris, Kosovars, and Iraqis.

<sup>74</sup> Saudi Arabia maintains the primary (direct) boycott. See below.

## **Saudi-Palestinian Relations**

Saudi Arabia maintains contact with the two main Palestinian political entities—the secular nationalist Fatah movement and the Islamic Resistance Movement, more commonly known as Hamas, which remains a U.S.-designated foreign terrorist organization. Political rivalry and violence between Hamas and Fatah since 2006 has complicated Saudi policy toward the Palestinians. As a result, the Saudi government at times has pursued policies divergent from the expressed preferences of the United States and other members of the Quartet.<sup>75</sup> However, more recent Saudi policy initiatives have sought to promote reconciliation between Hamas and Fatah and foster inter-Arab unity, in light of internecine fighting and a political stalemate that has blocked further progress in the Palestinian-Israeli peace process.

Saudi authorities and citizens have long endorsed public and private efforts to channel financial and material support to Palestinian organizations and causes. These efforts continued during the period in which Hamas controlled the Palestinian Authority.<sup>76</sup> In December 2007, Saudi Arabia pledged between \$500 and \$750 million to the Palestinian Authority over three years, and unofficial estimates suggest that Saudi pledges scheduled for delivery in 2008 have been met.<sup>77</sup> In January 2009, the Saudi Arabian government launched a nationwide fundraising campaign under the auspices of the Saudi Committee to Support the Palestinian People in response to Israel's military operations in the Gaza Strip.

## **Saudi Peace Proposals**

In March 2002, then-Crown Prince Abdullah bin Abd al Aziz proposed a peace initiative calling for full Israeli withdrawal from occupied territories in return for full normalization of relations between Arab states and Israel. Continuing violence and political developments precluded further consideration of the Saudi proposal for several years. The overall direction of Saudi policy has remained committed to engagement in support of an eventual negotiated settlement. On March 28-29, 2007, the heads of state of most of the Arab League countries met in Riyadh, Saudi Arabia and reconfirmed their support for King Abdullah's peace proposal. At the time, Saudi Foreign Minister Prince Saud al Faisal warned that if Israel rejects the proposal, "they will be putting their future not in the hands of the peacemakers but in the hands of the lords of war."<sup>78</sup>

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<sup>75</sup> The Quartet includes the United States, the United Nations, Russia, and the European Union. For example, in 2006, Saudi Arabia continued to deliver assistance to the Palestinian territories, in spite of U.S. efforts to convince the international community to halt support for the Palestinian Authority following Hamas' victory in parliamentary elections. Similarly, in February 2007, King Abdullah invited representatives of Fatah and Hamas to meet in Mecca, where they negotiated an agreement on a national unity government. Although the agreement represented an achievement for Saudi diplomacy, the national unity government did not explicitly meet preconditions set by the United States and its Quartet partners for recognition of the then-Hamas-led government (i.e., disavowal of violence, recognition of Israel, and acceptance of previous Israeli-Palestinian accords). Helene Cooper, "After the Mecca Accord, Clouded Horizons," *New York Times*, February 21, 2007.

<sup>76</sup> In late July 2006, the Saudi Arabian government announced plans to transfer \$250 million in reconstruction assistance "to the Palestinian people" and confirmed the transfer of half of a \$92 million budgetary support pledge for the Palestinian Authority.

<sup>77</sup> Howard LaFranchi, "Global donors exceed Palestinian expectations at Paris conference," *Christian Science Monitor*, December 19, 2007.

<sup>78</sup> David Blair, "Accept Peace Plan or Face War, Israel Told," *Daily Telegraph* (UK), March 28, 2007.

In November 2007, Saudi Foreign Minister Prince Saud al Faisal attended the U.S.-sponsored peace meeting in Annapolis, Maryland, lending the kingdom's support to renewed U.S. efforts to broker a two-state solution to the Israeli-Palestinian conflict. The foreign minister reiterated Saudi Arabia's willingness to normalize relations with Israel subject to conditions, including the establishment of a Palestinian state on territory occupied by Israel in 1967, a negotiated solution for the return of Palestinian refugees, and some degree of Palestinian sovereignty over East Jerusalem.

During the last year of the Bush Administration, Saudi officials expressed increasing frustration with U.S. policy and Israeli efforts to restrict the flow of material into the Hamas-controlled Gaza Strip. In February 2008, Prince Saud al Faisal stated that, "We hope that Israel responds positively to our quest and efforts, to avoid desperation that would force us to review our options."<sup>79</sup> In May 2008, he expressed the Saudi government's "dissatisfaction with and strong condemnation of Israel's continuation of its collective punishment policy against the Palestinian people, and its continuing blockade of the Gaza Strip."<sup>80</sup>

Israel's strikes on Hamas in January 2009 drew widespread condemnation in Saudi Arabia, although the government took a position that linked the outbreak of hostilities to intransigence and attacks by Hamas. At a January summit in Kuwait, King Abdullah characterized the Gaza conflict as "bloody, painful and brutal scenes and genocide being carried out by a criminal, inhuman, and merciless gang as the world listened and watched," and warned Israel that "the Arab Initiative on the table today will not be on the table for ever."<sup>81</sup> U.S. Special Envoy for Middle East Peace Senator George Mitchell has visited Saudi Arabia twice since February. Saudi officials continue to call for Palestinian unity and forceful engagement by the United States in supporting a balanced approach to the conflict and in restraining potential Israeli military operations against Hamas and other regional threats.

## **Iraq**

Saudi Arabia's relationship with Iraq has been tense historically, although periods of Saudi-Iraqi cooperation have occurred when supported by convergent interests, most notably during the Iran-Iraq war of the 1980s. Saudi Arabia publicly opposed the U.S.-led invasion of Iraq in 2003, but provided logistical support to U.S. forces,<sup>82</sup> and Saudi officials have called on U.S. forces not

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<sup>79</sup> Damian Wroclavsky and Fiona Ortiz, "Saudi minister calls for Israeli response on talks," *Reuters*, February 20, 2008.

<sup>80</sup> OSC Document GMP20080514831001, "Re-filed Version of SPA Report on Saudi ForMin Al Faysal's News Conference," *Saudi Press Agency*, May 13, 2008.

<sup>81</sup> OSC Document GMP20090119869001, "Saudi King: Israel 'Must Realize' Arab Peace Offer 'Will Not Be on Table Forever'," January 19, 2009.

