

Testing Times for Saudi Arabia

Saudi Arabia's daunting interlinked domestic and regional security challenges risk rendering the world's largest oil exporter more unstable and frequently at odds with its Western partners.

By Lisa Watanabe

Saudi Arabia is the world's biggest producer and exporter of petroleum, possessing one-fifth of the world's proven oil reserves, and a guarantor of global oil supplies. It has a gross domestic product representing some 20 per cent of that of all Middle East and North Africa (MENA) countries combined and is a member of the G20. As such, it has a critical role in ensuring global energy supplies and is an important partner for Western countries. Indeed, Saudi Arabia's role as a "swing" producer is foremost in European minds as the wisdom of dependence on Russian energy in the midst of the Ukraine crisis is considered.

Nevertheless, Saudi Arabia has been at odds with its Western partners of late. In an article published in the *International New York Times* in late 2013, Saudi Ambassador to Britain Mohammed bin Nawaf bin Abdulaziz al-Saud declared that Saudi Arabia's relationship with its Western partners, particularly that with the US, had been tested due to differences over the handling of the Iranian nuclear program and the civil war in Syria, leading Riyadh to conclude that it had no option but to play a more assertive role internationally. This uncharacteristically public expression of displeasure followed its rejection of a tempo-



U.S. President Barack Obama meets with King Abdullah at Rawdat al-Khaim (Desert Camp) near Riyadh in Saudi Arabia, 28 March 2014. *Kevin Lamarque / Reuters*

rary seat on the United Nations Security Council several months earlier – something unheard of in the history of the UN.

While such moves may seem puzzling coming from a country that has always preferred more discreet diplomacy, they are symptomatic of what is at stake in the Syrian crisis and the Iranian nuclear issue for Saudi Arabia in terms of ensuring domes-

tic stability. Both are critical to Saudi efforts to prevent a change in the Sunni/Shi'ite balance and to contain potentially rival regional powers – two factors that have long determined Saudi foreign and security policy. Traditionally, Saudi Arabia has sought to achieve its goals by employing a combination of ideological tools, money, and traditional balancing through alliances with states such as Egypt and the

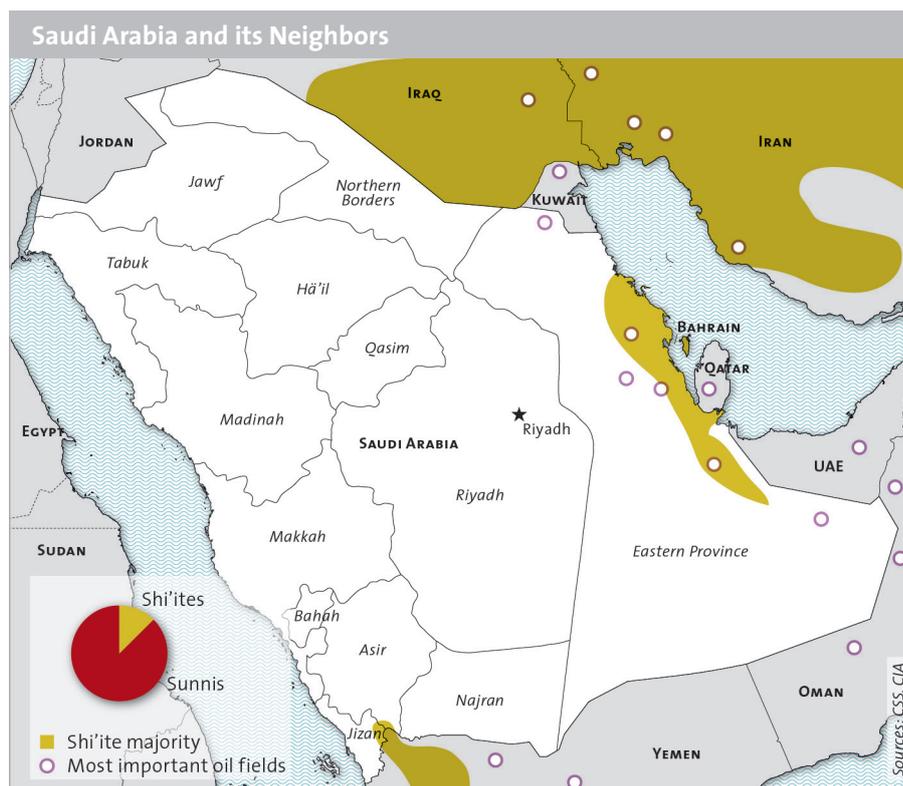
US. However, the changed regional context following the Arab uprisings and perceived unreliable US leadership in the MENA region, coupled with declining hydrocarbon revenues, have produced an interrelated set of challenges that could affect the stability of Saudi Arabia and make it a more unpredictable partner.

