

## In doubt for the monarchy: autocratic modernization in Saudi-Arabia

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**Iris Wurm**

# **In Doubt for the Monarchy**

**Autocratic Modernization in Saudi-Arabia**

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## Summary

The first elections in Saudi Arabia took place in the spring of 2005. For the first time male citizens were allowed to elect half of the members of municipal councils. This was just one of numerous reforms in the autocratic kingdom. But do autocracy and reforms belong together? This report attempts to deal with the puzzle: first it will address the question of what “triggers” compelled the Saudi rulers to undertake these reforms, secondly, it will analyze if the reforms have stabilized or destabilized the regime, and thirdly, it will clarify if the reforms have led to a liberalization of autocratic structures, and if yes, to what extent.

The Kingdom of Saudi Arabia is an absolute monarchy. The state religion is Wahhabism, a puritan strand of Sunni Islam based on only early Sunna and the Qur’an itself. Saudi Arabia is considered to be particularly devout, the two most important holy sites in Islam, the Kaaba in Mecca and the tomb of Prophet Muhammad in Medina, are in Saudi Arabia. Religious scholars have considerable influence with the people. Professing other religions is illegal in Saudi Arabia, just as political parties or trade unions are.

The royal al-Saud family has ruled the country since it was founded in 1932. The government consists of the Council of Ministers chaired by the King. Family members run key ministries such as interior, defense and foreign affairs. All laws in the country must be compatible with Shari’a Islamic law. Interpretation of its rules is very strict. For example, murderers, homosexuals, adulterers and blasphemers can be sentenced to death. There were 88 executions in 2005 alone.

The monarchy is also the largest crude oil exporter, with its 264.2 billion barrels it controls about a quarter of the world’s oil reserves. The desert kingdom is a rentier and redistribution economy, in other words, a state whose oil export revenues provide it with a significant external rent which it can distribute at whim or in pursuit of political opportunities. Saudi Arabia can afford to forgo taxation of its citizens, thereby it offers no opportunity to argue for democracy on the principle of “no taxation without representation”.

Four challenges can be identified as root causes of the reform process. Firstly, the attacks of September 11, 2001, as this event revealed ties between individual Saudi citizens and al-Qaeda. 15 of the 19 hijackers had Saudi passports. Until 1994 Osama bin Laden was a Saudi national. The Council on Foreign Relations asserted in a report in October 2002 that Saudi Arabia had been the most important source of funds for al-Qaeda operations. The alliance with the USA was shaken to an unprecedented extent. The Kingdom’s closest ally openly criticized the autocratic regime.

Secondly, internal political pressure mounted on the Royal Family. On the one hand, terrorist attacks became a concern for Saudi Arabia. For the first time in May 2003 and regularly thereafter al-Qaeda targeted the Kingdom. In the period between 2003 and 2005 a total of 221 people lost their lives in terrorist acts. On the other hand, the population filed numerous petitions demanding enhanced participatory rights. In January 2003 the King received a petition for open elections to the Consultative Council and more civil

rights. Five other petitions followed. The final petition openly demanded a changeover from an absolute to a constitutional monarchy.

Moreover, familiar old problems became even more explosive. The persistent population growth and resulting high unemployment present significant challenges to the Saudi economy. Every year the Saudi Arabian labor market has to absorb 130,000 young men, however only 30,000 to 40,000 graduates find jobs. Sustaining the existing standards of living and welfare will require the investment of approximately 270 billion USD over the next twenty years.

Likewise it became obvious that the aging of the leadership circle is dangerous for the stability of the country. Both King Abdullah and his Crown Prince Sultan are more than 80 years old and the ruling family is having a heated debate about when to conduct a generational change in the royal house. If the family fails to decide on the transition between generations in the dynasty, in the worst case scenario it will have to select a new king from within its ranks every two or three years, with all the consequences this could entail for political continuity in the country. Thus the Saudi powers are confronted with criticism both from inside the country and from the outside. These combined pressures make them fear that their power could be jeopardized to an unprecedented extent. Accordingly, they see a need for action.

King Abdullah initiated a reform process. As part of the reforms, he established the Forum for National Dialogue, a panel for discussion of various reform proposals. So far six meetings for National Dialogue have been held. Discussion topics included extremism, rights and responsibilities of women, education, youth and perceptions of foreigners. At the climax of the National Dialogue in late 2003 the King announced elections to the Regional Parliament. The elections of half of the members in the Kingdom's 178 municipal councils started on February 10, 2005 in Riyadh and proceeded in two subsequent phases. Obvious winners in the elections were Islamists. Within the family the monarch started to tackle the issue of generational change at the helm of the al-Sauds by establishing a new committee to select the next Crown Prince.