<sup>82</sup> On March 19, 2003, a communiqué from then-King Fahd stated that Saudi Arabia "will not participate in any way" in the coalition attack on Iraq. A number of news reports, however, indicated that Saudi Arabia informally agreed to provide logistical support to U.S.-led forces, including permission to conduct refueling, reconnaissance, surveillance, and transport missions from bases in Saudi Arabia; landing and overflight clearances; and use of a U.S.-built facility in Saudi Arabia known as the Combat Air Operations Center (CAOC) to coordinate military operations in the region. Unnamed Saudi and U.S. officials later told the press that the Saudi royal family permitted the staging of U.S. special forces operations from inside Saudi Arabia, allowed some 250-300 mainly transport and surveillance planes to fly missions from Saudi Arabia, and provided tens of millions of dollars in discounted oil, gas, and fuel for U.S. forces. See also "U.S. And Saudis Agree On Cooperation," *Washington Post*, February 26, 2003; and John Solomon, "Saudis had wider role in war," *Associated Press*, April 26, 2004.

leave Iraq on an “uninvited” basis.<sup>83</sup> Saudi Arabia’s principal interests with regard to Iraq are—first, to prevent instability and conflict in Iraq from threatening Saudi Arabia’s internal security and stability; second, to prevent the repression of Iraq’s Sunnis by newly dominant Shiites; and, third, to limit the regional influence of a potentially hostile Iran.<sup>84</sup>

Saudi Arabia’s longer term interests include ensuring that the revival of Iraq’s oil industry does not threaten Saudi preeminence and preferences in global energy markets and that Iraq does not re-emerge as a strategic military threat to the Arab Gulf states. Reconciliation and long-term stability in Iraq could ease Saudi fears of creeping insecurity, but could also create new challenges. Saudi Arabia’s immediate concern is the reintegration or elimination of Saudi militants who may be seeking to return from Iraq. The success of Iraqi reconciliation efforts and the choices made by Iraq’s government will determine whether Saudi fears about the empowerment of Shiite Arabs and the growth of Iranian influence persist or diminish. Future Iraqi choices in key areas such as energy and military policy will have important implications for Iraqi-Saudi relations.<sup>85</sup>

### **Saudi Policy Priorities in Iraq**

The Saudi Arabian government has refrained from overt political-military intervention in Iraq since 2003, in spite of the threat that instability in Iraq has posed to Saudi Arabia’s national security. To date, Saudi policy initiatives have sought to meet the humanitarian needs of Iraqis displaced by violence; to promote political and religious reconciliation among Iraqis by hosting and participating in various regional conferences; and, to take preventive security measures to limit the spread of violence into Saudi Arabia. Some analysts believe that Saudi Arabia has not fulfilled pledges of aid to Iraq because it does not want to support an Iraqi government that many Saudis believe has a Shiite sectarian agenda. Other observers also speculate that the Saudi government may be offering financial support to Sunni Arab individuals and groups in Iraq, including tribal leaders and others associated with the so called “awakening” movement. However, Prince Saud al Faisal publicly has dismissed calls for direct Saudi involvement in supporting Iraqi Sunnis and has stated, that “since the start of the crisis in Iraq ... the Kingdom has said it will stand at an equal distance from all Iraqi groups and does not describe itself as the guardian of any group or sect.”<sup>86</sup>

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<sup>83</sup> In October 2006, and repeatedly thereafter, then-Saudi Ambassador to the United States Prince Turki al Faisal argued that, “The kingdom’s position has always been that since the United States came into Iraq uninvited, they shouldn’t leave uninvited.” Arshad Mohammed, “Saudi envoy warns US against abrupt Iraq withdrawal,” *Reuters*, October 30, 2006.

<sup>84</sup> For the Saudi cabinet’s statement of its key principles for Iraq, see *Saudi Press Agency* (Riyadh), “King Abdullah Chairs Cabinet’s Session,” November 20, 2006.

<sup>85</sup> With regard to oil policy, there is a possibility, in the words of one analyst, that, over the long term, “the Saudi interest in moderate prices and preserving market share will run afoul of the Iraqi need for maximum production at high prices to fund national reconstruction.” See Joseph McMillan, *Saudi Arabia and Iraq: Oil, Religion, and an Enduring Rivalry*, USIP, Special Report No. 157, January 2006, p. 14.

<sup>86</sup> *Arab News* (Jeddah), “Kingdom Won’t Take Sides in Iraq, Says Saud,” December 20, 2006; and Robin Wright, “Royal Intrigue, Unpaid Bills Preceded Saudi Ambassador’s Exit,” *Washington Post*, December 23, 2006.



## Saudi-Iraqi Diplomatic and Economic Relations

Sectarian and strategic anxieties complicate Saudi efforts to engage the Shiite-led Iraqi government, to establish strong trade links, and to discourage and prevent Saudi clerics and individuals from supporting Sunni Arab combatants in Iraq. Saudi leaders maintain regular contact with prominent Iraqi government officials, clerics, and political figures. A Saudi Foreign Ministry delegation visited Iraq in August 2007 to explore the possibility of reopening an embassy in Baghdad, and in January 2008, Saudi Foreign Minister Prince Saud al Faisal announced that an ambassador had been chosen and that Saudi Arabia hoped to open an embassy in Baghdad “in the next few months.”<sup>87</sup> However, in October 2008 he appeared to place an indefinite delay on plans to send an ambassador to Baghdad because, in the Saudi government’s view, security concerns would limit the ability of any Saudi representative to operate effectively.<sup>88</sup> A regional press report in April 2009 appeared to confirm that advanced preparations for an eventual Saudi diplomatic presence in Baghdad have been made, but quoted Saudi officials as indicating that security concerns continue to limit their willingness to send high level diplomatic personnel to Iraq on a permanent basis.

As of January 2004, Iraq reportedly owed the Saudi government \$9 billion in debts incurred during the Saddam Hussein regime (mostly during the Iran-Iraq war of the 1980s), while private Saudi firms and banks hold about \$19 billion in Iraqi debt.<sup>89</sup> Questions have been raised about whether Iraq’s debt to Saudi Arabia is subject to interest, and both parties have agreed to discuss the matter. U.S. officials have encouraged Saudi Arabia and Kuwait to forgive Iraq’s outstanding debt to support reconstruction and economic recovery efforts. The Iraq Study Group report speculated that Saudi Arabia could agree to cancel the outstanding debt as part of regional efforts to support and stabilize Iraq.<sup>90</sup> In May 2007, Prince Saud al Faisal stated that the Saudi government will continue its negotiations with Iraq “to have an appropriate solution to debts in line with rules of the Paris Club.”

In December 2008, Paris Club members completed their debt forgiveness schedule with Iraq, which eliminated 80% of Iraq’s Paris Club-held debt in line with Iraq’s participation in an IMF economic reform program. As of April 2009, press reports indicated that Saudi Arabia may be reconsidering the terms of publicly held Iraqi debt from the Iran-Iraq war period while continuing to consider privately-held debt as unalterable. Past media reports have suggested that Saudi officials are reluctant to offer substantial economic concessions, such as debt relief, until they are confident that Iraq’s elected government is committed to establishing an equitable balance of power among Iraq’s sectarian groups and to resisting Iranian influence.

The Saudi government has pledged \$500 million from the Saudi Development Fund to sponsor Iraqi government-requested development projects, along with \$500 million to finance potential

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<sup>87</sup> Prince Saud al Faisal quoted in “U.S. Secretary of State Condoleezza Rice Remarks With Saudi Arabia Minister of Foreign Affairs, His Royal Highness Prince Saud Al-Faisal,” State Department Press Releases and Documents, January 15, 2008.

<sup>88</sup> Donna Abu-Nasr, “Saudi Arabia, citing security, delays opening embassy in Baghdad,” *Associated Press*, October 21, 2008.

<sup>89</sup> For more information, see CRS Report RL33376, *Iraq’s Debt Relief: Procedure and Potential Implications for International Debt Relief*, by Martin A. Weiss; and, Tom Everett-Heath, “Opposing Views of the Kingdom to Come,” *Middle East Economic Digest*, January 23-29, 2004, p. 1.

