The Assertive Kingdom

Saudi Arabia's Threat Perception, Capabilities and Strategies

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Sammanfattning

Denna rapport bedömer Saudiarabiens hotbild, förmågor och strategier samt diskuterar frågor som kan komma att påverka kungarikets framtida stabilitet och säkerhetspolitik. Saudiarabien anser sig hotat på grund av Irans växande regionala inflytande; förändringar i USA:s Mellanösternpolitik; samt växande utmaningar från Daesh och al-Qaida; en saudisk vår; och till följd av ekonomisk stagnation. Tack vare ett årtionde av höga oljepriser har dock Saudiarabien byggt upp betydande ekonomiska förmågor och växande militär styrka samt bibehållit inflytande på områden som religion, media och i multilaterala institutioner. Saudiarabien använder sig av ett antal strategier för att minska upplevda hot och för att öka sina förmågor. Kungariket har antagit en radikal plan för ekonomisk reform, använder en kraftfull oljeprispolicy och utvecklar ett kärnenergiprogram. Saudiarabien moderniserar också sina väpnade styrkor, använder militärmakt utomlands och strävar efter att etablera en Riyadh-ledd regional säkerhetsarkitektur mindre beroende av väst. Vidare använder Saudiarabien repression mot oppositionella och finansiell diplomati samt nyttjar religion och media strategiskt för att säkerställa regimens intressen. Rapporten bedömer att Saudiarabiens framtida stabilitet och säkerhetspolitik framför allt kommer att påverkas av kungarikets relationer med Iran och USA, samt av Riyadhs förmåga att stärka ekonomin, hantera social förändring och undvika tronstrid inom kungafamiljen.

Summary

This report assesses Saudi Arabia's threat perception, capabilities and strategies, as well as identifies questions that will have an effect on Saudi Arabia's future stability and security policy. Saudi Arabia perceives its security to be under threat due to growing regional influence of Iran; shifts in US Middle East policy; rising challenges from Daesh and al-Qaeda; a Saudi Spring; as well as economic stagnation. Nevertheless, thanks largely to a decade of high oil prices, Saudi Arabia has amassed large economic capabilities and growing military strength, as well as retained influence through the fields of religion, media and in multilateral institutions. Saudi Arabia utilizes various strategies to mitigate perceived threats and to increase capabilities: adopting a radical plan for economic reform; employing an assertive oil price strategy; modernizing its armed forces; using military power abroad; developing a nuclear energy program; establishing a Saudi-led regional security architecture less dependent on the West; repressing political opposition; using chequebook diplomacy; and utilizing media and religion as strategic instruments. The report assesses that the future stability and security policy of Saudi Arabia above all will be affected by the evolution of the kingdom's relations with Iran and the US, as well as by the ability of Riyadh to revive the economy, manage societal change and avoid a game of thrones within the royal family.

Abbreviations

ACPRA	Saudi Civil and Political Rights Association
AL	Arab League
AQAP	Al-Qaeda on the Arabian Peninsula
G20	Group of Twenty
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GID	General Intelligence Directorate
HNC	High Negotiations Committee
IMAFT	Islamic Military Alliance to Fight Terrorism
IMF	International Monetary Fund
IRGC	Islamic Revolutionary Guards Corps
JCPOA	Joint Comprehensive Plan of Action
MB	Muslim Brotherhood
NPT	Non-Proliferation Treaty
NWFZ	Nuclear Weapon Free Zone
OBOR	One Belt One Road
OIC	Organization of Islamic Cooperation
OPEC	Organization of Petroleum Exporting Countries
P5+1	Permanent Members of the UN Security Council Plus Germany
PIF	Public Investment Fund
UNGA	United Nations General Assembly

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1 Introduction

Saudi Arabia has played a key role in Middle East politics for decades, yet often behind the scenes and through the employment of financial means. However, since the eruption of the Arab Spring, Saudi Arabia has moved towards the centre stage of Middle Eastern affairs, while its security policy has become more forceful and inclined towards the use of military power beyond its borders. In fact, Saudi Arabia perceives itself as the leader of the Arab and Islamic world – and acts as if that is the case. Saudi Arabia has become *the assertive kingdom*.

Signs of military assertiveness began in 2009, as the kingdom intervened in northern Yemen in order to fight the Houthis, a Zaidi[1] rebel group. It continued in 2011, as the Arab Spring erupted in the Middle East and joint forces of the Gulf Cooperation Council (GCC) dominated by Saudi troops entered Bahrain and crushed the protests on the Pearl Square. In Syria, by contrast, Saudi Arabia, supported the popular revolution against the regime of Bashar al-Assad; the kingdom has been a major patron of the Syrian political opposition and rebel groups. In 2015, Saudi Arabia summoned a coalition of states in order to intervene in Yemen one more time – the largest military endeavour in the history of the kingdom. In the economic domain too, Saudi Arabia has become more assertive. Since 2014, Saudi Arabia has implemented a forceful oil strategy, allowing for the price of energy to fall by refraining to cut production.

A driving force behind Saudi Arabia's assertive behaviour is the regional rivalry with and perceived threat from Iran. Structural changes within the kingdom is also affecting the security policy of the kingdom. An oil boom decade between 2003 and 2014 has contributed to making Saudi Arabia into a major economic and military power, while the lower energy prices since mid-2014 has forced the kingdom to adopt a radical program for economic reform that aims to diversify the kingdom away from oil-dependence. In the past decade, an information technology and communications revolution combined with major demographic, educational and economic changes have transformed the very structures of the traditional Saudi society. In addition, as a consequence of a power shift within the House of Saud in 2015, a new generation of princes headed by the deputy crown prince Muhammad bin Salman (born in 1985) has *de facto* been ruling the kingdom. The new, young and energetic Saudi leadership has augmented the assertiveness of the kingdom's security strategy.

As the security situation in the Middle East has deteriorated – with the rising threat of terrorist groups, failing states, ensuing wars and geopolitical rivalries – it has

[1] Zaidism is a branch of Shia Islam that recognizes five Imams and adopts an interpretation of *sharia*, Islamic law, which is close to (Hanafi) Sunnism.

become crucial for policy-makers to comprehend the motives, means and behaviours of the major powers that shape the strategic landscape in the region. Undoubtedly Saudi Arabia is one of these influential shapers of Middle East security.

In order to understand the evolution of Saudi Arabia's security policy, this report analyses the threat perception, capabilities and strategies of the assertive kingdom. This first chapter outlines the purpose and research questions of the report. Then it describes the method, sources and definitions of the study. Lastly, the chapter provides an outline of the report.

1.1 Purpose and Research Questions

This report analyses three dimensions of Saudi Arabia's security policy: threat perception, capability and strategy. It also identifies key issues that will likely affect the future evolution of Saudi Arabia's stability and security policy.

The research questions are as follows:

- How does Saudi Arabia conceive threats to its security and survival?
- Which economic, military and soft power assets and liabilities does Saudi Arabia have?
- What strategies does Saudi Arabia employ to create capabilities and mitigate perceived threats?
- Which are the key questions that will impact the future stability of Saudi Arabia and the evolution of its security policy?

1.2 Method, Sources and Definitions

This report assesses Saudi Arabia's threat perception, capabilities and strategies by utilizing qualitative and quantitative methods. The focus is on the qualitative; the study assesses the questions above primarily on the basis of analysis of both primary and secondary sources. The assessment takes account of both what the kingdom's institutions and officials say and do, i.e. both words and behaviour (which do not necessarily match) as well as taking heed of potential biases of authors.

The report utilizes a variety of sources, including databases, statements by officials, comments and reporting in Saudi-owned and foreign media, as well as books and academic articles.

Threat perception, capability and strategy are defined as follows:

Threat perception is viewed as the social construction of threats by a regime (such as Saudi Arabia). The threat perception may be shaped by various sources: internal

factors (e.g. domestic opposition) and external ones (e.g. aggressive states), as well as traditional (balance of power) and non-traditional (e.g. terrorist groups or economic slowdown). The threat perception of regimes will also likely vary over time.[2]

Capabilities are perceived as being the existing power instruments that a regime possesses, and that encompass military, economic and "softer" dimensions.[3]

Strategies are defined as the long-term plans that a regime employ to mitigate perceived threats *and/or* to increase capabilities.[4]

1.3 Outline

First, Saudi Arabia's threat perception is analysed (see chapter 2). Second, the kingdom's capabilities, i.e. the instruments which Riyadh could use to mitigate threats, is assessed (see chapter 3). Third, the strategies which Saudi Arabia employs to contain perceived threats and to develop future capabilities, is analysed (see chapter 4). The report's last part discusses issues that could impact the future evolution of Saudi Arabia's stability and security policy (see chapter 5).

[2] The definition is inspired by Alexander Wendt (1999) "The Social Construction of International Relations", (Cambridge: *Cambridge University Press*); Barry Buzan, *et al* (1997) *Security: A New Framework for Analysis*, (Boulder: Lynne Rienner Publishers); and Stephen Walt (1987) *The Origins of Alliance*, (Ithaca: Cornell University Press).

[3] The definition is inspired by Joseph Nye (2011) *The Future of Power*, (New York: PublicAffairs); Kenneth Waltz (1979) *Theory of International Politics*, (New York: McGraw Hill); and Walt, 1987.

[4] The definition is inspired by Nye, 2011; Walt, 1987; and Paul Kennedy (1987) *The Rise and Fall of Great Powers*, (New York, Random House).

2. A Kingdom under Threat

The House of Saud perceives its security under threat both from within and from without its borders. The overarching external threat that looms large in Saudi Arabian security is Iran's perceived aggressiveness, regional ambitions and interference in the affairs of others states. However, Iran is not the only threat to Saudi Arabia. Nor has Iran always been perceived as the preeminent foe in the Saudi threat calculus. Currently, the perceived threat from Iran is accompanied by supposed threats from al-Qaeda and Daesh; a possible future Saudi Spring; economic stagnation if the energy prices stay low and the kingdom remains oil dependent. An additional threat is that the United States continues to retrench from the Middle East, develop closer ties with Iran and refrain from standing by traditional Arab allies such as Saudi Arabia.

This chapter's assessment of Saudi Arabia's threat perception is based on statements by government officials and articles in Saudi-owned media as well as on the behaviour of the kingdom in domestic as well as foreign affairs as reported in open sources. However, it is important to point out that Saudi Arabia's threat perception may not always correspond with reality. This chapter assesses Saud Arabia's construction of threats, whether they are real or imagined.

2.1. The Iranian Threat

The Islamic Republic of Iran is perceived as the most important external threat to the security of the House of Saud. This is evident both from what the Saudi regime says and does. Saudi-owned media, leaked diplomatic post and statements from officials paint the same picture of Iran as an unreliable, aggressive and expansionist state with nuclear weapon ambitions that employs terrorism, covert support of proxies and sectarianism as means to achieve regional hegemony as well as disrupt the stability of the kingdom and its allies.[5] This threat perception may be exaggerated, but seems nevertheless to be real to the Saudi strategic elite. Saudi behaviour in recent years – e.g. the intervention in Bahrain, the wars in Yemen, the policy of regime change in Syria and divergences with the United States on a number of issues (e.g. Syria and Iran's nuclear program) all indicate that Riyadh perceives the Islamic Republic of Iran as the most pressing threat that it faces.

[5] See for example Adel bin Ahmed al-Jubair, "Can Iran Change?", *The New York Times*, 19 January 2016; al-Jubair, "The Saudis Are Fighting Terrorism, Don't Believe Otherwise", *Newsweek*, 3 February 2016; Ali Shihabi, "Why Saudi Arabia mistrusts Iran?", *Al-Arabiya*, 5 October 2016; Barbara Surk, "Never write off Saudi Arabia", *Politico*, 22 July 2016; Jamal Khashoggi. "Iran's regional project", *Al-Arabiya*, 3 July 2016.