In terms of foreign policy the ruling house has successfully improved relations with its American ally. It acquiesced to the US using the Prince Sultan base for the wars both in Afghanistan and in Iraq. The Royal Family even turned to its advantage the withdrawal of American troops in 2003, while it lost a stability factor it removed one of the main domestic criticisms against it. The new shift from democratization to containment of the Iranian power in American priorities in the Near and Middle East has finally secured the Kingdom's return to the diplomatic arena. Riyadh is engaged and armed again as a partner. Washington appreciates the King's negotiating talents. Saudi Arabia has been negotiating on all fronts: Iraq, Iran, Lebanon, and Palestine.

The rulers are also addressing economic problems. Unemployment and poverty have been identified as key issues, with the intention being to deal with them through "Saudization" of the labor market. An education reform is to offer Saudi citizens training and skills required by the labor market. Beyond that, accession to the WTO in 2005 marks the first step towards building better conditions for foreign direct investment.

The objective of the reforms was to allow as little change as was required to meet the minimum demands both from within the country and from the outside. The partial elections to the Regional Parliament have satisfied at the lowest possible level the aspirations of both the petitioners and Washington for political participation of the citizenry. The royal house did not conduct a democratic reform of Saudi Arabia, rather it performed autocratic modernization. The potentates applied the reforms to secure the stability of the regime in Saudi Arabia. They neither weakened nor destabilized the Saudi state. On the contrary, as demonstrated by the severity of the reform “triggers”, the regime had been significantly weaker before the reforms than afterwards.

Notwithstanding the strategic calculations of the royal house, the reforms were an enormous step forward for the people. Even these small reforms mean a major development for Saudi society, which has received virtually no rights since 1932. Therefore the people see that the reforms have led to a liberalization.

Saudi Arabia’s policies since 2001 make one realize that the autocratic desert kingdom is capable of small steps towards change. These responses have demonstrated that the country could be induced to a slow transformation if external and internal pressures for reform were more destabilizing than the reforms themselves.

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## 1. Introduction

The largest country on the Arabian Peninsula, the desert kingdom of Saudi Arabia is rich in oil but poor in water. It is one of the last absolute monarchies and the only nation to carry the name of the ruling Royal Family in its name. It is called after the founder of modern Saudi Arabia, Abdul al Aziz bin Saud (Ibn Saud), a capable Bedouin leader who unified the Bedouin clans on the Arabian Peninsula under his leadership in 1932 thanks to an alliance with a conservative Sunni religious scholar named Muhammad bin Adb-al-Wahhab.<sup>1</sup>

Despite numerous differences in values and world views, the USA has been the closest ally of Saudi Arabia for 60 years. This relationship fissured only after September 11, 2001. 15 of the 19 hijackers had Saudi passports. Saudi Arabia was considered to be the spawning ground for terror. But Saudi Arabia was not spared from terror, for the first time in May 2003 and regularly thereafter the Kingdom came under terrorist attacks. At the same time the population filed multiple petitions demanding enhanced participatory rights. Instead of reprisals, the autocratic ruling house opted for political, economic and social reforms. These reforms led to a partial liberalization, climaxing in 2005 in the first local elections, accession to the World Trade Organization and a visit by Human Rights Watch.

Reforms are very broadly defined as “changes in response to changes that have already occurred” (Krockow 1976: 11). There is essential consensus in scientific thinking about reforms in Arabic autocracies that autocratic rulers do not want to cede any power. Thus the objective of the autocratic rulers is to use reforms to demonstrate change to the public without surrendering even a single privilege of the potentates (Gvosdev 2004). In other words, the autocrats are ready to undertake only such reforms that are aimed at retaining power (Asseburg 2005: 280). However, the commonalities do not extend beyond the objectives because the decision to pursue reforms in an autocracy is assessed very differently as a result of unpredictable consequences. The scientific community is divided over the issue of whether reforms bring stability to an autocratic regime, or destabilize it even more.

Some discourage autocratic rulers from reforms because they could “weaken, or even de-stabilize countries” (Kapiszewski 2006: 478). Reforms are even viewed as a potential suicide for an autocracy. “Full autocracies are trapped by an either-me-or-you logic, that makes reform seem like suicide” (Brumberg 2005: 17).