<sup>90</sup> Mariam Karouny and Alister Bull, “Iraq Finance Minister Says Still No Deal on Gulf Debt,” *Reuters*, August 1, 2006; and, ISG Report, p. 35.

bilateral trade and close to \$90 million in humanitarian relief assistance.<sup>91</sup> However, since 2003, trade between Iraq and Saudi Arabia has remained very limited. Saudi and Iraqi security services have increased their cooperation over the last year, and Iraq's then-National Security Adviser Muwaffaq Al Rubai said in a March 2008 press interview that, "we believe now that Saudi-Iraqi coordination is at its best and its highest levels."<sup>92</sup>

## **Economic Relations and Trade**

### **U.S.-Saudi Trade**

Saudi Arabia remained the largest U.S. trading partner in the Middle East in 2008. According to the U.S. International Trade Administration, Saudi exports to the United States were \$54.8 billion (up from \$35.6 billion in 2007 and \$31.7 billion in 2006) and imports from the United States are estimated at \$12.5 billion (up from \$10.4 billion in 2007 and \$7.8 billion in 2006).<sup>93</sup> The large increase in the value of Saudi exports since 2006 is attributable to high oil prices that prevailed through mid-2008. Comparable 2008 figures for Israel, the second largest U.S. trading partner in the Middle East that year, were \$22.3 billion in exports to the United States and \$14.5 billion in imports from the United States. To a considerable extent, the high value of U.S.-Saudi trade is a result of U.S. imports of hydrocarbons from Saudi Arabia (see **Table 3** below) and U.S. exports of weapons, machinery, and vehicles to Saudi Arabia.

### **U.S. Oil Imports and Saudi Policy**

With the world's largest proven oil reserves (estimated at 262.3 billion barrels), Saudi Arabia produced approximately 8 million barrels per day (bpd) of crude oil in mid-January 2009, a significant drop from record high production of 9.7 million bpd in mid-2008.<sup>94</sup> Saudi oil reserves, oil exports, and excess oil production capacity make the kingdom the focal point for the global oil market. SaudiAramco is in the process of completing a multi-year, multi-billion dollar production capacity expansion project that will raise its daily production capacity to 12.5 million bpd. According to the U.S. Energy Information Administration, approximately 11.1% of U.S. oil imports and 7.2% of total U.S. oil consumption came from Saudi Arabia during 2007. Formerly the largest foreign supplier of oil to the United States, Saudi Arabia was the third largest supplier in 2007, after Canada and Mexico. (See **Table 3** below.)

U.S. calls for Saudi Arabia to increase its daily oil production in order to bring down climbing global oil prices in early 2008 were met with resistance from Saudi oil officials. Saudi officials argued that global consumption data and oil market conditions suggested that high oil prices were not the result of a lack of supply or excess demand, but rather a function of refining capacity restrictions, declines in the value of the U.S. dollar relative to other currencies, commodity

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<sup>91</sup> Statement of Foreign Minister Prince Saud al Faisal to United Nations meeting on Iraq, September 18, 2006. Available at <http://www.mofa.gov.sa/Detail.asp?InNewsItemID=55259>.

<sup>92</sup> OSC Document GMP20080327825008 "Iraq's Al-Rubay'i on Handling Saudi Detainees to Riyadh," Al Sharq al-Awsat (London), March 27, 2008.

<sup>93</sup> U.S. Department of Commerce, International Trade Administration Office of Trade and Industry Information (OTII), National Trade Data, Custom Report - Saudi Arabia, 2007. Available at <http://tse.export.gov/>.

<sup>94</sup> U.S. Energy Information Administration, Saudi Arabia: Energy Profile, April 21, 2008; and, Economist Intelligence Unit, Country Report: Saudi Arabia, January 19, 2009.

market speculation, and insecurity in key oil producing regions. Significant declines in global demand and market prices for crude oil since mid-2008 have largely reversed a trend that delivered record oil export revenues and budget surpluses to Saudi Arabia over the last five years. Most estimates suggest that oil export revenue provides 90% of the Saudi government's budget. In response Saudi Arabia has led recent OPEC production cuts in an attempt to stabilize oil prices. Saudi authorities are projecting a 2009 budget deficit of \$17 billion after a record surplus of \$157 billion in 2008.

**Table 3. U.S. Oil Consumption and Imports**

(in millions of barrels per day)

Category	2003	2004	2005	2006	2007	2008 <sup>a</sup>
Total U.S. Consumption	20.034	20.731	20.802	20.687	20.698	19.419
Total U.S. Imports	12.264	13.145	13.714	13.612	13.439	12.872
Imports from Saudi Arabia	1.774	1.558	1.537	1.463	1.489	1.532
Imports from Canada	2.072	2.138	2.181	2.353	2.426	2.459
Imports from Mexico	1.623	1.665	1.662	1.705	1.533	1.299
Imports from Venezuela	1.376	1.554	1.529	1.419	1.362	1.191

**Source:** U.S. Department of Energy, Annual Energy Review (AER) 2007, Report No. DOE/EIA-0384(2007), June 23, 2008; and, Monthly Energy Review, March 30, 2009. Data drawn from AER Table 5.1 - Petroleum Overview, Selected Years, 1949-2007; and, AER Table 5.4 - Petroleum Imports by Country of Origin, 1960-2007, available at <http://www.eia.doe.gov/aer/>.

a. Reflects average data from U.S. Department of Energy Monthly Energy Review, March 30, 2009.

Saudi officials have committed to completing planned oil production capacity expansion to the level of 12.5 million barrels per day, while arguing that U.S. policy makers and elected officials are sending conflicting signals about the future of U.S. energy policy. Specifically, Saudi officials appear concerned that U.S. efforts to reduce petroleum consumption in the United States will undermine demand for Saudi and other petroleum producers' exports, which in turn could limit the profitability of planned investments in production capacity and threaten the fiscal positions of oil revenue dependent governments.

### U.S.-Saudi Foreign Direct Investment

Saudi leaders, notably King Abdullah, have shown increasing interest in attracting foreign investment to the kingdom. Major Saudi economic initiatives, such as plans to construct several massive economic cities<sup>95</sup> and to lift Saudi Arabia's global competitiveness ranking into the top 10 by 2010 (the '10x10' initiative),<sup>96</sup> involve efforts to secure foreign investment and economic

<sup>95</sup> For more information see the Saudi Arabian General Investment Authority (SAGIA) overview, available at <http://www.sagia.gov.sa/english/index.php?page=ecs-overview>.

<sup>96</sup> For more information, see the SAGIA overview, available at <http://www.sagia.gov.sa/english/> (continued...)

development partnerships. Economists expect that tighter credit conditions and reduced global economic activity may hinder Saudi efforts to attract outside investors, although Saudi officials appear to be prepared to continue with several ambitious economic reform and infrastructure expansion initiatives.