Foreign and Security Policy

Saudi foreign and security policy is intimately connected to the maintenance of domestic bargains upon which regime legitimacy and domestic stability rest. The al-Saud dynasty has justified its rule by asserting its role as a guardian of Islam. The Wahhabi religious establishment provides legitimacy to the regime and desists from involvement in formal politics. In return, the al-Sauds refrain from challenging its core tenets, including anti-Shi'ism. The official interpretation of Islam, Wahhabism, thus marginalizes the Shi'ite community, which represents 10–15 per cent of the population and is largely situated in the oil-rich eastern region. Confrontations between the regime and the Shi'ite community have occurred. However, measures taken in the 1990s to improve the socioeconomic conditions and religious freedoms of the Shi'ites prevented further significant unrest. Nevertheless, the Arab uprisings have seen increased Shi'ite activism and confrontations with security forces.

In addition to curbing Shi'ite activism, Saudi rulers have also had to contend with challenges to domestic stability from Sunni Islamists. Against the backdrop of the large-scale stationing of US military forces on Saudi territory during the 1990–1 Iraq War, the Sahwa (“Awakening”) movement, an amalgam of Wahhabi and Muslim Brotherhood thought, questioned the regime’s monopoly on pan-Islamism, though it was significantly weakened following a government crackdown. More recently, Saudi Arabia has also witnessed a series of attacks carried out from 2003 by al-Qaida in the Arabian Peninsula (AQAP). While most attacks have been targeted against Westerners rather than the regime, they did undermine confidence in the capacity of the Saudi state to protect oil facilities and maintain oil supplies. Although AQAP’s operational space in Saudi Arabia has been significantly reduced, Saudi Arabia remains vulnerable to global jihadi activism that not only threatens domestic stability, but also the safety of its shipping routes.

Besides the use of Islam and the cooptation of the religious authorities, the Saudi re-



gime has also derived legitimacy from ensuring the economic wellbeing of its population and providing social welfare by selling off the country’s hydrocarbon resources. This unwritten social compact has ensured political acquiescence to regime maintenance and staved off major calls for political reform from the majority Sunni population. Huge hydrocarbon revenues have underpinned the provision of public sector employment to most citizens, as well as subsidized utilities, fuel and foodstuffs, as well as the provision of housing. However, reduced revenue from oil exports, as well as shale oil production in other countries, threaten to diminish the state’s allocative role.

Saudi regional security policy has aimed at maintaining domestic stability in the face of transnational ideological challenges to regime legitimacy and domestic political stability, as well as military threats from rival regional powers. Maintaining the domestic status quo in the current regional context is a formidable task. The repercussions of the Arab uprisings have the potential to destabilize the kingdom domestically, both as a result of Shi'ite unrest and the rise of political Islam. They have also considerably weakened Saudi Arabia’s traditional regional ally, Egypt.

Containing the Arab Uprisings

The Arab uprisings of recent years have invigorated the Saudi Shi'ite community. Clashes between Saudi security forces and Shia have occurred since 2011. The uprising of the majority Shi'ite community in neighboring Bahrain, and the Saudi military intervention designed to suppress it, sparked Saudi Shi'ite unrest. Sunni activism has taken place on a much lower level, and the two communities have as yet not mobilized around a common agenda. The regime has attempted to avert wider calls for political reform through increasing wages for government workers and unemployment benefits, introducing new rules to make it easier to obtain mortgages, and unveiling plans to build new homes. The government has also responded by treating unrest as a security threat inspired by Iran rather than as a domestic political issue, devoting more resources to the security forces, and passing sweeping anti-terrorism legislation that criminalizes dissent.

In general, Iran’s role in the region is viewed in sectarian terms. Teheran is also perceived as having been behind the Shi'ite uprising in Bahrain and the Houthi insurgency in Yemen, as actively contributing to the survival of the Alawite regime in Syria, encouraging sectarianism by the Shi'ite-led

government in Iraq, and destabilizing Lebanon due to Hizbollah's involvement in the Syrian civil war. In the latter, Riyadh sees an historic opportunity to curtail Iran's influence in the region. A new Sunni successor government to the Assad regime would significantly blunt Iranian influence by removing an ally in the region and weaken Hizbollah. Hence the support for the opposition in Syria, which has even led Riyadh to back headline global jihadi rebel groups in the hope of weakening the Syrian army's position on the ground. In an effort to undercut Hizbollah, Saudi Arabia recently granted the Lebanese government USD 3 billion to purchase arms from France.