The driver of the Iranian threat in Riyadh is primarily *realpolitik*. The kingdom fears that the balance of power in the Middle East will change in favour of Iran. Riyadh maintains that Iran is actively destabilizing Arab states and undermining the Saudi-led regional order with the aim of re-establishing a "Persian empire" in the Middle East.[6] Tehran's nuclear program has been very upsetting for the kingdom, as Iranian nuclear bombs would disrupt the regional power equilibrium in the Middle East. However, the threat of a nuclear Iran has declined somewhat in Saudi Arabia due to the JCPOA (Joint Comprehensive Plan of Action), i.e. the nuclear agreement between Tehran with P5+1.[7]

Presently, Saudi Arabia is principally alarmed by what it perceives to be Iranian regional expansionism, a trend that, according to Riyadh, has been reinforced by the nuclear agreement and reduction of international sanctions on Iran. From a Saudi perspective, Iran's Islamic Revolutionary Guards Corps (IRGC) plays a subversive role in the kingdom's neighbouring states that have large Shia populations – mainly Iraq, Yemen and Bahrain.[8]

From the Saudi horizon, Iran's influence in Iraq is massive and due to close links between Tehran and various political parties and militias in the country, as well as because of the US intervention of 2003 and subsequent policies during the occupation.[9] According to the former Saudi foreign minister, Saud al-Faisal, the US has "given Iraq to Iran on a silver plate."[10] Moreover, Saudi Arabia maintains that the hand of Iran has supported the Houthi-Saleh conquest of large parts of Western Yemen, including Sanaa, the capital, since late 2014.[11] The threat of an Iran-allied Iraq on the northern border and an Iran-allied Yemen on the southern one, increases the view in Riyadh of Iranian encirclement. This belief is strengthened by the perception that Iran actively stirs up dissent among the Shia majority population in Bahrain against the rule of al-Khalifa, a Sunni Arab dynasty with close ties to Saudi Arabia.[12] The kingdom fears that regime change in Bahrain would result in shifting alliances and instability in the neighbouring Shia-dominated and oil-rich Eastern Province of Saudi Arabia. Furthermore, Saudi Arabia maintains that Iran tries to stir up Saudi Shias so as to destabilize the kingdom.

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[6] Surk, 22 July 2016; al-Jubair, 19 January 2016; al-Jubair, 3 February 2016; Shihabi, 5 October 2016.

[7] Yeganeh Torbati and Julia Edwards, "Saudi Arabia satisfied with Obama's assurances on Iran deal," *Reuters*, 4 September 2015.

[8] Jamal Khashoggi. "Iran's regional project," *al-Arabiya*, 3 July 2016.

[9] US Embassy in Bagdad. "Saudi Views on Iranian and Syrian Activities in Iraq and Elsewhere," 2 January 2006; wikileaks.org/plusd/cables/06RIYADH9_a.html (retrieved 30 October 2016).

[10] Robert W. Jordan with Steve Fiffer. *Desert Diplomat: Inside Saudi Arabia Following 9/11*, Potomac Books, 2015, pp. 83.

[11] Arab News, "Hezbollah 'operating in Yemen' with Houthis", 28 March 2015.

[12] Obaid al-Suhaymi,"Arabs Support Bahrain after Revoking Citizenship of Isa Qasim", *Asharq Alawsat*, 21 June 2016.

The Saudi view of Iranian expansionism in the Arab world is reinforced by developments in the Levant.[13] Iran has succeeded in propping up its Syrian ally, the Assad regime, by employing IRGC, deploying Arab and Afghan Shia militias and deepening its strategic cooperation with Russia. In addition, Iran has increased its influence in Lebanon thanks to Hezbollah, the Tehran-aligned Shia party-cum-militia. Iran has also retained influence in Gaza through support for Hamas, a Sunni organization within the Muslim Brotherhood (MB) umbrella, and the Palestinian Islamic Jihad, which has closer ideological ties with Iran.

The rising power of Iran in the affairs of the Arab world, in particular in states surrounding Saudi Arabia, is perceived as the most pressing threat in Riyadh. Unsurprisingly, the government-sanctioned discourse of Saudi Arabia portrays Iran as a state-sponsor of terrorism, an incubator of extremism, a champion of sectarianism and an "enemy of Islam."[14]

2.2. The Geostrategic Threat: US Retrenchment and Rapprochement with Iran

Saudi Arabia is concerned that the US, its long-time ally, will continue to pursue a strategy of retrenchment from the Middle East, to develop closer ties with Iran and to refrain from providing support to traditional Arab allies in times of trouble.

From the horizon of Riyadh, the presidency of Obama has been very problematic. Saudi Arabia was upset by US policies during the early days of the Arab Spring – in particular Washington's acceptance of the removal of President Zine El Abedine Ben Ali, in Tunisia; its efforts to cause Egypt's President Hosni Mubarak (a key ally of both Washington and Riyadh) to step aside; and tolerance of post-revolutionary governments led by Islamists, such as the Muslim Brotherhood (which is perceived as anathema in Riyadh and classified as a terrorist organization).[15]

However, Riyadh has above all been concerned that the nuclear agreement between Iran and P5+1 will lead to closer ties between Washington and Tehran, and that the US will continue to avoid containing Iranian expansionism in the region (e.g. by not intervening militarily in Syria). Riyadh has feared that the US

[13] The Levant is the region of Eastern Mediterranean and includes Syria, Lebanon, Israel, Jordan, Iraq and Palestine.

[14] Adel al-Jubair, "Can Iran Change?," *The New York Times*, 19 January 2016; al-Jubair, "The Saudis Are Fighting Terrorism, Don't Believe Otherwise," *Newsweek*, 3 February 2016; Arab News, "Iran regime 'enemy of Islam,' says grand mufti," 7 September 2016.

[15] See for example, Nawaf Obaid. "Amid the Arab Spring, a U.S.-Saudi split," *The Washington Post*, 15 May 2011; Christopher Boucek, "The United States, Saudi Arabia, and the Arab Spring." *Carnegie*, 8 June 2011; Patrick W. Ryan. "Looking back at Obama's ties with Saudi Arabia during his two terms," al-Arabiya, 19 April 2016.

will develop a Middle East strategy in which Iran and its traditional Gulf Arab allies are treated as equidistant, and that Washington will continue to prioritize the struggle against Sunni terrorist groups rather than containing Iran, while accusing Saudi Arabia of being a "free rider".[16]

Reactions in Saudi media to the victory of Donald Trump in the US Presidential election of 2016 have been ambiguous; some commentators have been cautiously positive, due to the President-elect's Iran-critical campaign rhetoric, which includes a promise to tear up JCPOA.[17] Saudi Arabia seems to have adopted a wait-and-see approach to the Middle East policy of the Trump administration, rather than judge it pre-emptively.

2.3. The Jihadi Threat: al-Qaeda and Daesh

Saudi Arabia is concerned about the threat from al-Qaeda and Daesh within the kingdom and the Middle East. These Sunni *takfiri* jihadists[18] pose both an ideological and militant challenge to the kingdom and to the security of allied states in the region and beyond. Between 2003 and 2008, al-Qaeda conducted a terrorist campaign within Saudi Arabia. Since 2014, a new wave of terrorist attacks has occurred in the kingdom, perpetrated by Daesh.[19]

Saudi Arabia has been an important partner of the US in the war on terror and joined the US-led coalition against Daesh.[20] However, the threat from Sunni jihadism is viewed as being to a far lesser degree than that from Iran. Saudi Arabia prioritizes the struggle to contain Iran and its allies in the region rather than to fight against Daesh and al-Qaeda. For example, Saudi Arabia has invested heavily in the wars against the Iran-supported Houthis in Yemen and the Tehran-allied Assad regime in Syria, while the kingdom's participation in the US-led campaign against Daesh has been very limited.

[16] Jeffrey Goldberg, "The Obama Doctrine," *The Atlantic*, April 2016; Turki al-Faisal, "Mr. Obama, we are not 'free riders'," *Arab News*, 14 March 2016.

[17] See for example Faisal J. Abbas, "Trump 'deserves a chance to lead'," *Arab News*, 12 November 2016; Tariq Alhomayed, "How Do We Deal with Trump?" *Asharq Alawsat*, 13 November 2016; Abdulrahman Al-Rashed, "Trump Files: Regional Conflict," *Asharq Alawsat*, 13 November 2016; "Opinion: Do Not Fear Trump," *Asharq Alawsat*, 10 November 2016; "Trump Files: Standing Up to Iran," *Asharq Alawsat*, 12 November 2016; Eyad Abu Shakra, "Opinion: Hillary Clinton – the Ideal Choice in Normal Circumstances," *Asharq Alawsat*, 17 November 2016.

[18] *Takfiri* Jihadists: militant Islamists that excommunicate other Muslims and make them legitimate targets of violence.

[19] Frederic Wehrey et al (2009) "Saudi-Iranian Relations Since the Fall of Saddam: Rivalry, Cooperation, and Implications for U.S. Policy", (Santa Monica, Arlington, Pittsburgh: RAND Corporation).

[20] Ibid.

2.4. The Threat of a Saudi Spring

Saudi Arabia seems to perceive that the threat from the Twitter generation and the ideas of *wasatiyya* ("middle way") Islamism are rising.

Throughout the oil boom decade, the middle class has grown fast while, societal inequalities have remained huge.[21] Between 2003 and 2014, the GDP per capita more than doubled, from 10,000 to 24,000 USD.[22] Saudi Arabia is also undergoing a demographic transition. In 2011, about 70 per cent of the population was below the age of 30.[23] The workforce will expand rapidly in the coming decade due to the youth bulge.[24] Saudi Arabia has invested heavily in education, e.g. through expansion of university education and generous scholarships for studies abroad. Yet jobs are scarce, while unemployment among the youth is very high.[25]

In parallel, the kingdom has experienced an information technology and communications revolution, thanks to the widespread access to the Internet and satellite television. Access to non-government-sanctioned sources of information is widely available (in spite of censorship), while new digital means of communication are changing interaction within the traditional Saudi society. Saudi citizens are among the most prolific users of social media (such as Facebook and Twitter) in the Middle East.[26] The domestic state of affairs in Saudi Arabia is thus reminiscent of that of the other regional states that experienced popular uprisings during the Arab Spring.

A related threat to the House of Saud is that of *wasatiyya* Islamism, i.e. movements often associated with the Muslim Brotherhood, which achieved success in democratic elections following the Arab Spring. As Islamist parties came to power through democratic elections in Egypt and Tunisia and have played prominent roles in post-revolutionary Libya and in the Syrian political opposition, the threat from modernist political Islam grew in the kingdom. *Wasatiyya* trends are prevalent within the kingdom, through the so-called *sahwa al-islamiyya* (the Islamic awakening).[27] Groups that have emerged from the *sahwa* threaten the

[21] McKinsey. "Saudi Arabia Beyond Oil: The Investment and Productivity Transformation," December 2015.

[22] McKinsey, 2015, pp. 18.

[23] Caryle Murphy, "Saudi Arabia's Youth and the Kingdom's Future," *Woodrow Wilson International Center for Scholars*, Occasional Paper Series, Winter 2011.

[24] McKinsey, 2015; Kingdom of Saudi Arabia. "Vision 2030," vision2030.gov.sa/sites/default/files/report/Saudi_Vision2030_EN_0.pdf (retrieved 11 October 2016).

[25] McKinsey, 2015, pp. 37

[26] See for Example K. T. Abdurabb, "Saudi Arabia has highest number of active Twitter users in the Arab world," *Arab News*, 27 June 2014.

[27] Stephane Lacroix, "Islamo-Liberal Politics in Saudi Arabia", in Paul Aarts & Gerd Nonneman, ed (2005), *Saudia Arabia in the Balance*, (New York: New York University Press), pp. 35-56; Madawi al-Rasheed (2007) *Contesting the Saudi state: Islamic Voices of a New Generation*, New York: Cambridge University Press).

religious-political model of Saudi Arabia and the legitimacy of the House of Saud, either by exposing theocracy and violence or by supporting democracy and peaceful protest. The Saudi Civil and Political Rights Association **(**ACPRA) is an example of the latter; ACPRA argues for democracy and peaceful protests based on re-interpretation of the same religious concepts that the official religious establishment utilizes to sanction authoritarian rule by the House of Saud.[28] From the Saudi perspective, *wasatiyya* Islamism both threatens allied regimes in the region as well as the ideological foundation of the kingdom, by promoting a religious interpretation of politics that could attain wide popular support within Saudi society in general and among the frustrated Twitter generation in particular.