Several U.S. companies are involved in existing or planned projects in Saudi Arabia, many of which leverage Saudi energy resources. On May 12, 2007, SaudiAramco and the U.S. Dow Chemical Company announced the signing of a memorandum of understanding related to the development of a large scale, jointly operated petrochemical and plastic production facility in Saudi Arabia's Eastern Province. The potential value of the deal has been estimated at over \$20 billion, although bidding for engineering and construction contracts has been delayed until 2010.<sup>97</sup> On May 21, 2008, General Electric announced the sale of its GE Plastics division to the Saudi Basic Industries Corporation (SABIC) for \$11.6 billion. The Saudi Arabian government owns 70% of SABIC, which has experienced steep revenue and profit losses as global demand for its plastics and petrochemicals faltered in the fourth quarter of 2008.<sup>98</sup>

Saudi officials and business leaders have at times expressed concern that U.S. companies are failing to adequately pursue non-energy resource linked investment opportunities in the kingdom. Saudi Arabia established a sovereign wealth fund in May 2008 with limited resources (~\$5 billion) for overseas investments. Other sovereign wealth funds have attracted interest in the United States, where some observers and policy makers have been advocating for increased transparency of and rules for sovereign wealth fund investments.<sup>99</sup>

### **Saudi Boycott of Israel and WTO Membership**<sup>100</sup>

Some Members of Congress have raised questions regarding Saudi Arabia's participation in the primary Arab League boycott of Israel in light of the conclusion of a bilateral agreement with the United States on Saudi Arabia's WTO accession.<sup>101</sup> On April 5, 2006, the House passed H.Con.Res. 370, which expresses the sense of Congress that Saudi Arabia should fully live up to its WTO commitments and end all aspects of any boycott on Israel. Under the terms of an agreement with the United States, Saudi negotiators confirmed that Saudi Arabia would not invoke the non-application provision of the WTO Agreement toward any fellow WTO member

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[index.php?page=overview-of-10x10-program.](#)

<sup>97</sup> Sharad Mirji, "Dow/Saudi Aramco delay bids for \$25 bil Ras Tanura plant: sources," *Platts Commodity News*, February 5, 2009.

<sup>98</sup> Paul Handley, "Sabic to restructure as profits plunge," *Agence France Presse*, January 20, 2009.

<sup>99</sup> See Economist Intelligence Unit, "Join the club: Saudi Arabia launches a formal sovereign-wealth fund," May 1, 2008. For background information on sovereign wealth funds and related U.S. policy debates, see CRS Report RL34336, *Sovereign Wealth Funds: Background and Policy Issues for Congress*, by Martin A. Weiss.

<sup>100</sup> See CRS Report RL33961, *Arab League Boycott of Israel*, by Martin A. Weiss.

<sup>101</sup> For more background, see American Association of Exporters and Importers, "Saudi Arabia's WTO Accession," Vol. 105, No. 46, November 22, 2005. On September 9, 2005, the U.S. Trade Representative (USTR) announced that the United States and Saudi Arabia had completed bilateral negotiations on terms of Saudi accession to the World Trade Organization (WTO). On November 10, President Bush signed a memorandum to the USTR noting that Saudi Arabia had concluded a bilateral agreement with the United States related to Saudi accession to the WTO. In the meantime, the press noted that Saudi Arabia had concluded bilateral negotiations with all other interested WTO members, and on December 11, 2005, Saudi Arabia became the 149<sup>th</sup> member of the WTO.

(which would prohibit enforcement of the boycott) and confirmed the kingdom would not enforce the secondary and tertiary Arab League boycotts.

However, in June 2006, then-Saudi Ambassador to the United States Prince Turki al Faisal reportedly stated that the Government of Saudi Arabia plans to continue to enforce the Arab League's primary boycott of Israel, drawing criticism and inquiries from some Members of Congress. Prince Turki reportedly commented that "the primary boycott is an issue of national sovereignty guaranteed within the makeup of the WTO and its rules," and indicated that the Saudi government had already made its decision clear to the United States Trade Representative's office (USTR). A USTR spokesman was quoted as saying that "in [USTR's] view, maintaining the primary boycott of Israel is not consistent with Saudi Arabia's obligation to extend full WTO treatment to all WTO Members."<sup>102</sup> January 2007 press reports quoted the Director General of the Saudi Customs Service, Saleh Al Barak, as saying that goods manufactured in Israel could not be legally imported into Saudi Arabia.<sup>103</sup> However, Dan Catarivas, director of foreign trade and international relations at the Manufacturers Association of Israel, stated his opinion in a March 2008 interview that "the Arab boycott exists much more on paper than in practicality," and media reporting suggests that low levels of Saudi-Israeli trade do exist and may grow if political conditions permit.<sup>104</sup> As of December 2008, the U.S. Department of the Treasury included Saudi Arabia on the list of countries that require or may require participation in or cooperation with an international boycott as define in Section 999(b)(3) of the Internal Revenue Code of 1986.

## **Human Rights, Religious Freedom, and Political Reform**

U.S. efforts to encourage the protection of human rights, the establishment of religious freedom, and the liberalization of political life in Saudi Arabia continue, but face some significant obstacles. To outsiders, Saudi decision making processes remain opaque. Many experts agree that the leaders of the Saudi monarchy seek to preserve their ultimate authority over political decision making in the kingdom and act to maintain their legitimacy among conservative constituent groups by carefully managing changes that could affect established religious and cultural practices. Recent experience suggests that U.S. reliance on Saudi government cooperation for counterterrorism, regional security, and global energy supply purposes may limit the U.S. government's ability to press for more rapid or wide-ranging changes in Saudi domestic and social policies.

As it has elsewhere across the Arab world, advocacy by the U.S. government and other international parties in support of social and political reform in the kingdom has been met with skepticism and allegations of outside interference. At the same time, some reform activists question the commitment of the United States to promote political and social liberalization, because, in their view, renewed U.S.-Saudi security and counterterrorism cooperation strengthens the ability of the Saudi government and the royal family to control the Saudi population and perceived political rivals. Some observers also believe that apparent Saudi reluctance to adopt broader social reforms is a product of the rapid transformation that the country has undergone since its establishment, some of which has been met with violent opposition.

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<sup>102</sup> Michael Freund, "Saudi Ambassador to U.S. Admits Boycott of Israel Still in Force," *Jerusalem Post*, June 22, 2006; and, Freund "U.S. Official Under Fire Over Saudi Flap," *Jerusalem Post*, June 25, 2006.

<sup>103</sup> "Ban on Israeli Goods in Place: Customs Chief," *Arab News* (Jeddah), January 4, 2007.

<sup>104</sup> Rachele Klinger, "Made in Israel, sold in Saudi Arabia," *Jerusalem Post*, March 21, 2008.

By all accounts, the Al Saud family and its close allies dominate political and economic decision making in the kingdom, although Saudi leaders have taken some nominal steps since the early 1990s to respond to calls for the protection of individual liberties and for more participatory, accountable government. Within the ruling family, political differences and intra-clan and inter-generational rivalries appear to influence the distribution of government posts and the policy positions of leading actors on key issues. King Abdullah bin Abd al Aziz is widely considered to be supportive of some social and economic reforms, but appears to share the strong commitment of other leading royal figures to preserving the Al Saud family's national authority and the country's international influence. Although decision making authority remains concentrated, policy decisions on controversial issues appear to reflect Saudi leaders' efforts to manage and address the demands of various interest groups. Outside observers and Saudi officials describe the policy making process in the kingdom as being based on the pursuit and maintenance of consensus among key groups rather than being exclusively driven by the immediate needs of the royal family and its allies.

Saudi Arabia's conservative religious establishment and other non-government affiliated clerics remain socially and culturally influential. Members of the official clerical community continue to provide a degree of religious legitimacy to the rule of the royal family, but they have no formal political authority, outside of the judicial system. Important families, tribal groups, and business leaders also influence Saudi policy decisions on some issues. Political and religious advisory bodies, such as the 150-member, appointed Shura Council and the appointed Senior Ulema Council (made up of leading religious scholars), reflect the views of these influential groups but have only cursory powers.