In addition to attempting to contain predominantly Shi'ite unrest and dent Iran's regional influence, Saudi Arabia is also intent on preventing the Muslim Brotherhood's variant of political Islam, which accepts electoral politics, from reigniting the reformist Islamist movement at home. Riyadh has taken a staunchly anti-Brotherhood stance, reflected in its support for the military-led government in Egypt and the Saudi government's recent classification of the Egyptian Muslim Brotherhood as a terrorist organization. As a means of countering the Muslim Brotherhood parties and movements, the Saudi regime has also allegedly been supporting Salafist groups and social networks through unofficial channels. Saudi Arabia's containment and

Frustration with the United States, Saudi Arabia's main ally, has been mounting.

cooptation strategies are enabled by the country's hydrocarbon revenues. However, the sustainability of such largesse is open to question.

Saudi Arabia's Nuclear Plans

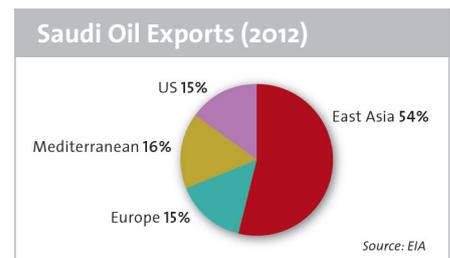
Saudi Arabia's energy and economic security depends upon diversifying its domestic energy consumption away from fossil fuels. The country faces a sharp rise in demand for power driven by a rapidly rising population, a growing industrial sector led by petrochemical production, high demand for air conditioning, energy-intensive water desalination, and heavily-subsidized electricity rates. The kingdom is thus seeking to diversify its energy mix in order to allocate more oil for export. In an effort to do so, Saudi Arabia established a nuclear program for civilian purposes in 2006. The kingdom

plans to build 16 nuclear power reactors over the next 20 years, with the first scheduled to come into use in 2022. To further develop its nuclear energy generation capacities, Saudi Arabia has signed nuclear cooperation agreements with a number of countries, including Jordan, China, South Korea, France, and Argentina.

Although Saudi Arabia has economic and energy security reasons for establishing a civilian nuclear program, the kingdom may also have strategic reasons for doing so. Concerns about the Iranian nuclear program are causing some Saudis to talk about the possibility of obtaining nuclear weapons. The concern in Riyadh is that the US is not taking the Iranian nuclear issue seriously enough and ultimately will be unable to contain Iran's regional ambitions. Saudi Arabia presently lacks the material and scientific resources with which to develop its own nuclear weapons. However, there is speculation that it could obtain an off-the-shelf nuclear deterrent from Pakistan, whose nuclear weapons program is rumored to have received Saudi financial support, while working on developing an independent capability over the longer run. While Saudi Arabia is party to the Nuclear Non-proliferation Treaty and signed a safeguards agreement with the International Atomic Energy Agency (IAEA) in 2009, IAEA inspections are not possible, as Saudi Arabia has not yet modified its Small Quantities Protocol, established by the IAEA in 1974 to exempt countries with little or no nuclear activities from inspections. Saudi Arabia's nuclear calculations may not only be influenced by the potential for a nuclear-armed Iran, but also by the prospect of a weakening of the US security guarantee following a US pivot to Asia.

Strained US-Saudi Relations

Frustration with Saudi Arabia's main ally has been mounting. From the viewpoint of Riyadh, US engagement in the MENA region is jeopardizing regional security, with implications for Saudi domestic stability. However, as recent public expressions of displeasure indicate, two issues have particularly troubled the Saudi regime. The first is the apparent rapprochement between the US and Iran, which Riyadh views as a hostile regime and a historic rival. The Saudi regime fears that the US will implicitly allow Iranian hegemony in Iraq, Syria, Lebanon, and the Gulf in exchange for a permanent deal on Iranian nuclear question. The fact that the Saudi Arabia is



excluded from the P5+1 Iranian nuclear talks is perceived as confirmation of such fears.

The second major issue souring US-Saudi relations is the US approach to the Syrian civil war. The lack of resolve on the part of the US to enforce its "red line" in relation to the use of chemical weapons against civilians in August 2013, allegedly perpetrated by the regime in Damascus, was interpreted in Riyadh as having delivered a potentially fatal blow to Saudi efforts to bolster anti-Assad forces, as well as indicative of a US-Iranian entente on the nuclear issue. Similarly, the US reluctance to arm Syrian rebels is viewed as having enabled the forces of Bashar al-Assad's regime to make gains on the ground. Frustrated with the US position, Riyadh is eager to provide rebels with anti-aircraft missiles – a point on which it is still at odds with Washington.