2.5. The Economic Threat: Oil Dependency and Stagnation

Lastly, the leadership of Saudi Arabia is concerned about the economic viability of the kingdom in the long-term, due to its heavy dependence on oil, the new lower energy prices (see Fig. 1) and planned increases in government expenditures.[29]

Since the oil price fall of 2014, Saudi Arabia has run annual budget deficits of about 10–20 per cent of GDP and used about 20 per cent of its foreign exchange reserves (see Fig. 2) – which currently amount to about 540 billion USD – as well as sold government bonds on a large scale, in order to balance the budget.[30]

Moreover, the kingdom seems to expect that the oil price will not return to the levels prior to 2014, due to ongoing technological developments, for example in renewables and fracking. Continuing on the current track of depleting financial reserves and borrowing on the international market is perceived to be an unviable strategy in the long term. The challenge for Saudi Arabia, which it is well aware of, is thus to diversify the economy away from oil and raise enough revenues in non-energy sectors in order to avoid a financial crisis, domestic instability and decreased international leverage.[31]

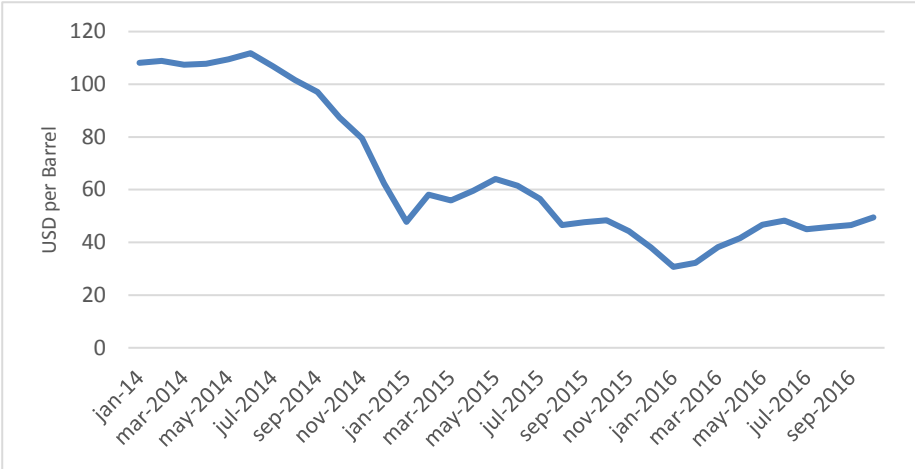
[28] Madawi al-Rasheed. “Saudi Arabia's Modern Islamists: And Their Forgotten Campaign for Democracy,” *Foreign Affairs*, 16 February, 2016; Al-Rasheed (2016) *Muted Modernists: The Struggle over Divine Politics in Saudi Arabia* (London: Hurst & Company).

[29] McKinsey, 2015.

[30] Elaine Moore and Simeon Kerr, “First Saudi bond sale raises $17.5bn in emerging market record,” *The Financial Times*, 19 October 2016; International Monetary Fund, “IMF Country Report No. 16/326: Saudi Arabia,” October 2016.

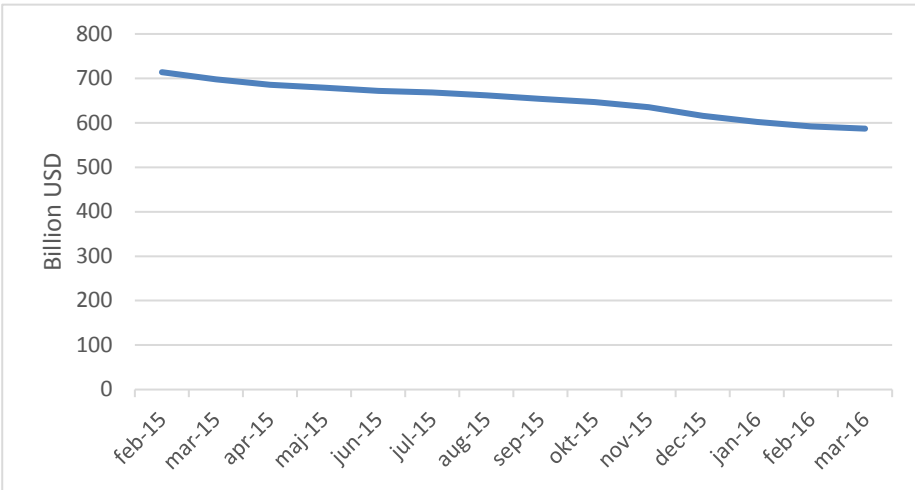
[31] See for example The Economist, “Transcript: Interview with Muhammad bin Salman,” 6 January 2016.

Figure 1. The Price of Oil, January 2014 – October 2016
(Europe Brent Crude Spot Price)



Source: US Energy Information Administration (EIA), October 2016.[32]

Figure 2. Saudi Arabia's Foreign Exchange Reserves



IMF, International Financial Statistics, November 2016.[33]

[32] The US Energy Information, "Data: Petroleum & Other Liquids", www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=rbrte&f=m (retrieved 28 November 2016).
[33] The International Monetary Fund, International Financial Statistics, www.imf.org/external/np/sta/ir/IRProcessWeb/data/sau/eng/hstSAU.pdf (retrieved 28 November 2016).

2.6. Conclusion

The House of Saud perceives a number of threats to its security. Official statements, Saudi-owned media and behaviour in international affairs reinforces the view that the overarching threat in Saudi Arabia's security thinking is Iran's perceived aggressiveness, regional ambitions and interference in the affairs of Arab states in the Middle East.

Yet, Iran is not the only threat to Saudi Arabia. Currently, the Iranian threat is supplemented by shifts in US Middle East policy; terrorist attacks by al-Qaeda and Daesh; the danger of a Saudi Spring; and economic stagnation due to the fall of energy prices and oil-dependency.

In the next chapter, the means of power that Saudi Arabia possesses and which may be used to combat threats, are assessed.

3. A Regional Great Power

Which economic, military and soft power assets and liabilities does Saudi Arabia have? This chapter assesses Saudi Arabia's current instruments of power, in terms of economic, military and soft power capabilities.

3.1. Economic Capabilities

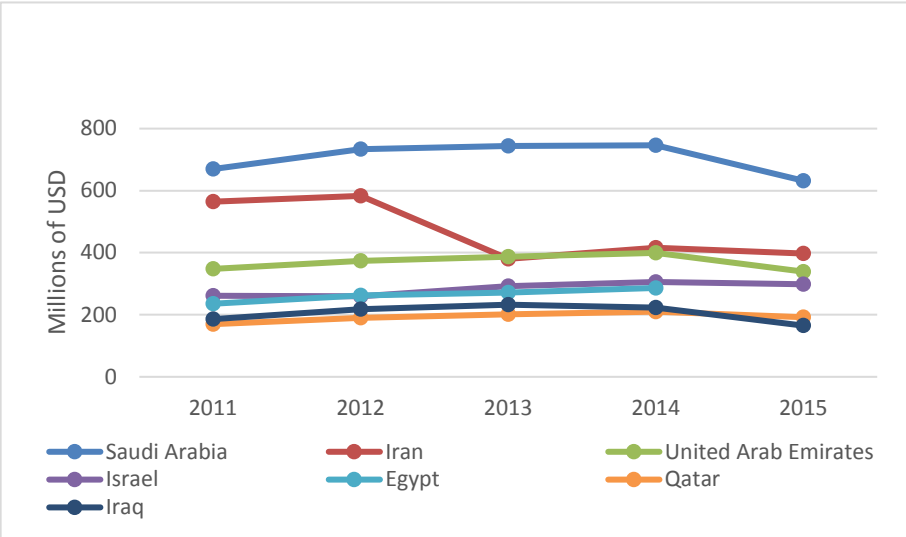
In spite of the oil price fall since 2014, Saudi Arabia is a major economic power. It is the largest economy in the Middle East, bar Turkey (see Fig. 3), the only Arab member of the G20, and the state with the largest foreign exchange reserves in the region and fourth in the world.[34]

The economic rise of Saudi Arabia is due to the abundance of oil within its territory and two periods of high oil prices: 1974-1981 (following the oil embargo against the West after the Arab-Israeli war of 1973) and 2003-2014 (largely due to growing energy demand from Asia). Between 2003 and 2014, the Saudi economy more than tripled in size (see Fig 4), while household incomes grew by 75 per cent.[35] In 2016, Saudi Arabia was by far the largest exporter of crude oil in the world (see Fig. 5) and the second largest producer after the US (see Fig. 6). The proven reserves of Saudi Arabia are the second largest in the world (after Venezuela's), and by far the largest in the Middle East (see Fig. 7). Moreover, Saudi Arabia is the leading power of Organization of Petroleum Exporting Countries (OPEC) and the swing producer on the global energy market. The size of the economy, its huge financial assets and its leverage on the energy market make Saudi Arabia a powerful state, even by global standards.

Yet, Saudi Arabia's economy depends on a high oil price, since Saudi oil accounts for about 90 per cent of government revenues and more than 40 per cent of GDP.[36] If the price of oil remains at between 40 and 50 USD a barrel in the long term, and the kingdom fails to develop other sources of revenue besides energy, the very foundation of Saudi power is in danger.

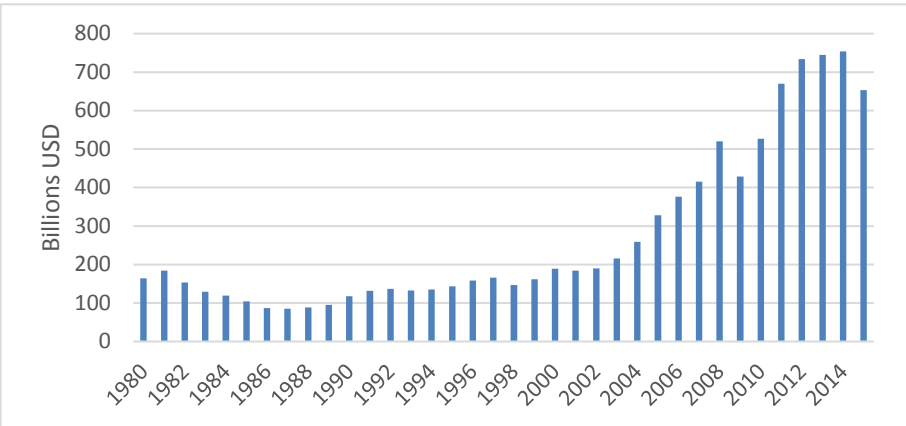
[34] The International Monetary Fund (IMF), International Financial Statistics, data.imf.org/regular.aspx?key=60214258 (retrieved 28 November 2016).
[35] Ibid., p. 22.
[36] International Monetary Fund (IMF), "Saudi Arabia: Selected Issues," IMF Country Report No. 15/286, October 2015.

Figure 3. The Largest Economies in the Middle East (excluding Turkey), 2011-2015



Source: IMF, World Economic Outlook Database, April 2016[37]

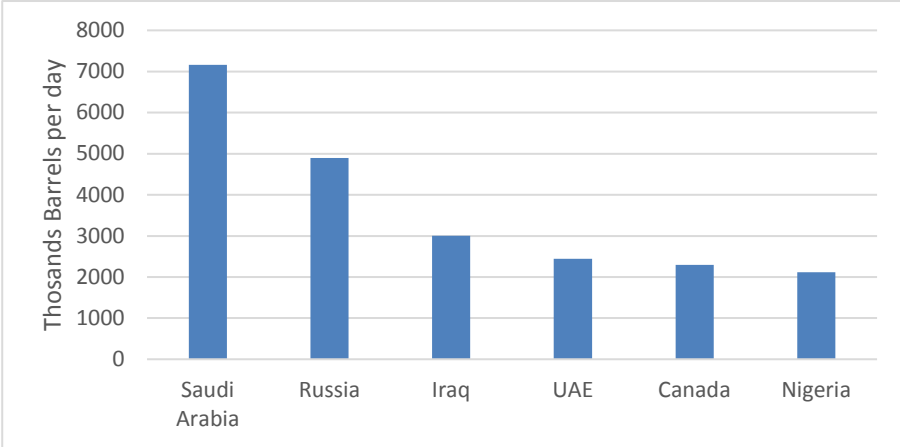
Figure 4. Saudi Arabia's GDP, 1980-2015



Source: IMF, World Economic Outlook Database, April 2016.[38]

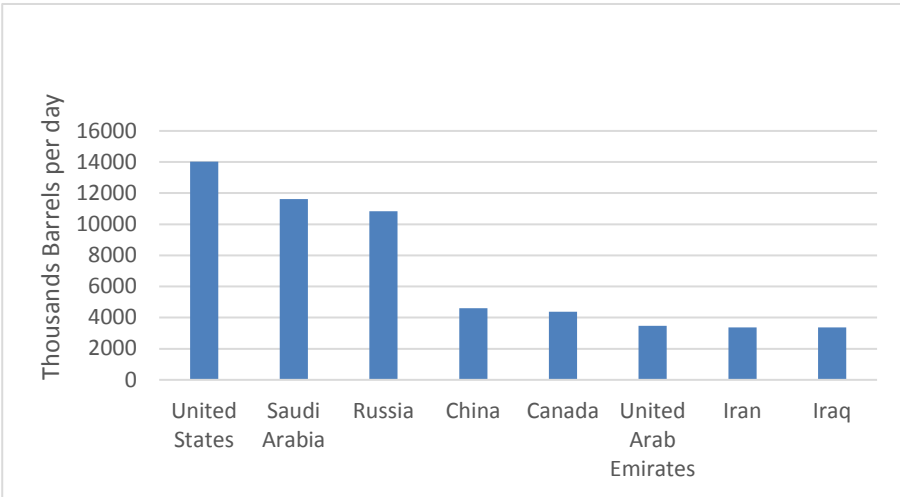
[37] The International Monetary Fund, World Economic Outlook Database, April 2016, www.imf.org/external/pubs/ft/weo/2016/01/weodata/index.aspx (retrieved 28 November 2016).
[38] Ibid.