### **Political Reform Debates and Elections**

Saudis have debated questions of political legitimacy and authority in the kingdom throughout its history. Continuing petitions from reform activists since the 1990s have called on the royal family to make decision making and governance structures more participatory, accountable, and responsive to citizens' needs. To date, these calls have been met with a mixture of embrace and resistance by the government. Since 2003, activists have submitted petitions calling for specific political reforms, including the introduction of a constitutional monarchy.<sup>105</sup> Then-crown prince and now King Abdullah responded to initial calls for reform by instituting a "National Dialogue" process, which some observers have described as an unprecedented opportunity for Saudi citizens to publicly debate political and social issues and to offer criticism of government policies.<sup>106</sup> However, the subsequent arrest and detention of signatories of various reform petitions has angered reform supporters and create doubt among some Saudis and outside observers about the royal family's willingness to compromise on certain core principles, particularly on issues relating to the overarching authority of the royal family.

As such, tangible changes to the structure of the Saudi political system since 2003 have been extremely limited. In 2005, elections were held for half of the seats on 178 newly created

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<sup>105</sup> See, International Crisis Group, "Can Saudi Arabia Reform Itself?" Middle East Report N<sup>o</sup>28, July 14, 2004; and, *Reuters*, "Saudi Arabia Frees 3 Islamist Reformists," July 10, 2007.

<sup>106</sup> Six sessions have been held under the auspices of the King Abdulaziz Center for National Dialogue, with corresponding regional preparation meetings. The subjects included national unity, combating extremism, women, youth, "dialogue with world cultures," and education policy. For more information, see <http://www.kacnd.org/eng/default.asp>.

municipal councils, which have been granted nominal powers to oversee local government and make recommendations to regional and national level authorities. In practice, some Saudis have criticized the government for failing, in their views, to implement recommendations made through the National Dialogue process or to adequately empower the municipal councils vis-à-vis municipal and regional authorities. Several municipal council members have resigned, and support for structural changes appears to remain strong among some Saudis. In September 2007, Prince Talal bin Abd al Aziz, half-brother of King Abdallah and a long-term reform advocate, called for the creation of a reform-oriented political party in the kingdom and criticized the detention of reform activists.<sup>107</sup> Municipal council elections are scheduled to be held in 2009, but no election date has been announced and some observers suspect the election will be postponed. However, in April 2009, Prince Mansour bin Miteb bin Abd al Aziz, the deputy minister for municipal and rural affairs, indicated that recommendations for improving the municipal council system were the subject of a recent conference held in Ras Tanura. Press reports suggest that proposals to allow women to vote in municipal council elections would be considered, along with recommendations intended to shape a forthcoming bylaw for the municipal council system.

### **Leadership and Succession**

In the aftermath of King Fahd's death in 2005, media reports initially speculated that the new King Abdallah planned to name a second deputy prime minister (a de facto deputy crown prince) as his recent predecessors had done, but the king did not do so. Some commentators believed the king declined to take this step to avoid possible rivalries over future succession within the large Al Saud family, which numbers more than 5,000 princes, according to some estimates. On October 18, 2007 the royal court released royal decree A/135 to amend the Basic Law and create a Bayah [Arabic for "Allegiance"] Council to fill the positions of king and crown prince using defined procedures and criteria. Under the Bayah system, the 39 Allegiance Council members [members of the families of the 37 sons of the founder of the modern Saudi state, Abd al Aziz ibn Saud, plus two family members appointed by the king] will select the new crown prince in consultation with the king.

The new procedures, the members of the Council, and potential candidates have received renewed attention in recent months, as reports surfaced that current Crown Prince Sultan bin Abd al Aziz recently received additional medical treatment for chronic illness in the United States and may require further medical attention. The advanced age of many of the leading members of the Al Saud (the sons of Abd Al Aziz) suggests that there is the potential for a series of leadership changes in the kingdom over the coming decade. Possible future candidates for succession include the 21 remaining brothers and half-brothers of the late king and a number of their sons and nephews. For example, many experts consider Prince Salman, Governor of Riyadh, and Prince Nayef, Minister of the Interior, as possible candidates for the position of crown prince when the position becomes vacant.<sup>108</sup> Some observers contend that the likelihood that Prince Nayef will serve as the next crown prince has increased following his promotion to the position of second deputy prime minister in March 2009. Intelligence director Prince Muqrin bin Abd al Aziz

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<sup>107</sup> *Associated Press* (AP), "Key Saudi Prince Says Plans To Form Political Party," September 4, 2007.

<sup>108</sup> Like Crown Prince Sultan, both Prince Nayef and Prince Salman are full brothers of the late King Fahd, and belong to an influential group within the royal family whose mother was a member of the Sudayri tribe. Some commentators note that the conservative Prince Nayef is thought to have resisted reforms supported by Abdallah, while Prince Salman has a lower international profile than Crown Prince Sultan or Prince Nayef.

also has been mentioned as a potential candidate.<sup>109</sup> Other members of the next generation of Saudi leaders also have distinguished themselves and accumulated important responsibilities, including Prince Mohammed bin Nayef, Prince Khaled bin Sultan, and Prince Miteb bin Abdullah.

Some observers have speculated that the appointment of King Abdullah's private secretary, Khaled al Tuwayjery, as secretary general of the Allegiance Council may indicate the king's desire to influence the Council's operation in the event of his death or incapacitation. The lack of reference in the decree to Saudi Arabia's clerical establishment also has drawn comments from some academics who have speculated that the omission may have been an intentional step to sideline the religious authorities. Others contend that Saudi clerics have not had a direct role in the royal family's critical decision making processes for decades but rather have served in advisory and legitimating roles before and after key decisions are taken — roles that are likely to continue.

### **Social Reform Debates and Recent Leadership Changes**

Since 2006, significant public debates have occurred on social issues such as the powers of religious police, education reform proposals, the roles and rights of women, and the integration of Shiites into Saudi Arabia's predominantly Sunni society. Each has illustrated the challenges Saudi leaders face in responding to some groups' calls for change while preserving national traditions and pursuing their own political goals.

- Numerous allegations of abuse leveled against members of the Commission for the Promotion of Virtue and the Prevention of Vice (Saudi Arabia's religious police) have fueled a public debate among Saudis, many of whom appear not to question the underlying legitimacy of the Commission as an institution, but may have serious concerns about the Commission's statutory powers, the professionalism of its employees, and the protection of due process for detained individuals.
- Similarly, many Saudis have expressed support for education reform proposals as a means of improving the economic opportunities available to the kingdom's young population. However, others have spoken out against curricular reforms they perceive to be either contrary to Saudi religious and cultural traditions or taken in response to the wishes of outsiders, including the United States.
- The roles and rights of women remain subjects of interest in the United States and subjects of intense debate in Saudi Arabia. Some Saudi activists advocate for greater employment, marital, and political rights for Saudi women, while others seek to maintain status quo arrangements based on their religious and cultural preferences. The issue of restrictions on female driving, often discussed as an example of gender bias by outside observers, is debated among many Saudis as both a cultural and economic issue; the views of some Saudi families appear to be changing as they begin to face limits in their ability to meet the costs of hiring drivers so that mothers and daughters can pursue economic and educational goals outside the home.

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<sup>109</sup> For one analyst's views, see Simon Henderson, "Saudi Leadership Crisis Looms: Health of Crown Prince Falters," Washington Institute for Near East Policy - PolicyWatch #1459, January 21, 2009.