On the other hand, Samuel Huntington believes that both reforms and repression are necessary to distract from the citizenry’s lacking political participation. “Both reform and repression are aspects of the centralization of power and the failure to expand political

1 His interpretation of the Muslim creed (Wahhabism) was driven by the conviction that faith may be based only on the early Sunna, i.e. the actions and statements of the Prophet, and the Qur’an itself. He categorically rejected all subsequent developments (Clauss 1998: 46).



participation” (Huntington 1968: 191). Moreover, to achieve the long-term stability badly needed by autocracies, the Arabic governments use political reforms “to secure regime stability” (Asseburg 2005: 280). It is a matter of survival for an autocracy to stabilize its regime, because “only those systems that do not enjoy sufficient stability come under pressure to transform” (Sandschneider 1995: 111). But it is not just the autocratic rulers who fear transformation. A study by the US Administration-sponsored State Failure Task Force (2000) found that the odds of becoming a “failed state” were seven times as high for the states in transition from autocracy to democracy than they were for stable autocracies. The transformation process is also dangerous for global peace, as Edward Mansfield and Jack Snyder point out: “Democratizing states were more likely to fight wars than were states that had undergone no change in regime” (Mansfield/Snyder 1995: 81). On the basis of these findings, they conclude that “promoting democracy may not promote peace” (Mansfield/Snyder 1995: 94, Mansfield/Snyder 2005).

Specifically with respect to the Saudi Arabian autocracy experts support the thesis “that democratization may not immediately produce more peaceful and stable regimes” (Kapiszewski 2006: 478). Even Thomas Carothers came to the following conclusion: “In some countries staying with an existing autocratic regime is a better alternative” (Carothers 2007: 13). In those states where the rule of “go fully democratic, or don’t go at all” (Mansfield/Snyder 1995: 95) is not feasible, democratization could put both peace and stability in danger. The danger of destabilization may explain in terms of science why there has been neither widespread democratization, nor consolidation of democratic systems in any of the Arab countries until now (Asseburg 2005: 290). In any case, the jury is still out on whether the reforms in Saudi Arabia have resulted in a liberalization (i.e. opening of non-democratic regimes and expansion of rights), as one would expect after the first phase of the democratization model<sup>2</sup> propounded by O’Donnell und Schmitter (1986).

This poses three questions with respect to Saudi Arabia: first, what were the triggers that forced the royal house to undertake political, economic and social reforms? Second, have the al-Sauds succeeded in retaining their power and sustaining the stability of the regime through the reforms, or do the reforms indicate destabilization and a weakening of the Kingdom? Third, have the reforms resulted in liberalization of autocratic structures, and if yes, to what extent? However, first there will be a brief review of political and economic structures of the Kingdom.

2 This prototypic model assumes a rift in the leadership of the authoritarian regime between hardliners and softliners for a transition to commence: the latter will initiate the liberalization process. The self-organizing society will claim the new rights (“resurrection of civil society”), and insist on both a further liberalization and on democratization (Waldrauch 1996: 11).

## **2. Saudi Arabia: An Opaque Land of Contradictions**

Saudi Arabia is home to 23 million people, according to the latest democracy index they live in an autocratic country almost completely devoid of political freedoms. Freedom House describes the political environment in Saudi Arabia as “not free” (Freedom House 2007).<sup>3</sup> The Polity IV Country Report gave Saudi Arabia an average score of minus 10, the worst result in terms of regime and authority measurements (Marshall/Jagers 2005). The Bertelsmann-Transformation-Index (BTI) does not feature any good scores for Saudi Arabia on its Status Index (Democracy) and Management Index (Market Economy). Saudi Arabia ranks 93 on the Status Index and 90 on the Management Index out of 119 countries in the study, landing in the bottom one-third (Bertelsmann Transformation Index 2006).<sup>4</sup> Though the indices may faithfully represent existing trends, the Saudi system is somewhat more sophisticated than the indices reflect.

### **2.1 Islam and Politics**

The Kingdom of Saudi Arabia was officially founded on September 23, 1932. The political system of the Kingdom is based on the Muslim system of governance established by Prophet Muhammad 1,300 years earlier. Since the establishment of statehood the Qur’an has served as an unofficial basic law of the Kingdom (Sirhal 1990: 312). King Fahd officially declared both the Qur’an and the Sunna to be the constitution of the country in 1992.