Figure 5. The Largest Exporters of Crude Oil, 2015



Source: OPEC, Annual Statistical Bulletin, 2016.[39]

Figure 6. The Largest Producers of Crude Oil, 2014

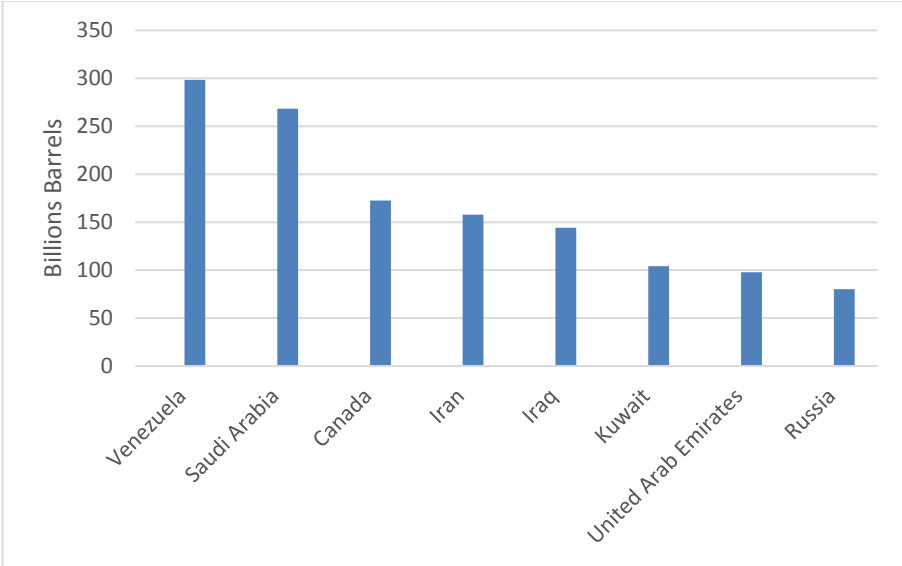


Source: EIA, June 2016.40

[39] Organization of the Petroleum Exporting Countries, "OPEC: Annual Statistical Bulletin, 2016", www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2016.pdf (retrieved 28 November 2016).

[40] The US Energy Information, "Data: Petroleum & Other Liquids", www.eia.gov/petroleum (retrieved 28 November 2016).

Figure 7. The Largest Proven Reserves of Crude Oil, 2015



Source: EIA, June 2016.[41]

3.2. Military Capabilities

Saudi Arabia has recently become a major military power in the region. Large shares of the revenues from the past oil boom decade have been invested in defence. Although Saudi Arabia has allocated about ten per cent of GDP to defence for many decades, military spending in absolute terms increased slowly for many years. Between 1982 and 2002, as the Saudi economy was in stagnation due to the low price of energy, defence spending grew rather modestly.[42] During these two decades of cheap oil, the Saudi defence budget increased by a mere 50 per cent in absolute terms.[43] In contrast, between 2003 and 2014, Saudi Arabia's military spending increased by about 400 per cent.[44]

In 2015, Saudi Arabia's defence budget was the third largest in the world, after the United States' and China's, significantly larger than those of Russia, the United

[41] Ibid.
[42] Stockholm International Peace Research Institute, "SIPRI Military Expenditure Database: Data for all countries from 1988–2015," October 2016.
[43] Ibid.
[44] Ibid.

Kingdom, France and India (see Fig. 8).[45] The military expenditures of Saudi Arabia are larger than those of the Middle East's four other major defence spenders – Israel, Iran, Turkey and Egypt – put together (see Fig. 9). Moreover, in 2015, Saudi Arabia was the largest importer of defence materiel in the world, while its defence spending as share of GDP amounted to 13.7 per cent, by far the highest figure among the G20 countries and the major powers of the Middle East (see Fig. 10).[46]

Saudi Arabia's military modernization has primarily relied on imports from and defence cooperation with the US, the United Kingdom (UK) and France. Other EU states (Germany, Italy, Sweden, Finland, the Netherlands, Austria, etc.) as well as Canada, Turkey and China, have also contributed to the Saudi military modernization program through the export of defence materiel.[47] The Saudi military build-up has focused on boosting the air force, missile defence, and the army, as well as the Saudi Arabian National Guard (SANG), an army-like force.[48] The rapid military build-up of Saudi Arabia's armed forces in the past decade has made the kingdom into one of the most well-equipped military actors in the Middle East.[49]

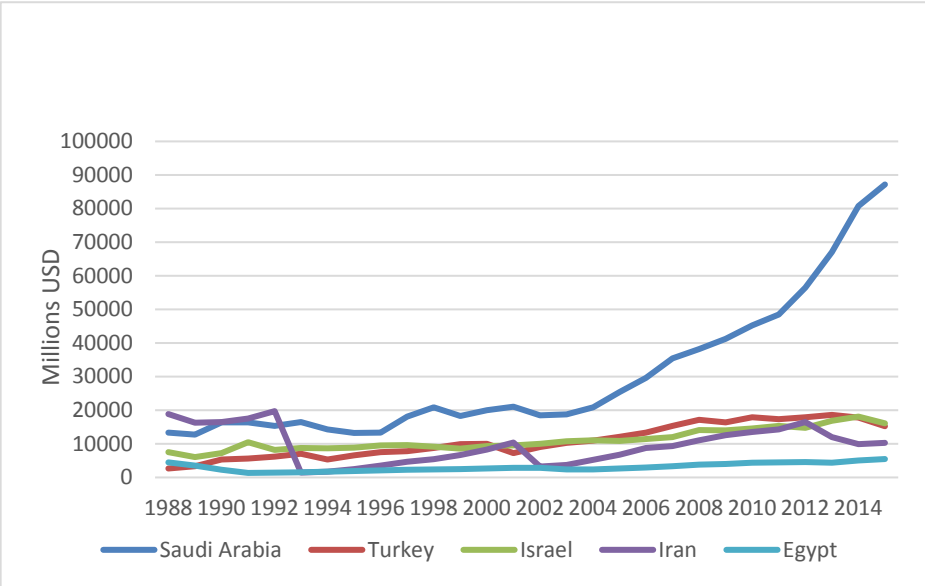
Saudi Arabia's capabilities have likely increased due to battlefield experience and interoperability with other states. The kingdom has indeed begun to employ its new military platforms and systems abroad: in the war against the Houthis in Yemen, 2009-2010; in the crackdown on the Arab Spring protesters in Bahrain, in 2011; in the war against Daesh in Syria, in 2014; and in the second war in Yemen since 2015. Thanks to the second Yemen war, Saudi Arabia has increased its experience in leading complex military operations involving land-, air- and sea-based forces, while boosting interoperability with other states. This trend has been reinforced by Riyadh's success in founding The Islamic Military Alliance to Fight Terrorism (IMAFT), in 2016, an organisation that includes about 40 states. Military exercises, for example those within the framework of the IMAFT and the GCC, have probably also strengthened Saudi Arabia's interoperability with regional partner states.[50]

Yet, Saudi Arabia has only about 150,000 troops (in the army and SANG, combined), while the navy remains small.[51] Moreover, the war in Yemen has so far not proved to be a success story; the rebels still control large areas in Western Yemen, including Sanaa. IMAFT may also risk becoming a "paper tiger" due to

[45] Ibid.
[46] Ibid.
[47] Stockholm International Peace Research Institute, "SIPRI Arms Transfers Database," October 2016.
[48] Ibid.
[49] International Institute for Strategic Studies, "Military Balance 2016", Volume 116, 2016, Issue 1, pp. 350-353.
[50] Al-Arabiya, "Saudi Arabia concludes North Thunder exercises," 10 March 2016.
[51] International Institute for Strategic Studies, pp. 352-353.

diverging interests between the member states and unwillingness to follow Riyadh's agenda. Most importantly, Saudi military power is susceptible to economic stagnation (i.e. low oil prices) and is heavily dependent on foreign (i.e. mostly Western) defence systems and technologies, as the domestic defence industry is weak.

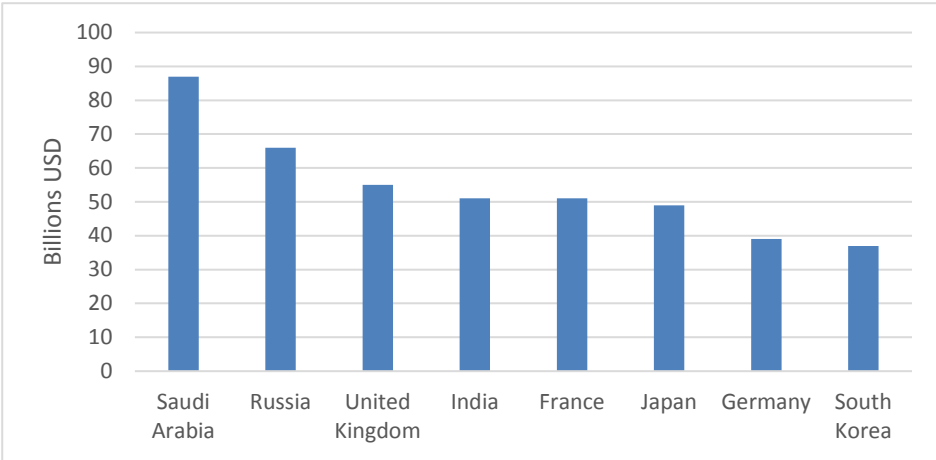
Figure 8. Military Expenditure of Major Powers in the Middle East, 1988-2015



Source: SIPRI Military Expenditure Database, 2015.[52]

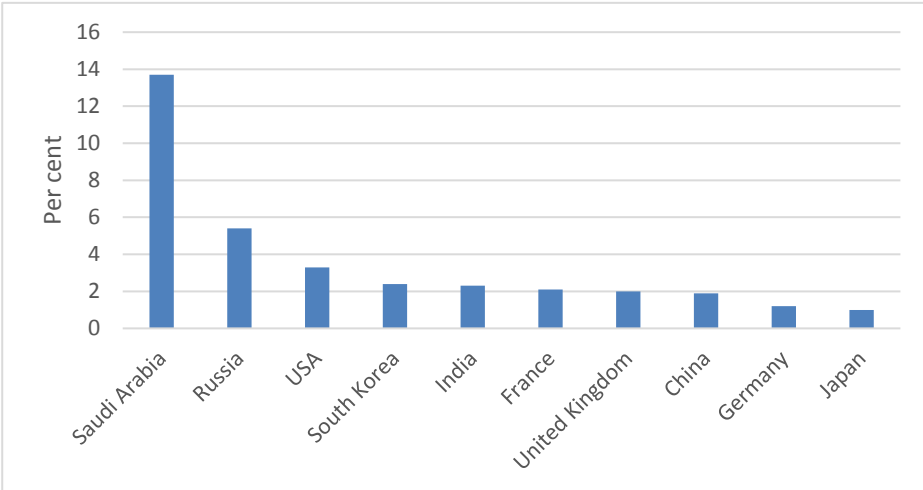
[52] Stockholm International Peace Research Institute, "SIPRI Military Expenditure Database: Data for all countries from 1988–2015," October 2016.

Figure 9. The largest defense budgets in the world, in 2015 (excluding the US and China)



Source: SIPRI Military Expenditure Database, 2015.[53]

Figure 10. Military Expenditure as Share of GDP of Major Powers in 2015



Source: SIPRI Military Expenditure Database, 2015.[54]

[53] Ibid
[54] Ibid.