- King Abdullah has made some high-level public attempts to improve sectarian relations between Sunni and Shiite leaders, but these efforts have been undermined amid ongoing claims of abuses against Shiites and the issuance of a series of statements from clerics who regard Shiite minority groups as religiously aberrant and potentially politically disloyal. Since early 2007, Shiite groups in the Eastern Province and the southern region of Najran have reported a number of human rights violations and restrictions on their political and religious rights, in spite of some government attempts to create a more tolerant atmosphere.<sup>110</sup>

Leadership changes announced by King Abdullah in February 2009 appear designed in part to address several of the concerns at the heart of the social reform debates described above. The director of the Commission for the Promotion of Virtue and the Prevention of Vice was replaced, and its new director has pledged to continue to improve the professionalism of Commission personnel. Sheikh Saleh bin Abdullah bin Humaid, the former chairman of the Shura Council, has been named as the chairman of the Supreme Judicial Council and will work with new Minister of Justice Mohammad Al Eissa to implement judicial reform. The former judicial council head, Sheikh Saleh bin Mohammed Al Luhaydan was perceived to have resisted some reform efforts and caused controversy in 2008 by making statements regarding the potential execution of prominent media industry figures on religious grounds.

King Abdallah also named a former intelligence official Prince Faisal bin Mohammed bin Abd al Aziz Al Saud as education minister in a shift that may indicate the king's intention to strengthen efforts to root out extremism in the education sector. Norah Al Fayezi will serve as Prince Faisal bin Mohammed's deputy, making her the first female deputy minister in the kingdom's history; her appointment has been met with opposition from conservatives.<sup>111</sup> Finally, in March 2009 King Abdullah named his son Prince Meshal bin Abdullah as the replacement for the former governor of Najran province, who was removed in December 2008 in a move widely interpreted as a positive gesture toward local Shiite residents. However, as noted above, clashes between Sunni and Shiite citizens and Shiites and security forces in Medina and the Eastern Province since February 2009 have placed further stress on sectarian relations in the kingdom.

## **Human Rights**

According to the Department of State, several categories of human rights violations occurred in Saudi Arabia during 2008, along with some improvements in government efforts to combat corruption and to protect the importation of personal religious materials.<sup>112</sup> The Saudi National

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<sup>110</sup> OSC Document FEA20070501128188, "Report On Situation Of Saudi Shiites 1 Jan 06-30 Apr 07" *Al Rasid Newspaper* (Saudi Arabia) April 24, 2007; and, OSC Document GMP20080514866001, "Saudi Authorities Arrest Fatimid Leader," *Al Rasid Newspaper* May 14, 2008.

<sup>111</sup> Jumana Al Tamimi, "High-ranking female official settles in job," *Washington Times*, April 1, 2009; and *Gulf News*, "Hardliners want Saudi woman minister sacked," April 10, 2009.

<sup>112</sup> Reported violations included "no right to change the government peacefully; beatings; judicially sanctioned corporal punishment; impunity, particularly on the part of the religious police; denial of public trials and lack of due process in the judicial system; political prisoners; incommunicado detention; restrictions on civil liberties such as freedoms of speech (including the Internet), assembly, association, movement, and severe restrictions on religious freedom; corruption; and lack of government transparency. Violence against women and discrimination on the basis of gender, religion, sect, and ethnicity were common. The sponsorship system limited the rights of foreign workers and remained a severe problem." U.S. Department of State, Bureau of Human Rights, Democracy, and Labor, Country Reports on Human Rights Practices 2008 - Saudi Arabia, February 25, 2009. Available at: <http://www.state.gov/g/drl/rls/hrrpt/2008/nea/119126.htm>.

Society for Human Rights, an independent organization approved by the Saudi government in 2004, also reported and investigated alleged human rights abuses during the year, including violations reported by Saudi citizens.<sup>113</sup> In 2008, Human Rights Watch argued that “violations of defendants’ fundamental rights in Saudi Arabia are so systemic that it is hard to reconcile the existing criminal justice system with basic principles of fairness, the rule of law and international human rights standards.”<sup>114</sup> Saudi authorities have launched a comprehensive judicial restructuring process aimed at improving some identified deficiencies and many observers expect that leadership changes announced by King Abdullah in February 2009 will improve the likelihood that several influential judicial bodies will implement planned reforms. Notable recent cases involving human rights activists or alleged abuses include the arrest and detention of Saudi blogger Fouad Al Farhan (released April 2008) and human rights advocate and university professor Dr. Matrook Al Faleh (released January 2009).<sup>115</sup> Saudi Arabia is serving as a member of the United Nations Human Rights Council through June 2009.

## **Religious Freedom**

The Department of State has designated Saudi Arabia as a “country of particular concern” since 2004 with regard to restrictions on religious freedom. According to the most recent International Religious Freedom Report (released September 19, 2008) religious freedom remains “severely restricted” in Saudi Arabia.<sup>116</sup> However, the report noted for the second year in a row that U.S. officials observed “positive developments which could lead to important improvements in the future.” These included Saudi government efforts to limit the spread of divisive ideology in government mosques, to expand teacher training and curricular reform efforts, and to institute new procedural controls over the activities of members of the religious police. King Abdullah’s interfaith dialogue initiative was also cited. Non-Muslims continue to be prohibited from worshiping publicly. The Administration has waived the imposition of sanctions on Saudi Arabia as a result of these observed steps. U.S. organizations such as Freedom House have criticized restrictions on religious freedom in Saudi Arabia and questioned the Saudi government’s commitment to stated reform initiatives, including education reform.

## **Consular Issues**

Prior to 2001, Saudi nationals received the highest number of U.S. non-immigrant entry visas issued to nationals of any Arab country, and were second only to Israel and Turkey in the Middle East. Saudis in Saudi Arabia were able to utilize so-called ‘third party’ expedited visa services whereby travel agencies were permitted to forward visa materials to consular officials at the U.S. Embassy for processing and the applicants would later receive their entry visas by mail. The

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<sup>113</sup> *Arab News* (Jeddah), “NSHR report criticizes slow pace of reform,” March 24, 2009. Information in Arabic from the National Society for Human Rights is available at: <http://nshr.org.sa/>.

<sup>114</sup> Christoph Wilcke, “Re-education, Saudi style,” *Guardian Unlimited* (UK), April 25, 2008. Wilcke is the primary author of “Precarious Justice: Arbitrary Detention and Unfair Trials in the Deficient Criminal Justice System of Saudi Arabia,” *Human Rights Watch*, Volume 20, No. 3(E), March 2008. Available at <http://hrw.org/reports/2008/saudijustice0308/>.

<sup>115</sup> See Faiza Saleh Ambah, “Saudi Activist Blogger Freed After 4 Months in Jail Without Charge,” *Washington Post*, April 27, 2008; and, Faiza Saleh Ambah, “Saudi Critic Jailed After Decrying Justice System,” *Washington Post*, May 21, 2008.