On behalf of the spiritual community (ulama), the supreme mufti and the council of senior islamic scholars (hai’at kibar al-ulama), along with a dedicated police force are responsible for overseeing compliance with Islamic laws (Koszinowski 2002: 3). The “religious police” units operate in parallel to regular police and monitor to what extent the Saudis observe the tough behavioral restrictions of Wahhabist scholars in their public life (Koszinowski 2001). In this respect Saudi Arabia is the only country along with Oman where the Qur’an has replaced the constitution and Islam dominates all spheres of life including politics. The parliament, trade unions, freedom of speech, free press and political parties are rejected as un-Islamic. The ban on parties also precludes all legitimate opposition. In fact, every citizen owes the ruler his absolute loyalty and obedience.

The strong role of religion in politics traces its roots back to the alliance established 250 years ago between the successors of imam Muhammad ibn Abdul Wahhab and the Saud family. Therefore it is no surprise that the political and social structure of Saudi Arabia is shaped by the strong interdependence between the royal family and the clergy.

The supreme clerical authority in the country rests with the Council of Senior Islamic Scholars. It was established in 1971 after the death of the grand mufti Muhammad b.

3 In 2007 Freedom House gave Saudi Arabia the following scores: 7 (political rights) and 6 (civil liberties) (the best score is 1 out of 7).

4 Among others, the following are considered to be criteria for political transformation: statehood, political participation, rule of law and institutional stability.

Ibrahim Al ash-Shaikh (1969) to control all religious affairs in the broadest sense of the word in the country. Its 17 members issue legal opinions in their individual and collective capacities. In precarious situations the Council issues opinions to provide legitimacy to important government decisions. Important religious-political offices in the country are occupied exclusively by Wahhabists (Steinberg 2003: 15).

The Wahhabist scholars act as a political and ideological pillar of the regime because only Islam can assert and define the identity of the regime and its idiosyncratic form of statehood (Hertog 2002: 1224). Even though they are not in a position to exert direct influence over political decision-making, they do have a significant political function. Even today the Wahhabist scholars remain important actors in Saudi Arabian internal politics. They act as advisors to the King and the royal house where they enjoy privileged access, they control large segments of the education system and influence curricula in the segments outside of their control, television and radio content is also subject to their oversight, and they appoint judges to all regular courts (Steinberg 2002: 16). Until now the ruling family has not acted against the powerful position of the scholars because they have a strong influence on the population. Support from the clergy remains an important source of legitimacy for the Saud family. Because “the larger the social and spatial gap between the ruling family and the people grew, the more the scholars assumed the role of the intermediary between the two” (Steinberg 2002: 632). To demonstrate religious legitimacy one of the King’s official titles is “protector of the holy sites” (Mecca and Medina).

## 2.2 The al-Sauds

Along with the Islamic scholars the king determines the fate of the country. The monarch embodies both the legislative and the executive branches. The second level of the power pyramid is occupied by the ruler’s family. Even 75 years later, the family of the state founder Ibn Saud remains the most powerful and the largest family in the country and it continues to grow. The exact number of people in the ruler’s family is not clear. Various estimates indicate tens of thousands of princes, however it is more likely that the number is somewhere between 5,000 and 8,000 (Steinberg 2003: 9). Not all members of the family have the same influence over the politics of the country. A small informal group of princes probably numbering about a dozen people makes the most important decisions. It consists of the king, his crown prince and the princes who control the key agencies of the government (Steinberg 2003: 9). Along with King Abdullah bin Abdul Aziz (\*1923)<sup>5</sup> the core leadership of the family comprises the Crown Prince and minister of defense Sultan bin Abdul Aziz (\*1924), minister of interior Nayef bin Abdul Aziz (\*1933) and minister for foreign affairs Saud bin Faisal (\*1942). The two former Saudi ambassadors to Washington, Bandar bin Faisal (\*1949) and Turki bin Faisal (\*1945), also belong to the inner circle of power. The last meeting of the al-Saud family’s potentates took place when Abdullah convened the first official meeting of the royal Saudi family council on June 4, 2000 (Majlis

5 Abdullah has been King of Saudi Arabia since August 2005. But he took control of government operations back in 1995 when King Fahd suffered a stroke.

al-A'ila as-Sa'udiya al-Malika). Abdullah was the chairman, his half-brother Sultan was appointed deputy. The council consists of 19 members, however among other people Minister of Interior Nayef is not included, even though he is considered to be influential. The official position is that this institution deals only with purely internal family affairs. Political issues are ostensibly outside of its purview. In any case, it manifests a clear trend towards formalization of decision-making processes inside the family (Steinberg 2003: 9).