3.3. Soft Power

Saudi Arabia has amassed soft power assets in the realms of religion and the media, and through multilateral institutions.

3.3.1. Religious Power

Since Saudi Arabia harbours both Mecca and Medina, the kingdom is the geographical locus of Islam. This sacred geography has been utilized by the House of Saud as a means to achieve influence and to attain legitimacy – both domestically and in the wider Islamic world. The alliance with the official Wahhabi establishment provides for divine sanction for Saudi rule. Religious soft power has also been utilized to achieve strategic aims in the regional and global arena; as "the custodian of the two holy mosques," Saudi Arabia has positioned itself as the leader of the *umma* (the world-wide Islamic community), advocate of "true Islam," and defender of Muslim interests, while spreading Wahhabism within the Islamic world as an antidote to perceived subversive ideologies, whether *takfiri* Jihadism, *wasatiyya* Islamism, Nasserite Pan-Arabism, revolutionary Marxism or liberal Democracy.

Yet, Saudi strategic utilization of Islam has resulted in backlashes, in the form of alternative versions of political Islam, such as those of the Jihadists that aim to replace the House of Saud with a theocracy through the use of violence and the *wasatiyya* Islamists that oppose authoritarianism through peaceful means.

3.3.2. Media Power

Thanks to rents from oil, Saudi Arabia has developed a media empire in the Arab world. The immediate family of Salman, also known as "the Saudi media king," controls several Pan-Arabic newspapers and magazines (such as ash-Sharq al-Awsat). Other royalty own satellite television networks or channels (e.g. al-Arabiya). Waleed bin Talal, "the richest man in the Arab world," may be the most influential Saudi prince in the domain of media, through his control over a number of satellite networks and newspapers, as well as stakes in News Corps and Twitter. Although all Saudi-owned media outlets promote a united political position, they differ on social issues; some outlets are ultra-conservative, while other are less so (e.g. when it comes to the role of women).[55]

[55] See for example Andrew Hammond, "Maintaining Saudi Arabia's Cordon Sanitaire in the Arab Media", in Madawi al-Rasheed, ed. (2008) *Kingdom Without Borders: Saudi Arabia's Political, Religious and Media Frontiers* (London: Hurst & Company); Mai Yamani, "Saudi Arabia's Media Mask", in al-Rasheed, 2008.

The preferred Saudi narrative, which is promoted through its media empire, is nevertheless challenged by other sources of news and information, primarily through the Internet and satellite televisions (such as the Qatar-owned al-Jazeera).

3.3.3. Institutional Power

Saudi Arabia has significant leverage in regional and global multilateral institutions. Saudi Arabia plays a prominent role in the GCC, OPEC, the Arab League (AL) and the Organization of Islamic Cooperation (OIC). Moreover, Saudi Arabia's influence within the United Nations (UN) should not be underestimated, given the generous aid that the kingdom provides and the many friends it has in the Islamic world. Yet, conflicts of interest between Saudi Arabia and states in each of these institutions puts constraints on the kingdom's efforts to implement its agenda.

3.4. Conclusion

Half a century ago, Saudi Arabia was a backwater of the Middle East; its economy was miniscule, military forces weak and soft power allure low. Today, Saudi Arabia is one of the most impressive Middle East powers in terms of economic, military and soft power capabilities. Hence, Saudi Arabia has significant instruments, which the kingdom can use to mitigate perceived threats to its security and survival. At the same time, its power is susceptible to various changes, e.g. fluctuations of the price of oil.

In the next chapter, the report assesses how Saudi Arabia employs its capabilities to attain security and how the kingdom plans to increase its aggregate power.

4. Assertive Strategies

What strategies do Saudi Arabia employ to create capabilities and mitigate perceived threats? This chapter discusses nine different strategies that are used by the kingdom to address both short and long term challenges.

4.1. Reforming the Economy and Reducing Oil Dependency

In 2016, Saudi Arabia adopted an economic strategy of sweeping neo-liberal reforms, enshrined in the document "Visions 2030".[56] The aim is for the kingdom to retain its position "as heart of both the Arab and Islamic worlds," while becoming "an investment powerhouse" and "a trading hub" linking Africa, Asia and Europe.[57] Explicitly, the vision intends to put the Saudi economy on a positive growth trajectory, while reducing dependency on oil, generating new sources of revenue and creating private sector jobs for the growing workforce.[58] In other words, the strategy aspires to transform the rents-based, oil-dependent and public sector-dominated Saudi economy into an investment-driven, diversified and private sector-dominated one.

A major path ahead is privatization of state-owned assets, and by reducing the size of the public sector. A central aspect of the economic program is the privatization of parts of Aramco, the national oil company, which supposedly will become the most valuable listed company in the world.[59] Revenues from sales of public assets and companies will be transferred into a Public Investment Fund (PIF), which Saudi Arabia envisions as becoming the largest sovereign wealth fund in the world. In the decade ahead, Saudi Arabia aims to invest heavily in non-oil sectors, such as entertainment, tourism, manufacturing, mining, financial services, technology, defence, retail and renewable energy, thereby creating productive private sector jobs and utilizing its "demographic dividend", i.e. a large share of the population in working age.[60] In parallel, the strategy envisions measures for improving the business climate, transparency and accountability.[61] According to Muhammad bin Salman, the program of "Vision 2030" amounts to "a Thatcherite revolution" for Saudi Arabia.[62]

[56] The Kingdom of Saudi Arabia, "Vision 2030", 2016.
[57] Ibid.
[58] Ibid.
[59] Ibid.
[60] Ibid.
[61] Ibid.
[62] The Economist, "Transcript: Interview with Muhammad bin Salman," 6 January 2016.

4.2. Employing the Oil Weapon

Saudi Arabia has been adopting a forceful oil price strategy in order to retain market share and punish geopolitical opponents, above all Iran.

For a long time, Saudi Arabia has acted to stabilize energy prices by moderating its production level accordingly. Between mid-2014 and September 2016, however, Saudi Arabia refrained from cutting production in spite of glut, thereby contributing to a price fall. In fact, Saudi Arabia even increased oil production in a market where supply increased and demand didn't grow as fast as expected.[63]

Saudi Arabia's assertive oil strategy seems to be based to a large extent on economic logic, to maintain market share. The kingdom, which has very low production costs, seems willing to let the price fall in order to kill off high-cost producers of unconventional energy (e.g. US fracking companies).[64] The strategy also seems to have a geopolitical rationale: to limit the economic renaissance of Iran following the removal of international sanctions. Saudi Arabia has opposed pressures from other OPEC countries to freeze its production, if Iran didn't do the same, at levels lower than prior to the sanctions regime and far below those of the kingdom.[65] However, at an OPEC meeting in November 2016, Saudi Arabia agreed to cut production somewhat, reportedly based on the belief that Iran would refrain from increasing its production rate above pre-sanctions level.[66] Whether the Saudi-Iranian rivalry on the energy market will continue, or not, remains to be seen.

4.3. Modernizing the Armed Forces

Saudi Arabia continues to modernize its armed forces, despite falling government revenues. In 2015, Saudi Arabia increased defence spending, both in relative and absolute numbers.[67] The kingdom seems determined to modernize all branches of its armed forces and is focused on boosting naval capabilities. New US frigates,

[63] Organization of the Petroleum Exporting Countries, "OPEC Monthly Oil Market Report – November 2016", pp. 57, www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR%20November%202016.pdf (retrieved 28 November 2016).

[64] Michael Moran. "Is Saudi Arabia Trying to Cripple American Fracking?", *Foreign Policy*, 23 December 2014.

[65] John Kemp, "Saudi Arabia turns oil weapon on Iran: Kemp", *Reuters*, 18 April 2016; Matt Egan. "Iran's hidden role in Saudi Arabia's cheap oil stance", *CNN*, 3 December 2015.

[66] Anjli Raval et al, "Opec agreement: the winners and the losers", *The Financial Times*, 1 December 2016.

[67] Stockholm International Peace Research Institute, "SIPRI Military Expenditure Database: Data for all countries from 1988–2015," October 2016.

maritime helicopters and drones are reportedly on the table.[68] Moreover, Saudi Arabia has recently acquired about 130 new battle tanks from the US and armed drones from China.[69]

Muhammad bin Salman also aims to boost Saudi military capability by putting emphasis on efficiency in acquisitions, and by gradually strengthening the indigenous defence industry. By 2030, Saudi Arabia aims to produce 50 per cent of its defence needs domestically; the current figure is 2 per cent.[70]

4.4. Using Military Power Abroad

Saudi Arabia has begun employing its armed forces abroad, primarily to contain the perceived regional expansionism of Iran. In the past six years, Saudi Arabia has used its armed forces abroad on four occasions and in three countries: in Yemen, in 2009-2010; Bahrain, in 2011; Syria, in 2014; and in Yemen, yet again, since 2015. This growing military activity beyond the borders of the kingdom is a clear break with past strategy and likely a function of both growing military capabilities and increased threat levels.

The two wars in Yemen, as well as the Saudi-led intervention in Bahrain, were all largely motivated by alleged Iranian expansionism in the region. Meanwhile, Saudi Arabia's participation in the US-led anti-Daesh coalition in Syria has been very limited. Although, the focus of the second intervention in Yemen is on the Houthi-Saleh alliance, the Saudi-led coalition has also targeted al-Qaeda on the Arabian Peninsula (AQAP) in Yemen, in 2016.[71] However, the use of Saudi military power abroad since 2009 has primarily focused on containing Iran.

4.5. Developing a Nuclear Energy Program

Saudi Arabia is developing a nuclear energy program. As concern grew in the international community about discoveries of secret Iranian nuclear facilities and accelerating enrichment of uranium, Saudi Arabia has launched a nuclear energy

[68] See for example, The U.S. Naval Institute. "Document: Notification to Congress on Proposed Foreign Military Sale of Four Lockheed Martin Freedom Class Ships to Saudi Arabia," 20 October 2015; Christopher P. Cavas, "Saudi Eastern Fleet Request Advances," *DefenseNews*, February 2015.

[69] Idrees Ali. "U.S. approves $1.15 billion sale of tanks, equipment to Saudi Arabia", *Reuters*, 9 August 2016; Arab News, "Saudi Arabia buys high-tech China drones," 1 September 2016.

[70] Kingdom of Saudi Arabia. "Vision 2030"; Middle East Monitor, "Saudi deputy crown prince criticises country's military spending," 26 April 2016.

[71] Thomas Joscelyn, "Arab coalition enters AQAP stronghold in port city Mukalla, Yemen," *the Long War Journal*, 25 April 2016.

program of its own.[72] Saudi Arabia aims to build 16 nuclear reactors by 2030, and to have the first online by 2022.[73] So far, Saudi Arabia has signed an agreement with China for the construction of the first reactor.[74] The Saudi nuclear program is thus ambitious, yet in its infancy.

The kingdom has claimed that the motive of the program is peaceful use of energy: to reduce the share of hydrocarbons in the energy mix, to decrease domestic consumption of oil and to desalinate water.[75] While Saudi Arabia remains a signatory of the Non-Proliferation Treaty (NPT) and supports the idea of a Nuclear Weapons Free Zone (NWFZ) in the Middle East, officials have recurrently claimed that the nuclear weapons option is on the table if Iran acquires a bomb.[76] It may therefore not be far-fetched to perceive the Saudi nuclear program as a part of a strategy to achieve nuclear parity with Iran. Moreover, security analysts have long speculated about "a Pakistani option," i.e. a secret deal between Islamabad and Riyadh on transfer of nuclear warheads to Saudi Arabia, and related acquisitions of Chinese missiles as the means of delivery.[77]

4.6. Establishing a Saudi-led Regional Order Less Dependent on the West

Saudi Arabia hedges against US retrenchment from the Middle East and closer relations with Iran, through its efforts to establish a regional security order less dependent on the West. This strategy has at least three tracks: deepening strategic ties with key powers in the region; strengthening the regional military architecture and interoperability with like-minded states; and diversifying great power relations.

[72] World Nuclear Association. "Nuclear Power in Saudi Arabia," October 2016; www.world-nuclear.org/information-library/country-profiles/countries-o-s/saudi-arabia.aspx (retrieved: 27 October 2016).