Riyadh was likewise dismayed by the Obama administration's abandonment of Hosni Mubarak and its support for the Mohamed Morsi government. The Saudis are also highly critical of the US position vis-à-vis the Egyptian military, which they see as a bulwark against the Muslim Brotherhood and jihadi groups in the Sinai, both of which are perceived as threats to regional stability, with the potential for spillover to the kingdom. Saudi Arabia's offer to finance an arms package that Egypt is seeking from Russia in order to compensate for the proportion of military aid suspended by the US is another example of Saudi Arabia's determination to take on a more independent stance in regional affairs.

Despite tensions in the US-Saudi relationship, the bases of the oil-for-security partnership remain largely intact. With increased domestic shale gas production in the US, Saudi will likely strengthen relations with other oil importers, such as China. Already, 54 percent of Saudi crude oil exports were destined for East Asia in 2012, compared to 15 percent to the US.

However, China is far from willing or able to replace the US security umbrella, suggesting that Riyadh will continue to view the US as its main security partner for some time to come.

Saudi Arabia's Future Course

Saudi Arabia's domestic challenges will grow. Unrest has thus far largely been linked to Saudi Shi'ite activism, and has been contained mostly by repressive measures. However, as wider calls for political reform gain traction, that unrest could increase as the state's capacity to maintain the social compact becomes more difficult. Increasing fiscal constraints as Saudi hydrocarbon revenues decrease are making economic and eventually political reforms unavoidable. On the other hand, managing reforms without generating a backlash from the Wahhabi religious establishment remains a challenge.

A more assertive engagement in the region is also not without its costs. SIPRI recently reported that Saudi Arabia has now become the world's fourth largest military spender. Military spending grew by 14 per cent between 2012 and 2013, reaching USD 67 billion. In addition to ensuring robust and loyal security forces to guard against large-scale protests that could have implications for the ruling elite, the increase in spending may also be linked to concerns about Iran.

Moreover, as the intervention in Bahrain demonstrated, Riyadh's regional policies carry additional risks to domestic stability. Saudi support for Salafist groups as a means of countering the Muslim Brotherhood may also backfire, since some may

Switzerland and Saudi Arabia

Saudi Arabia is currently Switzerland's second-largest trading partner in the Middle East after the United Arab Emirates. Saudi Arabia and Switzerland have sought to improve conditions for their economic relations in recent years, concluding a bilateral agreement on the promotion and protection of investments that came into force in 2008. Within the framework of EFTA, Switzerland in 2009 also signed a free trade agreement with **Gulf Cooperation Council** (GCC) countries, including Saudi Arabia, which awaits ratification. Both countries are also in discussions to intensify cooperation in the areas of energy, water, and transport, with the diversification of energy sources and energy efficiency being of particular interest.

Switzerland currently does **not export war materials** to Saudi Arabia, except spare parts and ammunition for older exports. Under legislation passed in 2008, arms exports to countries where serious and systematic human rights abuses occur were banned. However, the Swiss Parliament has now asked the government to soften restrictions, aiming at decisions on a case-by-case basis on whether to grant export licenses.

have links to al-Qaida, which could contribute to Saudi domestic instability. Saudi Arabia's backing for hardline rebel groups in Syria is already generating concerns. There are Saudis among the senior commanders in the Syrian rebel group Jabhat al-Nusra, which is affiliated with al-Qaida.

Saudi Arabia has now become the world's fourth largest military spender.

The fear is that these fighters could return to continue the struggle at home, as was the case following the 1990-1 Gulf War.

In the event that Syria proves not to be the game changer that Riyadh is hoping for and Iran's isolation is further reduced, Saudi Arabia may find itself hard pressed to prevent Iran's regional influence from growing. Should the P5+1 Iranian nuclear talks result in no permanent agreement, or

in a weak agreement that leaves open the option of developing a nuclear weapons capability, Saudi Arabia could itself become a nuclear weapons proliferation risk, in which case IAEA inspections could prove difficult.

To be sure, due to its role in ensuring global oil supplies and its membership in the G20, Saudi Arabia continues to be a key partner for its current allies. However, the kingdom's efforts to sustain the domestic and regional status quo could make it a more volatile one, frequently at odds with its Western partners over how to address domestic and regional security challenges.

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