The Royal Family also dominates the Council of Ministers established by Ibn Saud in 1953. It meets every Monday bringing together the King, the Crown Prince, the Vice-Crown Prince (deputy chairman of the Council of Ministers) and all ministers. The members are appointed and, if necessary, removed by the King. All key offices (interior, foreign affairs and defense) are taken by princes from the royal house, however more and more agencies are given not only to members of the dynasty but also to highly qualified experts (Abou-Taam/Khalatbari 2006: 122).

### 2.3 The Consultative Council

Another advisory assembly is the Consultative Council established by King Fahd in December 1993. By founding the Consultative Council the King responded to the growing resentment in the early 1990s at the stationing of US troops in Saudi Arabia. As a result of public criticism<sup>6</sup> the royal house was forced to accommodate the request for an advisory assembly. The 60 person<sup>7</sup> assembly was constituted through a meeting on December 29, 1993. This way the King satisfied a significant demand. Admittedly the public was upset that the members were not elected but appointed by the King and the assembly had no legislative powers. Moreover, a number of clans were left underrepresented in the assembly – a very sensitive issue for a country organized by tribal affiliation<sup>8</sup> where tribal loyalties and solidarity within patriarchal family unions remain fixtures of the society. Over time recruitment into the Consultative Council was extended to cover the whole Kingdom. Printed media and television feature extensive coverage of the Council's meetings. Normally they take place once a year in a magnificent hall in Riyadh's palace district, with sessions stretching for many weeks, and the King conducting an opening ceremony (Seznec 2002: 38).

6 The accumulated dissatisfaction took various forms. In November 1990 more than 40 women sat behind steering wheels to protest against the ban on driving. In April 1991 businessmen, intellectuals and journalists published an open letter to the King in an Egyptian newspaper, demanding the convocation of an advisory assembly along with political liberalization and freedom of opinion (Koszinowaski 2002: 7). In 1991 advocates of reforms wrote a 12 point petition to the King, followed by a 44 page program of reforms in 1992.

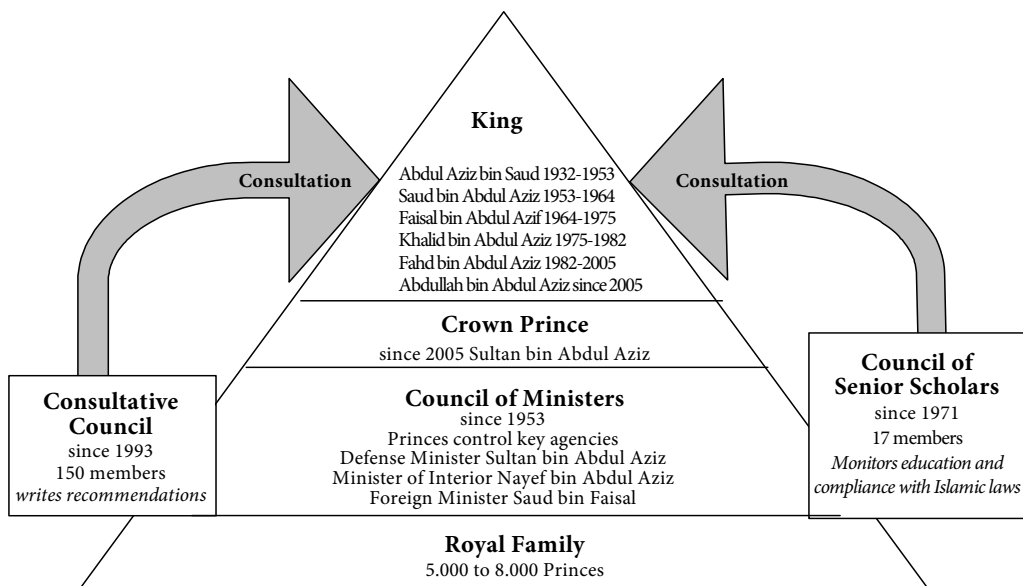
7 Since July 5, 1997 the Consultative Council consisted of 90 members (150 members since 2005), with the King appointing a new lineup every four years (Abou-Taam/Khalatbari 2006: 123).