[73] Al-Arabiya, "Saudi Arabia plans to build 16 nuclear reactors by 2030," 2 June 2011; "Russia shows interest in Saudi Arabia's reactor plans,"17 August 2016.

[74] Saudi Gazette, "Kingdom, China agree to build nuclear reactor, revive Silk Route," 20 January 2016.

[75] Abdullah bin Abdul Aziz Al Saud, "Royal Decree establishing King Abdullah City for Atomic and Renewable Energy", 17 April, 2010; www.kacare.gov.sa/en/about/Documents/KACARE_Royal_Decree_english.pdf (retrieved: 27 October 2016).

[76] Chemi Shalev. "Dennis Ross: Saudi King Vowed to Obtain Nuclear Bomb After Iran", *Haaretz*, 30 May 2012; Nicole Gaouette. "Saudi prince: Getting nukes an option if Iran breaks deal," *CNN*, 7 May 2016; Aryn Baker. "Saudi Arabia Considers Nuclear Weapons After Iran's Geneva Deal," *Time*, 26 November 2013; Nawaf Obaid. "Actually, Saudi Arabia could get a nuclear weapon," *CNN*, 19 June 2015.

[77] See for example Aryn Baker. "Saudi Arabia Considers Nuclear Weapons After Iran's Geneva Deal," *Time*, 26 November 2013; and Jeff Stein. "Exclusive: CIA Helped Saudis in Secret Chinese Missile Deal," *Newsweek*, 29 January 2014.

4.6.1. Deepening Strategic Ties with Key Powers in the Region

Saudi Arabia aims to strengthen bilateral relations with major regional powers (above all Turkey, Egypt, the United Arab Emirates, Qatar and Israel) that share key interests and concerns with the kingdom. The above-mentioned states are all powerful actors that, just like Saudi Arabia, have been troubled by the Middle East policy of the Obama administration such as Washington's rapprochement with Iran, partial acceptance of democratic transitions in the Arab world, or unwillingness to use military power (e.g. in Syria). Most of these states share key interests with the kingdom, e.g. with regard to containing Iran (primarily the UAE and Israel) and limiting the influence of the Muslim Brotherhood (Egypt, Israel and the UAE).

In the past few years, Saudi Arabia has managed to deepen its ties with the UAE, to repair strained relations with Turkey and Qatar (due to conflicts over Arab Spring and the Muslim Brotherhood), as well as to strengthen its (unofficial) links with Israel.[78] Saudi Arabia and Egypt developed close strategic ties immediately following the military coup in Egypt, in 2013, against the Muslim Brotherhood government; yet conflicting interests (e.g. with regard to Syria, Iran and Libya) have made relations with Cairo tense yet again.[79]

4.6.2. Strengthening the Regional Military Architecture and Increase Interoperability

Saudi Arabia aims to deepen defence cooperation and interoperability with like-minded states in the Arab and Islamic world through Riyadh-led multilateral frameworks. The kingdom has worked to strengthen security cooperation within the GCC. Since the Arab Spring, the GCC has intervened in Bahrain and decided to establish a unified military command, joint naval forces, a common police force

[78] See for example: Asharq Alawsat, "Saudi Arabia and the UAE Strengthen Relations With a Coordinating Council," 17 May 2016; Simon Henderson, "Qatar Makes Peace With Its Gulf Neighbors," *The Washington Institute for Near East Policy*, 17 November 2014; Hussein Ibish, "Qatar Changes Course," *The New York Times*, 29 June 2015; David Ignatius. "A new cooperation on Syria." *The Washington Post*, 12 May 2015;

[78] The Council for Foreign Relations, "Regional Challenges and Opportunities: The View from Saudi Arabia and Israel," 4 June, 2015; www.cfr.org/development/regional-challenges-opportunities-view-saudi-arabia-israel/p36615 (retrieved: 28 October 2012); Jerusalem Post. "Saudi delegation to Israel: Ending Palestinian conflict critical for ties with Arab states," 24 June 2015; YouTube. "A Conversation with Prince Turki al-Faisal and Maj. Gen. (Res.) Yaakov Amidror," *The Washington Institute for Near East Policy*, 12 May 2016; www.youtube.com/watch?v=Ro5FODlYj3c (retrieved: 28 October 2016).

[79] Arab News, "King Abdullah calls El-Sissi to pledge economic support," 7 June 2014; David Hearst. "Why Saudi Arabia is taking a risk by backing the Egyptian coup," *The Guardian*, 20 August 2013; Al-Jazeera, "Saudi Arabia, Egypt agree to build bridge over Red Sea," 9 April 2016; Heba Babib. "Egypt hands Saudi Arabia two islands in gratitude. Egyptians are outraged," *The Washington Post*, 11 April 2016; Ayah Aman, "Will Riyadh cancel aid to Egypt?" *Al-Monitor*, March 17, 2016.

and a counter-terrorism capability.[80] In 2014, Saudi Arabia and Egypt pushed for joint military forces of the Arab League. However, tensions within the institution have hampered the effort.[81] In 2015, Saudi Arabia managed to assemble an ad hoc coalition of various states – the GCC states (excluding Oman), Egypt, Jordan, Morocco, Sudan, Senegal and others – for the war in Yemen. This *ad hoc* coalition was institutionalized and expanded in terms of member states through the formal establishment of IMAFT, in 2016. Whether GCC and IMAFT will develop into *de facto* military alliances remain to be seen; diverging interests between member states are prevalent.

4.6.3. Diversifying Great Power Relations

Saudi Arabia aims to diversify its great power relations by reaching out to Russia, China and Japan. Since King Salman ascended the throne in 2015, Saudi Arabia has hedged against the US retrenchment and possible future abandonment, by strengthening ties with non-Western great powers. Saudi Arabia and Russia have reportedly discussed, in 2015, defence materiel and nuclear energy cooperation.[82] Russia's military intervention in Syria in September 2015 halted the deepening of ties. By mid-2016, however, the official Saudi discourse about Russia was rather positive again, while an agreement on cooperation in the energy market was signed at the G20 meeting in September.[83]

Saudi Arabia has also reached out to China in order to give their extensive economic ties strategic depth. China is already the kingdom's largest trading partner and biggest importer of oil, while Saudi Arabia is the largest exporter of oil to China. In 2016, agreements related to defence, security and nuclear energy cooperation have been signed. The kingdom hopes that "Vision 2030" will be boosted by the Chinese economic strategy of "One Belt One Road" (OBOR).[84]

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[80] Seem al-Mei, "GCC to set up joint naval force," *Asharq Alawsat*, 16 October 2014; Ghazanfar Ali Khan, "GCC boosts drive to unify naval operations," *Arab News*, 8 March2015; Al-Arabiya, "GCC to form unified military command," 11 December 2013; Justin Vela, "GCC to set up regional police force based in Abu Dhabi," *The National*, 9 December 2014. Brahim Saidy. "GCC's Defense Cooperation: Moving Towards Unity," *Foreign Policy Research Institute*, October 2014.

[81] Ahram, "Arab League postpones Joint Defence Council meeting," 26 August 2015; Arab News, "Cairo meet on creating joint Arab force delayed," 27 August 2015.

[82] Bruce Riedel, "Saudi deputy crown prince seeks Russia deals," *al-Monitor*, 21 June 2015; Simon Henderson, "Riyadh Looks to Moscow," *The Washington Institute for Near East Policy*, 17 June 2015.

[83] Adel al-Jubair. "Saudi Arabia and Regional issues: challenges and perspectives," 19 July 2019; embassies.mofa.gov.sa (retrieved 20 August 2016); Ruby Lian et al. "Saudi Arabia, Russia sign oil pact, may limit output in future," *Reuters*, 6 September 2016.

[84] Nasser al-Tamimi. "The Saudi deputy crown prince's Asia trip: Rebooting China-Saudi economic ties," *al-Arabiya*, 29 August 2016; Christopher Sell, "Saudi Arabia Overtakes Russia as China's Top Oil Supplier: Chart," *Bloomberg*, 22 July 2016; Arab News, "Saudi Arabia largest trade partner of China in region," 23 September 2015; Ding Si Yue, "Foreign Minister Adel Al-Jubeir on China-Saudi Arabia ties," *CCTV*, 1 September 2016.

Saudi Arabia has simultaneously reached out to Japan, another large energy partner, to expand areas of cooperation, including defence and security.[85]

4.7. Silencing the Voice of the People

The Saudi regime is silencing the voice of the people in order to retain monopoly over political power. In spite of superficial political reforms during the rule of King Abdullah (2005-2015), political rights and civil liberties are kept at an absolute minimum. The municipal elections are not providing the citizens with actual power; the king appoints cabinet members, ratifies laws and selects members of *majlis ash-shura* ("the parliament").[86] Repression is widespread, while *mukhabarat* ("the internal security service") is omnipresent, not least in the digital arena. Censorship of the Internet is extensive.[87] Freedoms of expression and religion are restricted.[88] Political parties are forbidden, as are freedom of assembly and association. Moreover, the judiciary is not independent of the executive branch of government.[89] Harsh sentences, such as long prison terms and public floggings, are imposed on dissidents (including liberals). The anti-Cyber Crime Law of 2007, and the anti-Terrorism law of 2014, are vague and utilized by the regime to target various threats, including *takfiri* jihadists, *wasatiyya* activists, and liberal bloggers.[90] While Saudi Arabia has adopted major economic reforms and may accept continued social change (e.g. with regards to women's rights), the leading power holders in Saudi Arabia have indicated that steps towards more inclusive political institutions are not on the agenda.[91]

4.8. Using Chequebook Diplomacy

Saudi Arabia continues to employ its traditional strategy of chequebook diplomacy, i.e. the use of financial assets as a way to ensure regime legitimacy at home; to strengthen alliances and buy loyalty abroad; to support armed proxies; and to influence the agendas of multilateral institutions. A couple of examples may suffice. Since the Arab Spring, Saudi Arabia has tried (and largely succeeded) in countering popular uprisings within the kingdom by spending lavishly on social

[85] Saudi Gazette, "Muhammad to visit China, Japan," 24 August 2016; Arab News, "Saudi, Japan sign defence agreement," 2 September 2016.
[86] Freedom House, "Freedom in the World 2016: Saudi Arabia", October 2016.
[87] Freedom House, "Freedom on the Net 2016: Saudi Arabia," freedomhouse.org/report/freedom-net/2016/saudi-arabia (retrieved: 20 October 2016).
[88] Freedom House, "Freedom in the World 2016: Saudi Arabia," October 2016.
[89] Ibid.
[90] Freedom House, "Freedom in the World 2016: Saudi Arabia" and "Freedom in the World 2015: Saudi Arabia."
[91] The Economist, "Young prince in a hurry," 9 January 2016.

welfare, salaries and benefits for its citizens, while providing generous aid to allied states under threat (e.g. Morocco, Jordan and Bahrain).[92] Saudi Arabia has also been one of the major financial sponsors of the armed rebellion in Syria. The Free Syrian Army, Salafist rebel groups, such as Ahrar ash-Sham and Jaish al-Islam, as well as the High Negotiations Committee (HNC), are widely believed to be supported by Riyadh.[93] In Egypt, too, Saudi Arabia has played a key role. It has been underwriting the economy of the Sisi administration since the military coup of 2013. Saudi Arabia's fiscal power has also been utilized in multilateral institutions, e.g. by making the OIC adopt Iran-critical statements and the UN exclude the Saudi-led coalition in Yemen from the list of perpetrators of "violations of children's rights in war zones."[94]

Saudi chequebook diplomacy has arguably become more inclined to the use of fiscal sticks rather than carrots. For example, in January 2016, Saudi Arabia cancelled 4 billion USD in aid to Lebanon, due to the growing political power of Hezbollah in the country and a foreign policy perceived to be more aligned with the interests of Iran.[95] In October 2016, Saudi Arabia cancelled delivery of oil to Egypt, triggered by Cairo's vote in favour of a Russian resolution on Syria, in the UN Security Council.[96]

The scope for chequebook diplomacy both at home and abroad decreases when the economy is under strains.

[92] Ben Hubbard. "Cables Released by WikiLeaks Reveal Saudis' Checkbook Diplomacy," *The New York Times*, 20 June 2015; Michael Peel, "Regional upheavals test relative Saudi stability," *The Financial Times*, 15 December 2011.