<sup>116</sup> U.S. Department of State, Bureau of Democracy, Human Rights and Labor, International Religious Freedom Report 2008, September 19, 2008. Saudi Arabia entry available at <http://2001-2009.state.gov/g/drl/rls/irf/2008/108492.htm>.

revelations that 15 of the September 11 hijackers were Saudi nationals who had legally obtained U.S. visas and that three of the hijackers reportedly had obtained their U.S. visas using the expedited “visa express” arrangements led to significant changes in U.S. visa policy in Saudi Arabia and around the world.<sup>117</sup> Following the 2001 attacks, third party visa issuance in Saudi Arabia was specifically prohibited under Section 428(i) of the Homeland Security Act of 2002 (P.L. 107-296).<sup>118</sup> The Department of State terminated the expedited visa system in Saudi Arabia in 2002 and significantly increased the visa interview rates for Saudi nationals.<sup>119</sup>

As in other countries, new administrative arrangements were made at U.S. consular facilities in Saudi Arabia to accommodate new security requirements. As a result, visa issuances to Saudi nationals slowed along with Saudi application rates. Global non-immigrant visa issuance rates declined after 2001, and issuance rates dropped steeply for Saudi Arabian nationals. (See **Figure 2** below.) In addition to complaints about backlogs and perceived discrimination, Saudi officials and nationals voiced strong concerns about declines in the number of Saudis visiting the United States for travel, work, and study. People-to-people linkages have supported U.S.-Saudi relations over time, particularly to the extent that many leading Saudis have pursued their higher education in the United States since the 1960s. U.S. officials, who had long sought visa reciprocity for U.S. citizens with regard to multiple entry and long-term visas for Saudi Arabia, reportedly met resistance from Saudi authorities in light of the new U.S. policies.

New U.S. consular administrative practices<sup>120</sup> and broader Saudi awareness of new U.S. visa requirements reportedly have contributed to an ease in visa backlogs and delays in recent months.<sup>121</sup> Overall, visa issuance rates for Saudi nationals have increased annually since 2003. (See **Figure 2** below.) The Department of State has opened a permanent visa issuance facility at the U.S. consulate in Dhahran, and in April 2008, then-U.S. Ambassador Ford Fraker announced that the U.S. government aims to double the number of student visas issued to Saudi students over the next five years.

Under the terms of a consular agreement announced in May 2008, Saudi students now will be allowed to travel to and from the United States for up to five years without having to reapply for a visa after two years, as previously required.<sup>122</sup> The Department of Homeland Security Student and Exchange Visitor Information System (SEVIS) provides status and identification information for U.S. government verification throughout foreign students’ stays in the United States.

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<sup>117</sup> Jonathan Peterson, “Express Visa Program May Have Benefitted 3 Hijackers,” *Los Angeles Times*, December 17, 2001.

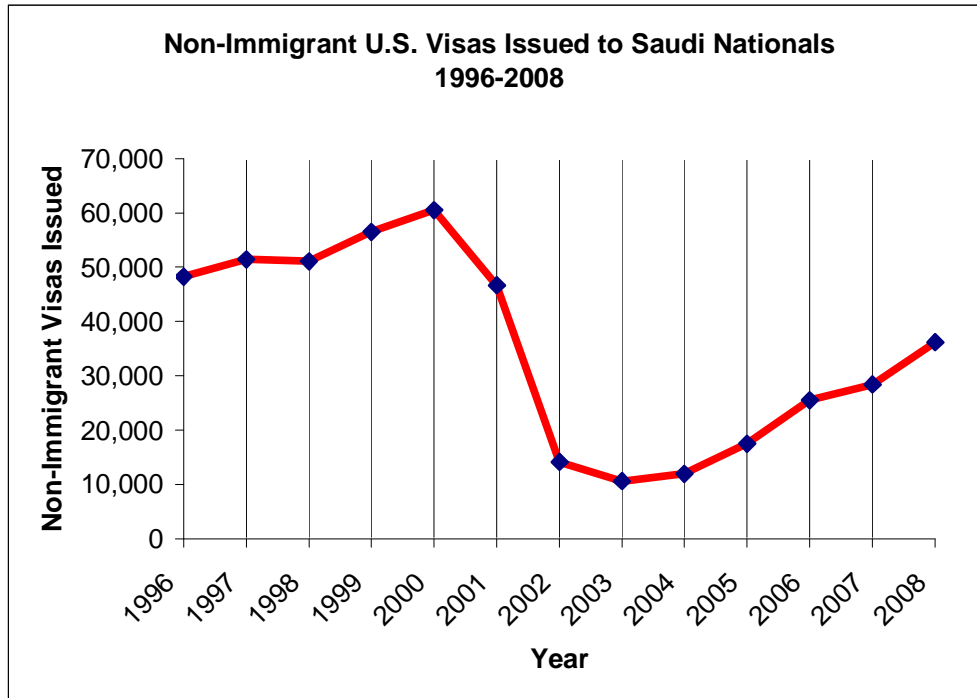
<sup>118</sup> Section 428(i) reads as follows: “Notwithstanding any other provision of law, after the date of the enactment of this Act all third party screening programs in Saudi Arabia shall be terminated. On-site personnel of the Department of Homeland Security shall review all visa applications prior to adjudication.”

<sup>119</sup> William C. Mann, “Feds End Visa Shortcut for Saudis,” *Associated Press*, July 20, 2002.

<sup>120</sup> Saudis nationals have the option of scheduling visa interview appointments at the U.S. Embassy in Riyadh using an online reservation system, and the Embassy has frequently advised Saudi students on how best to avoid having their studies in the United States interrupted by visa renewal requirements.

<sup>121</sup> Briefings from U.S. Department of State personnel, Washington, D.C. and Riyadh Saudi Arabia, February 2008.

<sup>122</sup> Saudi student visa holders, like student visa holders from other countries, will be required to remain “in status” and be enrolled in a full course of study. According to the Department of State, “This decision to expand visa reciprocity was taken in light of the economic benefits associated with more business, tourist, and student travelers and heightened cooperation on security and counterterrorism between the U.S. and Saudi Arabia. This decision also reflects recent measures taken by the U.S. to enhance visa processing and security, such as online visa applications and enhanced biometrics.” U.S. Department of State response to CRS inquiry, May 20, 2008.

**Figure 2. Non-Immigrant U.S. Visas Issued to Saudi Nationals, 1996-2008**

**Sources:** CRS graphic derived from data in U.S. Department of State, Visa Office Report, 2005, Table XVIII (Part I) "Nonimmigrant Visas Issued by Nationality (Including Border Crossing Cards), Fiscal Year 1996-2005"; and, Department of State, Visa Office Report, 2008, Table XVIII "Nonimmigrant Visas Issued by Nationality (Including Border Crossing Cards), Fiscal Year 1999-2008." Available at [http://www.travel.state.gov/visa/frvi/statistics/statistics\\_4391.html](http://www.travel.state.gov/visa/frvi/statistics/statistics_4391.html).

Some Members of Congress have expressed concern about U.S. visa issuance to Saudi nationals, and legislation was introduced in the 110<sup>th</sup> Congress seeking to influence U.S. visa policy toward Saudi Arabia. Some Members of Congress have expressed concern about restrictions on the importation of non-Islamic religious materials and symbols into Saudi Arabia and about reported visa restrictions for Jewish visitors to the kingdom or Israeli passport stamp holders. H.R. 2981 specifically sought to ban the issuance of visas to Saudi nationals until these concerns are addressed. H.R. 3217 sought to prohibit the issuance of student and diversity immigrant visas to Saudi Arabian nationals on security grounds absent Presidential review.