8 The tribes in Saudi Arabia can be roughly divided into three large groups. Firstly, the clans of Najd from whom the royal family is descended and who still largely cling to Bedouin traditions and should be classed as conservative. Secondly, the clans of Hedjas, who are predominantly urban. They are subjected to various Western influences and more liberal than the Najd Arabs. Thirdly, the clans of the Hasa Province who are a reactionary religious minority considered to be heretics by the Wahhabis (Brandes 1999: 263).

The Consultative Council primarily adopts resolutions and recommendations for the government's work (Ehteshami 2003: 69). Notwithstanding the fact that it is the King who appoints them, the members take their mandate for consultation, review and criticism very seriously. Thus the Council Speaker enjoys great respect both within and outside of the Council (Ehteshami 2003: 69).

The founding of the Consultative Council should not be viewed as an import of Western democracy. The Qur'an refers to the Islamic principle of Shura. It stands for advice and consultation between Muslims. This is the origin of the notion of consultative councils, which have assumed a somewhat parliamentary function in many Muslim societies. However, it is in no way a fundamental structure of democracy, because Shura is solely a consultative, and not a legislative institution (Abou-Taam/Khalatbari 2006: 123).

**Figure 1: The Saudi Arabian political system**



Source: Author's drawing

## 2.4 Opposition

In stark contrast to Western legislatures parliamentary opposition of any kind is absent. Hence Saudi Arabian opposition is always extraparliamentary, if not in exile. Arguably the most famous member of the Saudi Arabian opposition is Osama bin Laden. In his statements he has been demanding the liberation of the Arabian Peninsula from the Saud family. In 1994 his attacks on the Saudi regime became so fierce that Riyadh revoked his Saudi citizenship. Bin Laden published a ten page open letter to King Fahd on August 3,

1995, accusing the Saudi monarch of failing to abide by the teachings of Abdul Wahhab (Fandy 1999: 186).<sup>9</sup>

Furthermore, Saudi Arabia has three other opposition movements. Firstly, the liberals, primarily young people with Western education and former Arab nationalists and communists aspiring to modernize the country in a Western fashion. One of them is Turki Al-Hamad, a writer who has continuously criticized Wahhabism in general, and the religious police in particular (Lacroix 2005a). Secondly, there are the Islamists, who constitute the largest group by far (Gause 2002: 48). The Islamist opposition in Saudi Arabia is in turn divided into three groups.

- Firstly, the liberal Islamists or “Islamoliberals” (Lacroix 2004). The liberal Islamists make a number of common demands such as constitutionalization of the Saudi monarchy, creation of a directly elected parliament, termination of discrimination against minorities, and improved redistribution of wealth – all under the Islamic law of Sharia, in great contrast to the liberals. The Islamoliberals include both Sunnis and Shi’ites (Lacroix 2005b).
- Secondly, the conservative Islamists. Their key demand is stricter adherence to Islamic laws. They express concerns about the disregard for Islamic values, they rebuke the television for pervasive shows with unveiled women and criticize the press for publishing articles marked by intellectual perversions. Moreover, in less specific terms, they insist on the “Islamization” of foreign policy (Koszinowski 2002: 7). The difference between them and the Islamoliberals is that they do not demand elections, and their views on women and minorities are clearly more conservative than those of the liberal Islamists.
- Thirdly, the Salafi Jihadists (Lacroix 2005b), the most violent and radical group, who focus on foreign policy and advocate the rejection of Western influences (King 1998: 10). Their favorite topics include denunciation of American presence in “the country of the two holy sites” and support for the Taliban, whose government and political decisions they attempt to legitimize. Multiple books and public declarations with characteristic titles like “About the lack of faith of those who assist Americans” are published on the websites of their sympathizers (Lacroix 2005b). The Saudi government considers the Salafi Jihadists to be the spiritual instigators of the terrorist attacks in Saudi Arabia (Lacroix 2005).

The third opposition movement consists of the London-based exiles. Both liberals and liberal Islamists sent numerous political petitions to the royal house between 1990 and 1992. The catalogs of their respective demands feature certain commonalities: both

9 The two parties have not always been such bitter enemies. In 1984 Prince Turki al-Faisal engaged bin Laden to lead an “Arab-Afghan” recruitment office to support the Mujaheddin in their struggle against the USSR. The office was a forerunner of the al-Qaeda organization founded in 1989. Moreover, Prince Turki allegedly helped bin Laden flee from Saudi Arabia in 1991 and personally declined to accept Sudan’s extradition of bin Laden in 1996 (Gold 2003: 181). Sources in the US intelligence community believe that many princes paid protection money to bin Laden. Additionally, Saudi money went to the Al-Wafa Humanitarian Organization and Muwafaq Foundation, both believed to have served as fronts for al-Qaeda, funding its operations (Levitt 2002).

groups insisted on combating corruption and nepotism, reducing arbitrariness of the judiciary and, in no specific terms, opening the political system (Hertog 2002: 1222).