[93] See for example Ian Black, "Syria crisis: Saudi Arabia to spend millions to train new rebel force," *The Guardian*, 7 November 2013; Stanford University, "Ahrar al-Sham," Mapping Militant Organizations; web.stanford.edu/group/mappingmilitants/cgi-bin/groups/view/523 (retrieved 28 October 2016); Stanford University, "Jaish al-Islam," Mapping Militant Organizations; web.stanford.edu/group/mappingmilitants/cgi-bin/groups/view/533 (retrieved: 28 October 2016); Hussein Ibish. "Riyadh was an important step for the Syrian crisis," *The National*, 12 December 2015; Stratford, "Syrian Opposition Groups Finally Form a Negotiation Team," *Stratfor*, 11 December 2015; Al-Arabiya, "Saudi grand mufti describes ISIS as principal enemy of Islam," 19 August 2014; The Middle East Monitor. "Saudi Grand Mufti: ISIS, Al-Nusra and Muslim Brotherhood have no connection to Islam," 28 October 2014.

[94] Organization of Islamic Cooperation (OIC), "Final Communique of the 13th Islamic Summit Conference, Istanbul, Turkey, 14 April 2016", www.oic-oci.org/oicv3/upload/conferences/is/13/en/13_is_final_com_en.pdf (retrieved: 30 October 2016); Omni Sengupta. "United Nations Chief Exposes Limits to His Authority by Citing Saudi Threat", *The New York Times*, 9 June 2016.

[95] Asharq Alawsat, "Saudi Arabia Punishes the Iranian Project in Lebanon," 20 February 2016.

[96] Asharq Alawsat, "Saudi Aramco Informed Egypt Verbally about Suspending Oil Product Supply," 10 October, 2016; Omni Sengupta. "United Nations Chief Exposes Limits to His Authority by Citing Saudi Threat," *The New York Times*, 9 June 2016.

4.9. Utilizing Media and Religion Strategically

Saudi Arabia makes strategic use of media and religion to spread its narratives and favour its interests. The Saudi-owned media empire and the official religious establishment are utilized as mouthpieces of the House of Saud to paint a worldview in line with its interests. The government-sanctioned narratives describe Iran as an aggressive power that employs terrorism and sectarianism, while Syria's Bashar al-Assad is labelled a dictator that massacres his own people and hence must be removed. Daesh, al-Qaeda and Shia militias such as Hezbollah are terrorist organizations and the Arab Spring a problem, while the House of Saud is the leader in the struggle against all kinds of "evils."[97]

Moreover, the official Wahhabi establishment promotes anti-Shia views and links these to the behaviour of the Iran. The grand mufti of Saudi Arabia, a government employee, has for example referred to Iranians as "enemies of Islam."[98] However, the grand mufti has also labelled Daesh "a principal enemy of Islam" and articulated the view that the Muslim Brotherhood as well as Jabhat an-Nusra[99] – which are classified as terrorist organizations by Riyadh – lack a connection with true Islam.[100]

4.10. Conclusion

Saudi Arabia employs several strategies to mitigate perceived security threats and to create new capabilities: adopting a radical plan for economic reform; employing an assertive oil price strategy; modernizing its armed forces; using military power abroad; developing a nuclear program; establishing a Saudi-led regional security architecture less dependent on the West; silencing the voice of the people; using chequebook diplomacy; and utilizing media and religion as strategic instruments.

Saudi Arabia's strategies have, in the balance, become more assertive in the past few years. This is evident from Saudi Arabia's behaviour in international relations; in military, domestic and economics affairs; and in the energy market.

[97] See for example Abdulateef Al-Mulhim,"The never-ending Arab Spring", Arab News, 11 February 2016; Carlone Akoum, "Syrian Regime Commits Genocide in Aleppo", Asharq Alawsat, 29 April 2016; al-Jubair, "Iran Can't Whitewash Its Record of Terror", *The Wall Street Journal*, 18 September 2016; al-Jubair, "Can Iran Change?", The New York Times, 19 January 2016; al-Jubair; Arab News, "Saudi Arabia 'fighting terror for world peace'", *Arab News*, 17 July 2015.

[98] Arab News, "Iran regime 'enemy of Islam,' says grand mufti," 7 September 2016.

[99] In July 2016, Jabhat an-Nusra dissocatiated itself from al-Qaeda and was renamed Jabhat Fatah al-Sham.

[100] Al-Arabiya, "Saudi grand mufti describes ISIS as principal enemy of Islam," 19 August 2014; The Middle East Monitor. "Saudi Grand Mufti: ISIS, Al-Nusra and Muslim Brotherhood have no connection to Islam," 28 October 2014.

5. Looking Ahead

This report has so far assessed Saudi Arabia's threat perception, capabilities and strategies. Saudi Arabia perceives its security to be under threat due primarily to growing regional influence of Iran, but also because of shifts in US Middle East policy; rising challenges from Daesh and al-Qaeda; a Twitter generation; and "Middle Way" Islamism; as well as economic stagnation. Thanks largely to a decade of high oil prices, Saudi Arabia has amassed large economic capabilities and growing military strength, as well as retained influence through the fields of religion, media and multilateral institutions. These instruments of power have been used to attain regime security. Saudi Arabia utilizes various strategies – financial, military, ideological, etc. – to mitigate perceived threats and to increase capabilities.

This last chapter pinpoints five key questions that will impact the future stability and security policy of the kingdom. The chapter also discusses how various outcomes might potentially come about. It is important, however, to point out that the text below is not one of prediction, but a discussion that intends to spur thinking about Saudi Arabia's evolution in the years ahead.

5.1. Cold War or Rapprochement with Iran?

The geopolitical rivalry between Saudi Arabia and Iran has escalated in the past couple of years. The conflict between the two major powers in the Gulf region plays out in third countries and contributes to polarization between Shia and Sunni communities in the Middle East. At present, there are no signs that the cold war between the regional powers will end anytime soon. Yet, we know from history that it is possible for this relationship to improve. Since the founding of the kingdom in 1932, it has often not been Iran, but other Arab states ruled by Sunnis (Egypt, Jordan and Iraq), that have been the primary rivals of the kingdom.[101] Moreover, the cold war-like state of affairs in Saudi-Iranian relations of the 1980s was followed by a rapprochement in the 1990s.[102]

However, bilateral relations are currently not headed in a cooperative direction. The election of Hassan Rouhani as President of Iran, in 2013, has not resulted in improved bilateral relations. On the contrary, Saudi-Iranian relations have deteriorated since Rouhani took office and negotiations between Iran and P5+1 proceeded. Saudi-Iranian relations have hit a nadir after the ascension to the throne

[101] F Gregory Gause III. "The Foreign Policy of Saudi Arabia," in Raymond Hinnebusch & Anoushiravan Ehteshami, ed. (2014) *The Foreign Policies of Middle East States, the Second Edition* (Boulder, London: Lynne Rienner, 2014) pp. 190; Gause, III (2010) *The International Relations of the Persian Gulf*. (Cambridge: Cambridge University Press).

[102] Wehrey et al, 2009.

of King Salman. Following the kingdom's execution of the Shia leader, Nimr an-Nimr, in January 2016, and the subsequent looting of the Saudi embassy in Tehran, diplomatic ties were cut.[103] Hardliners in Riyadh (such as Muhammad bin Salman) and in Tehran (such as Qassem Soleimani, commander of the Quds force) won the day. Hence, geopolitical competition has so far trumped the advantages of economic cooperation.

The Saudi-Iranian struggle over the balance of power in the region may continue for years. It is difficult to halt strategic competition when the regional order seems up for grabs. The instability in the Middle East is profound with unclear great power roles and several failing states either suffering from civil war or becoming arenas for meddling proxy wars. In a Middle East where the strategic landscape is in flux, the gains of compromise may be perceived as less attractive than the prospects of victory. Moreover, if Iran or the US were to suspend the nuclear agreement with P5+1, or Saudi Arabia were to escalate its involvement in third countries, bilateral relations could still worsen.

However, the strategic calculi in Riyadh and Tehran are not static; they could change. In the future, strategic elites may view mutual economic cooperation as more in line with national interest than heightened geopolitical rivalry. Both Iran and Saudi Arabia are hurt by the low price of oil. Stabilizing the energy market could be seen as a common economic interest and a first step towards rapprochement. A shared need to reduce tensions and end wars in third countries could potentially also lessen bilateral tensions, as they did in the late 1980s and early 1990s. Compromises, with regard to the conflicts in Iraq, Syria and Yemen, could thus contribute to improved ties between Saudi Arabia and Iran. A "victory" for one or the other states in, for example, Syria or Yemen could also coerce the other to accept a new regional balance of power. Moreover, a more predictable state of play in the Middle East could incentivize regional actors to opt for a "give-and-take" attitude, rather than a "winner-takes-all" approach. The future order (or disorder) will to a large extent be shaped by the policies and behaviour of the US and, possibly, other external actors, such as the EU, Russia and China. The future Middle East strategy and credibility of the US will have a huge effect on the regional order and, as a consequence, the evolution of the relationship between Riyadh and Tehran.

[103] Reuters, "Anger grows in Saudi Arabia's Shi'ite areas after executions," 6 January 2016; Ben Hubbard, "Iranian Protesters Ransack Saudi Embassy After Execution of Shiite Cleric," *The New York Times*, 2 January 2016; "Saudi Arabia Cuts Ties With Iran Amid Fallout From Cleric's Execution," *The New York Times*, 2 January 2016.

5.2. Renewal of Vows with the US, or Divorce?

The *de facto* alliance between Saudi Arabia and the United States has lasted for more than 70 years and survived two major crises: The oil embargo of 1973 and the attacks of 11 September 2001. In both cases, crises were followed by deepening of strategic relations. However, the third major crisis, i.e. the rising tensions between Saudi Arabia and the United States during the Obama presidency, may have been the most serious and wide-ranging in the history of the alliance. An important question for the future is whether the tensions between Saudi Arabia and the United States could result in a divorce, renewal of vows, or something in between.

There are reasons to believe that Saudi-US relations will continue to deteriorate. First, incoming President Trump could, pursue a track similar to Obama's (even though it may be unlikely), i.e. develop the relationship with Tehran and consent to a major regional role for Iran in the Arab world, while focusing on the war on terrorism (i.e. Sunni Jihadists). The interests of Riyadh and Washington could thereby continue to deviate. Diverging interests may lead Saudi Arabia to defy US Middle East policies, to strengthen the security architecture independently of the West, and to deepen relations with other external powers, such as Russia and China. Second, the traditional US objective of promoting democracy – which was occasionally adopted by the Obama administration during the Arab Spring – is at odds with the interests of the House of Saud. If the Trump administration pursues idealistic foreign policy in the region rather than *realpolitik* – which presently seems very unlikely – Saudi Arabia may be further alienated from the United States. From a Saudi perspective, it may be perceived as rational to strengthen ties with powers that do not care about regime type or share the Saudi value of authoritarianism (such as Russia and China). Third, the economic foundation of the Saudi-US relationship has partly evaporated. The US dependence on Saudi oil has declined due to the energy revolution on the American continent – a trend that could accelerate during the Trump presidency. Indeed, US producers of unconventional oil have emerged as competitors in the energy market; the US even threatens Saudi Arabia's role as the global swing producer. In parallel, the major Asian powers – China, India and Japan – have replaced the US as the largest importers of oil from the kingdom. China, not the United States, is currently Saudi Arabia's largest trading partner.

Three major pillars of the Saudi-US alliance have thus weakened during the Obama administration: the energy link, the converging interest in balancing a common antagonist (the Soviet Union; Iran), and Washington's general acquiescence to authoritarian governments in the region. Meanwhile, Saudi Arabia shares more values with authoritarian states such as Russia and China than with

the US. The economic relationship with China could be perceived as a foundation for a deepening of strategic relations.

On the other hand, a marriage that has lasted for about 70 years and survived major crises may not break easily. There are strong historical bonds – established during the Cold War, through the containment of Iran and in the War on Terror – that still keep the partners together. Moreover, mutual economic and security dependencies remain: Saudi Arabia is heavily dependent on US defence technology and training for its armed forces. The US, for its part, still perceives Saudi Arabia as an important partner in the energy market, as well as an ally in the war against terrorist groups. Moreover, the Trump administration could very well backpedal to the traditional US strategy of strict realpolitik, as well as become more hawkish on Iran. Trump promised to scrap the nuclear agreement with Iran during the election campaign.[104] Moreover, Trump has expressed a pro-Israeli attitude; this could serve Saudi Arabia since the kingdom and Israel share key interests (e.g. with regard to Muslim Brotherhood and Iran).[105]

The candidates that could overtake the role of the United States may not be too attractive for the kingdom. Russia has recently flexed its muscles in the region, while Riyadh has reached out to Moscow. But Russia's economy is weak, while its trade with the kingdom is almost non-existent. Moreover, Riyadh's and Moscow's interests diverge in many respects, above all when it comes to Syria and Iran. Although economic ties with China are strong and growing, for now Beijing seem neither willing nor able to play a leading security role in the Middle East.