## Further Reading and Historical Resources

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## Appendix. Recent Proposed Arms Sales

On October 4, 2007, Congress was notified of a possible sale of **Light Armored Vehicles (LAV) and High Mobility Multi-Purpose Wheeled Vehicles (HMMWV) and associated equipment.** Specifically, 37 Light Armored Vehicles-Assault Gun (LAV-AG); 26 LAV-25mm; 48 LAV Personnel Carriers; 5 Reconnaissance LAVs; 5 LAV Ambulances; 3 LAV Recovery Vehicles; 25 M1165A1 High Mobility Multi-purpose Wheeled Vehicles (HMMWV); 25 M1165A1 HMMWV with winch; 124 M240 7.62mm Machine Guns; 525 AN/PVS-7D Night Vision Goggles (NVGs); various M978A2 and M984A2 Heavy Expanded Mobility Tactical Trucks, family of Medium Tactical Vehicles, 120mm Mortar Towed, M242 25mm guns, spare and repair parts; sets, kits, and outfits; and support services and equipment. The estimated value of the sale, if all options are exercised, could be as high as \$631 million. Transmittal No. 08-03.<sup>123</sup>

On December 7, 2007, Congress was notified of a possible sale of **five sets of Airborne Early Warning (AEW) and Command, Control and Communications (C3) mission equipment/Radar System Improvement Program (RSIP) Group B kits for subsequent installation and checkout in five E-3 Airborne Warning and Control Systems (AWACS).** This proposed sale will also include spare and repair parts, support equipment, documentation, contractor engineering and technical support, and other program support. The estimated value of the sale, if all options are exercised, could be as high as \$400 million. Transmittal No. 08-28.<sup>124</sup>

On December 7, 2007, Congress was notified of a possible sale of **40 AN/AAQ-33 SNIPER Advanced Targeting Pods,** aircraft installation and checkout, digital data recorders/cartridges, pylons, spare and repair parts, support equipment, publications and technical documentation, contractor engineering and technical support, and other program support. The estimated value of the sale, if all options are exercised, could be as high as \$220 million. Transmittal No. 08-29.<sup>125</sup>

On January 14, 2008, Congress was notified of a possible sale of **900 Joint Direct Attack Munition (JDAM) tail kits (which include 550 Guided Bomb Unit (GBU)-38 kits for MK-82 bombs, 250 GBU-31 kits for MK-84 bombs, and 100 GBU-31 kits for BLU-109 bombs).** Also included are bomb components, mission planning, aircraft integration, publications and technical manuals, spare and repair parts, support equipment, contractor engineering and technical support, and other related support elements. The estimated value of the sale, if all options are exercised, could be as high as \$123 million. Transmittal No. 08-18.<sup>126</sup>

On July 18, 2008, Congress was notified of a possible sale of **continued assistance in the modernization of the Saudi Arabian National Guard (SANG) as well as associated equipment and services.** The estimated value, if all options are exercised, could be as high as \$1.8 billion. The sale would support the continuation of the PM-SANG program (see “Saudi Arabian National Guard Modernization Program (PM-SANG)”) through December 2013. Transmittal No. 08-67.<sup>127</sup>

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<sup>123</sup> Details available at [http://www.dscamilitary.com/PressReleases/36-b/2007/Saudi\\_08-03.pdf](http://www.dscamilitary.com/PressReleases/36-b/2007/Saudi_08-03.pdf).

<sup>124</sup> Details available at [http://www.dscamilitary.com/PressReleases/36-b/2007/Saudi\\_08-28.pdf](http://www.dscamilitary.com/PressReleases/36-b/2007/Saudi_08-28.pdf).

<sup>125</sup> Details available at [http://www.dscamilitary.com/PressReleases/36-b/2007/Saudi\\_08-29.pdf](http://www.dscamilitary.com/PressReleases/36-b/2007/Saudi_08-29.pdf).

<sup>126</sup> Details available at [http://www.dscamilitary.com/PressReleases/36-b/2008/Saudi\\_Arabia\\_08-18.pdf](http://www.dscamilitary.com/PressReleases/36-b/2008/Saudi_Arabia_08-18.pdf).

<sup>127</sup> Details available at [http://www.dscamilitary.com/PressReleases/36-b/2008/Saudi\\_Arabia\\_08-67.pdf](http://www.dscamilitary.com/PressReleases/36-b/2008/Saudi_Arabia_08-67.pdf)

On September 9, 2008, Congress was notified of a possible sale of **12 AH-64D APACHE Longbow Helicopters**, along with 30 T700-GE-701D Engines, 12 Modernized Targeting Acquisition and Designation Systems/Pilot Night Vision Sensors, 4 each AN/APG-78 Fire Control Radars and AN/APR-48 Radar Frequency Interferometers, 28 M299 HELLFIRE Longbow Missile Launchers, 12 AN/ALQ-144C(V)3 Infrared Jammers, 12 AN/APR-39A(V)4 Radar Signal Detecting Sets, 12 AN/ALQ-136(V)5 Radar Jammers, 12 AAR-57(V)3/5 Common Missile Warning Systems, 36 Improved Countermeasures Dispensers, and 12 AN/AVR-2B Laser Warning Sets. The sale would also include U.S. Government and contractor technical support and other related elements of program support. The estimated value of the sale, if all options are exercised, could be as high as \$598 million. Transmittal No. 08-75.<sup>128</sup>

On September 26, 2008, Congress was notified of a possible sale of **80 Link 16 Multifunctional Information Distribution System/Low Volume Terminals (MIDS/LVT-1) to be installed on United Kingdom Eurofighter Typhoon aircraft**, as well as associated equipment and services. The estimated value of the sale, if all options are exercised, could be as high as \$31 million. Transmittal No. 08-101.<sup>129</sup>

On September 26, 2008, Congress was notified of a possible sale of **250 All-Up-Round AIM-9X SIDEWINDER Missiles, 84 AIM-9X SIDEWINDER Captive Air Training Missiles (CATMs), 12 AIM-9X SIDEWINDER Dummy Air Training Missiles (DATMs)**, as well as associated equipment and services, personnel training and training equipment, contractor engineering and technical support services, and other related elements of logistics support. The estimated value of the sale, if all options are exercised, could be as high as \$164 million. Transmittal No. 08-88.<sup>130</sup>

On September 26, 2008, Congress was notified of a possible sale of **17 AN/FPS-117 radars**, including installation and checkout, engineering, calibration, reintegration, testing, support equipment, spare and repair parts, personnel training, publications and technical data, U.S. Government and contractor technical assistance and other related elements of logistics support. The estimated value of the sale, if all options are exercised, could be as high as \$145 million. Transmittal No. 08-88.<sup>131</sup>

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<sup>128</sup> Details available at [http://www.dsca.mil/PressReleases/36-b/2008/Saudi\\_Arabia\\_08-75.pdf](http://www.dsca.mil/PressReleases/36-b/2008/Saudi_Arabia_08-75.pdf)

<sup>129</sup> Details available at [http://www.dsca.mil/PressReleases/36-b/2008/Saudi\\_Arabia\\_08-101.pdf](http://www.dsca.mil/PressReleases/36-b/2008/Saudi_Arabia_08-101.pdf)

<sup>130</sup> Details available at [http://www.dsca.mil/PressReleases/36-b/2008/Saudi\\_Arabia\\_08-88.pdf](http://www.dsca.mil/PressReleases/36-b/2008/Saudi_Arabia_08-88.pdf)

<sup>131</sup> Details available at [http://www.dsca.mil/PressReleases/36-b/2008/Saudi\\_Arabia\\_08-90.pdf](http://www.dsca.mil/PressReleases/36-b/2008/Saudi_Arabia_08-90.pdf)

## **Author Contact Information**

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