For the first time an opposition group officially assembled itself in Riyadh on May 3, 1993, calling itself "Committee for the Defence of Legitimate Rights" (CDLR) (Koszinowski 2002: 8). The founders of the Committee, Muhammad al-Masari (a physics professor) and Sad al-Faqih (a physician), belonged to the group that had produced both the above mentioned petitions to King Fahd. The Committee was banned on May 11, 1993, many members and sympathizers were arrested. Al-Masari and al-Faqih fled to London in 1993/94 (Koszinowski 2002: 10). Since then they have been sending fax and email messages from exile in London trying to mobilize the Saudi Arabian population against the rule of the Saud family. The two leaders had a falling out in 1996, and Faqih immediately went on to build the "Movement for Islamic Reform in Arabia" (MIRA), whose objective, strategy and ideology showed no significant differences to those of the CDLR. Activities of the Saudi Arabian opposition in exile, whether CDLR or MIRA, have so far failed to make any discernible impact on developments in Saudi Arabia (Koszinowski 2002: 13).

Along with their participation in the Islamo-liberal opposition, there is another reason why the Saudi Shi'ites are a menace to the Royal Family. It is true that the Shi'ites constitute only some ten percent of the Saudi Arabian population. However, they make up almost 50 percent of the population in the strategically and economically important Eastern Province where all the Saudi oil is produced. Their strong cultural kinship with Shi'a Iran and even stronger ties to their religious brothers in Iraq are a cause of frequent concern for the Saudi leadership (Steinberg 2001: 27).

The opposition is divided and there are no real alternatives to the al-Saud system. Its fragmentation into various groups and unorganized individuals makes it almost irrelevant. There is no threat of an Iranian-style revolution because opposition groups cannot coalesce (Satloff 1998: 59).

## 2.5 Oil and Rentier Structure

The most significant factor of stability in the country, however, is neither the Royal Family, nor its alliance with the Wahhabi clergy, but its economic base. Saudi Arabia is the largest petroleum exporter in the world, with its 264.2 billion barrels of crude oil it controls over a quarter of global reserves and enjoys the lowest production costs per barrel (1-2 USD). The advantageous "finding costs" of approximately 10 US cents per barrel explain the low production costs (Energy Intelligence Group 1999: 7). The Kingdom has 80 oil and gas fields and over 1000 production sites. More than half of its reserves are concentrated in just 8 fields, including the two largest oil fields at Ghawar (70 billion barrels) and Safaniya (19 billion barrels). These enormous reserves give Saudi Arabia the power to dictate the oil price. It is the only country so far that can act as the "swing supplier". The Saudis can increase their capacity from 8 to 10.5 million barrels per day in three months to compensate for global losses in production, alternatively they can drive oil prices sky-high (Kleveman 2003).

Profits from oil exports allow the ruling family to sustain the Saudi Arabian regime. The regime does not depend on tax revenues so it does not have to negotiate the fundamentals of taxation with its citizens and grant them rights to political participation in return. The desert kingdom is a rentier and redistribution state par excellence, a state whose oil export revenues provide it with a significant external rent which it can distribute at whim or in pursuit of political opportunities (Perthes 2002a: 290). Thus the state subsidizes its subjects<sup>10</sup> and pays them off not to pursue demands for political participation (Glosemeyer/Perthes 2003: 4). The rentier state offers no opportunity to argue for democracy on the principle of “no taxation without representation”.

However it is doubtful that Saudi Arabia can afford to pay off its citizens indefinitely to quench their thirst for participation. At least by 1998 it became clear that the era of affluence was over. That year the economic mismanagement by the house of Saud since the early 1990s became evident. With expenses to the tune of roughly 60 billion USD the second Gulf War far exceeded the financial capacity of Saudi Arabia. The budget deficit grew to 37 billion USD in 1990/91 and by another 10 billion USD in 1992 (Cordesman 1999: 9).