On balance, it may be possible that Riyadh and Washington neither return to the past warmth of marriage nor proceed to divorce, but retain a cordial relationship as both partners slowly diversify their strategic ties.

5.3. Economic Decline or Rebirth?

Will Saudi Arabia experience decline as a major economic power, or might the kingdom enter another economic revival?

The rapid fall of the price of oil since 2014 has apparently put Saudi Arabia under economic stress. Its GDP has declined and the budget deficit has reached double digits, while foreign exchange reserves have decreased. Although Saudi Arabia will not face a fiscal collapse in the near future, the long-term economic prospects for the kingdom do look bleak if the price of oil does not return to pre-2014 levels, and Riyadh fails to create alternative sources of income.

[104] Yeganeh Torbati, "Trump election puts Iran nuclear deal on shaky ground", *Reuters*, 9 November 2016.
[105] Sarah Begley, "Read Donald Trump's Speech to AIPAC", *Time*, 21 March 2016, time.com/4267058/donald-trump-aipac-speech-transcript (retrieved 28 November 2016).

Demographic changes will likely increase government expenditures substantially. Moreover, the Paris agreement on climate change, combined with technological developments in renewable energy, and production of unconventional sources of energy, may reduce the strategic and commercial value of oil. Hence, if the price of oil stays at about the current level and Saudi Arabia fails to develop alternative sources of income, then the economic power of the kingdom could fade. In such a scenario, Saudi Arabia will not be able to play the leadership role in the region and may have to focus on containing domestic instability.

On the other hand, Saudi Arabia has launched an ambitious economic program that is revolutionary by the standards of the kingdom. Saudi Arabia is striving to diversify its economy away from oil and make the kingdom into an investment powerhouse and trade hub, as well as to boost the private sector. The kingdom has plenty of underutilized assets, from a large and young population to an underdeveloped tourism sector, and reportedly large amounts of unexplored minerals. McKinsey, a management consulting firm, assesses that the Saudi economy may double in size in the next fifteen years, if the kingdom implements extensive liberal reforms.[106]

However, to revolutionize the economy may be hard in a country where most citizens are used to living on government benefits; where the workforce is dominated by cheap labour from Asia; where productivity is low and where religious and cultural norms restrict economic interaction. The economic reforms may require major political and social reforms, such as strengthening the role of women in society. These will in turn face strong opposition. Moreover, a liberal economy may not work well together with closed political and social institutions. Previous attempts (in the 1980s and 1990s) to diversify the economy away from oil have failed. To have high-flying ambitions is one thing; to be able to implement is another.

5.4. Authoritarianism, Democratization or Revolution?

The Saudi kingdom has always been autocratic. Political, economic and military power has been centralized in the hands of the few, i.e. the king and the most influential princes. Political rights and civil liberties have been severely circumscribed. However, while the authoritarian political structures in Saudi Arabia have remained more or less unchanged for decades, the society itself is undergoing major transformations. The growing gap between the status quo at the political level and changes in society is putting the authoritarian system of the Saudi dynasty under stress. A key question is thus whether the House of Saud will

[106] McKinsey, 2015.

be able to retain authoritarian rule, accept steps towards democracy, or, if not, face the risk of a popular revolution.

Saudi Arabia's elites may believe that they can retain the political monopoly of the past and thus indefinitely avoid a "Saudi Spring" by making small adjustments to their strategy of sticks and carrots. The Saudi state provides generous economic benefits to its citizens and refrains from imposing income tax in order to retain the population's approval of the regime. The gradual reforms in the social arena, including the role of women, may be perceived as an endeavour by the Saudi regime to keep in touch with a changing society. Moreover, through the creation of new jobs and opportunities for youth, Saudi Arabia hopes to reduce societal discontent. As a complement to the positive incentives, the Saudi state may continue to employ tough measures to control its citizens.

An alternative outcome is that the Saudi leadership not only liberalizes the economic and social spheres, but also the political domain. The next generation of princes could in theory move the Saudi kingdom in a direction of more political openness. So far, however, there are no signs that Muhammad bin Salman or Muhammad bin Nayef, the crown prince, would pursue democratization in the kingdom. Rather, they seem to want to modernize the economy, and perhaps even the society, while retaining absolute political power within the royal family.

The regime's strategy of retaining authoritarian rule could backlash, as it did in so many other Middle Eastern states during the Arab uprisings. Many of the ingredients that contributed to the Arab Spring are indeed present in Saudi Arabia. The rising middle class may want to have a say in how the country is run. The growing numbers of frustrated, unemployed and educated youths demand change. The interconnected Twitter generation is inspired by new, potentially radical ideas and values. Thus, the Saudi leadership's strategy to handle the ongoing societal changes may be flawed. Major societal changes combined with a low price for oil and massive economic reforms initiated from above, could potentially create "a perfect storm". Sudden popular revolutions have repeatedly occurred in the region. Saudi Arabia may believe it is immune against such popular eruptions; that may be wishful thinking.

5.5. Game of Thrones: Muhammad versus Muhammad?

For almost 70 years, Saudi Arabia has been ruled by sons of Ibn Saud. King Salman will almost certainly be the sixth and last of Ibn Saud's sons on the throne. The transfer of power to the next generation may not happen smoothly, nor even peacefully, as various princes and factions of the family have large stakes in who the next king will be. In fact, Saudi Arabia has a history of palace intrigues and

struggles within the family. The second Saudi polity in the nineteenth century fell apart because of dynastic struggles. Moreover, the last generational shift in the dynasty, after the death of Ibn Saud, was followed by a decade of intense fighting among princes. In the past decades, analysts have repeatedly speculated about tensions between the so-called "Sudairi seven" and another faction within the family, associated with Abdullah, the former king. On the other hand, for several decades, the kingdom's elites have not allowed internal frictions to destabilize the kingdom.[107]

King Salman's ascension to the throne, in January 2015 implied major reshuffles in the royal hierarchy. Salman removed his half-brother Muqrin, formerly the head of the GID (the external security service) and an ally of king Abdullah, from the position of crown prince and thus from the line of succession. Instead, Salman made his nephew, Muhammad bin Nayef (also known as MBN), the minister of the interior, into crown prince. He also made his son, Muhammad bin Salman, deputy crown prince, i.e. the second in line of succession. The moves meant that King Salman strengthened the power of the Sudairis, i.e. his own branch of the royal family.[108]

Yet, tensions seem to have erupted between the younger Sudairis, i.e. between Muhammad bin Salman and Muhammad bin Nayef. Although Muhammad bin Nayef is the one anointed to succeed Salman, analysts speculate that Muhammad bin Salman may want to bypass his cousin. Muhammad bin Salman has in fact acted, since 2016, as the most powerful man in the kingdom, by launching the war in Yemen, initiating the radical economic reform program and travelling around the world to meet heads of state. Muhammad bin Nayef has been forced to take the back seat. Reports suggest that Muhammad bin Nayef is not pleased with his cousin's policies. In 2015, Muhammad bin Nayef stayed in Algeria for six weeks, for unknown reasons; sources in the media have speculated that it was because of tensions with Muhammad bin Salman. However, in the latter part of 2016, Muhammad bin Nayef's public profile has been augmented; he was for example the Saudi representative in the United Nations General Assembly (UNGA).[109]

Hence, although the House of Saud maintains that there are no tensions among the royalty, one may suspect otherwise. The aftermath of the death of King Salman, which may happen soon (given the life span of his full brothers), will prove

[107] See for example Simon Henderson, "After King Abdullah: Succession in Saudi Arabia", *The Washington Institute for Near East Policy*, Policy Focus #96, August 2009; Robert Lacey (2009) *Inside the Kingdom: Kings Clerics, Modernists, Terrorists and the struggle for Saudi Arabia*, (London: Hutchinson).

[108] F. Gregory Gause III. "Saudi Arabia's Game of Thrones", Foreign Affairs, 2 February 2015; www.foreignaffairs.com/articles/saudi-arabia/2015-02-02/saudi-arabias-game-thrones (retrieved 28 November 2016).

[109] See also: The Economist. "The Real Game of Thrones," 24 September 2016; Mark Mazzetti and Ben Hubbard. "Rise of Saudi Prince Shatters Decades of Royal Tradition," *The New York Times*, 15 November 2016.

whether the House of Saud can manage an orderly transition or not. Both Muhammad and Muhammad, minister of defence and minister of interior, respectively, are perceived as powerful men who are willing to use tough measures.

To complicate matter further, the allies of the late King Abdullah may also want to regain lost power and influence. Currently, the powerful Saudi Arabian National Guard (SANG), stationed on the outskirts of Riyadh, is commanded by Mutaib bin Abdullah, one of the former king's sons. Mutaib has previously been perceived as a future contender to the throne. Analysts have long speculated about the key role that the SANG could play in a power struggle over the throne as it has been used in past dynastic quarrels.[110]

Saudi Kremlinology is a complicated matter, but nevertheless important. The death of King Salman may lead to a dynastic struggle within the House of Saud – or not; the interest in keeping the kingdom stable in an environment of major internal and external threats may compel the powerful princes to avoid dynastic quarrels.

5.6. Conclusion

Saudi Arabia has emerged as an assertive kingdom, a powerful state that employs its substantial economic, military and soft power capabilities to mitigate perceived threats and to shape the security order in the region according to its interests. It is indeed hard to exaggerate the importance of Saudi Arabia and its effects on security in the Middle East. The rivalry between Saudi Arabia and Iran is arguably the most important driver in the security dynamics of the Middle East, including the wars in Yemen and Syria as well as the region-wide tensions between Sunni and Shia communities. Saudi Arabia's security policy is thus a key factor which either will contribute to or hinder steps toward a more stable Middle East.

Saudi Arabia's importance goes beyond the Middle East. As the security situation in the Middle East has deteriorated – with the rising threat of terrorist groups, failing states, ensuing wars and geopolitical rivalries – it has become even more important for policy-makers to understand the influential states in the region, such as Saudi Arabia. The kingdom directly influences issues that are important for the European Union (EU) and Sweden, such as the many conflicts in the Middle East, migration within and from the region, and the threat from jihadist groups. Whether Saudi Arabia acts as a peacemaker or a warmonger thus affects the EU and Sweden. Moreover, as swing producer on the global energy market, Saudi Arabia's choices affect economies beyond the Middle East. As a sponsor of Salafism, Saudi

[110] Simon Henderson, "After King Abdullah: Succession in Saudi Arabia", *The Washington Institute for Near East Policy*, Policy Focus #96, August 2009; Robert Lacey (2009) *Inside the Kingdom: Kings Clerics, Modernists, Terrorists and the struggle for Saudi Arabia*, (London: Hutchinson), pp. 182.

Arabia also plays an important role when it comes to the question of radicalization/de-radicalization within the *umma* (the worldwide Islamic community).

Hence, it is important to continue to keep an eye on Saudi Arabia and its security policy. In particular, the direction of US-Saudi relations following Trump's inauguration as President will be an important indicator of things to come. It will also be crucial to continue to observe the dynamics of the Saudi-Iranian relationship and their proxy conflicts in Syria and Yemen following the Iranian Presidential election (in May 2017).

Finally, the long term strategic direction of Saudi Arabia will be influenced by domestic developments, such as the societal effects of continued low energy price and the implementation of "Vision 2030", as well as the dynamics between leading princes of the royal family.

Saudi Arabia thus holds keys to the future of the Middle East.

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Saudi Arabia has played a key role in Middle East politics for decades, yet often behind the scenes and through the employment of financial means. However, since the eruption of the Arab Spring, Saudi Arabia has moved towards the centre stage of Middle Eastern affairs, while its security policy has become more forceful and inclined towards the use of military power beyond its borders. In fact, Saudi Arabia perceives itself as the leader of the Arab and Islamic world – and acts as if that is the case. Saudi Arabia has become the assertive kingdom.

This report sheds light on Saudi Arabia's security policy developments and priorities by assessing the kingdom's threat perception, capabilities and strategies. Questions that will affect Saudi Arabia's future stability and security policy developments are also discussed.

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