Declining oil prices in 1998 undermined attempts to reform the state.<sup>11</sup> Oil revenues sank from 45.5 billion USD in 1997 to 29.4 billion USD in 1998, resulting in a 35% reduction (Cordesman 1999: 11). The decline negatively impacted the whole Saudi Arabian economy. 90 % of export revenues and 75% of budget revenues come from the oil industry (Taecker 1998: 4). Radical austerity measures were introduced in social services and infrastructural investment. Since then Abdullah made it absolutely clear that the era of affluence was over and the citizens of Saudi Arabia must recognize that the oil wealth would not last forever (Perthes 2002a: 305).

## **2.6 Alliance with the USA**

One of the most important external pillars and at the same time one of the biggest problems in domestic politics is Saudi Arabia’s relationship with the USA. The Kingdom’s Wahhabi ideology does not offer much of a foundation for cooperation with the Christian nation and close ally of Israel. However, a closer look reveals that the interdependence of the unequal “friends” should not be dismissed.

The foundation for the friendship was laid when Ibn Saud and President Roosevelt<sup>12</sup> met in February 1945 in Egypt aboard heavy cruiser USS Quincy. Roosevelt made it clear that the US considered Ibn Saud to be the leading Arabic head of state and assured that it would

10 Saudi Arabia offers its citizens exemption from taxation, free medical care, childcare and education, along with subsidized housing. Moreover, until 1985 Riyadh employed a large part of the population in the public service. However, the oil rent is not used for any strategy to combat poverty (Steinberg 2004b: 132).

11 The combined effects of the crisis in Asia, reduced demand in industrial nations due to large crude and fuel stocks and resumed oil production in Iraq drove the oil prices below 10 USD per barrel.

12 Already in February 1943 Franklin D. Roosevelt wrote to his Secretary of State “that the defense of Saudi Arabia is vital to the defense of the United States” (Stork 1980: 24).



protect Saudi Arabian territorial integrity. In return for financial assistance Saudi Arabia had already granted oil concessions to American companies and approved the deployment of US troops at the military airport in Dhahran in December 1943. Then came years of joint struggle against communism and Nasserism. Bilateral relations hit a low point in 1973 with the Saudi oil embargo in response to the US policy towards Israel. But they conclusively reconciled their differences when Fahd, who was the Crown Prince at the time, signed a Special Relationship Agreement in March 1975. Underlying the accord was the willingness of the Saudis to invest their oil profits in American enterprises<sup>13</sup> and guarantee moderate oil prices by keeping flexible their crude production within OPEC. In exchange Washington promised Riyadh that it would protect the Kingdom's security and provide technical assistance for industrial development (Twinam 1994: 35).

American interests remained constant over the years. "The US depends on Saudi Arabia to provide oil exports, use its swing production capacity to help stabilize the oil market, and provide basing and military support for US power projection in the Gulf" (Cordesman 2002: 73). The US energy policy is tied to Saudi Arabia simply because of the Kingdom's tremendous oil reserves. Saudi Arabia has been one of the largest oil suppliers to the US since the beginning of the partnership, and therefore plays a vital role (National Energy Policy Development Group 2001). But the US needs not just the Saudi oil but also the assurance that Saudi Arabia as a trade partner will continue to invest in the American economy.

Since the end of World War II the USA has acted as protector for Saudi Arabia. It has used its military presence as a beachhead in the unstable region, while the Saud dynasty needed the US troops to maintain the stability of its regime. The Iraqi invasion of Kuwait brought it home to the ruling family that the regime was not in a position to defend itself without American protection despite large purchases of weapons in the 1980s. Arms sales from the US and joint exercises were and are indispensable for the Saudi Arabian armed forces. Accordingly, the two governments pursue intensive military cooperation even though it is not codified in any agreement (Perthes 2002b: 6).

A characteristic of this "friendship" is the silence around it. Both countries recognize their insurmountable differences and prefer not to emphasize them because the strategic co-dependance is too great. Not until September 11, 2001 did this well protected, "oil for security" alliance suffer a severe blow.

### **3. Triggers of the Reform Process**

To provide a comprehensive explanation of the Saudi reform process one would need to illuminate its "triggers". One should view foreign and domestic political issues along with related criticism of the royal house directly in the context of the resulting reform process.

13 Saudi investments in the US amount to approximately 600 billion USD (Fürtig 2005b).

The Saudi reform process should not be seen as a consequence of a single event, on the contrary, it was triggered by a combination of incidents and problems. Four events or challenges can be identified as root causes of the reform process.

Firstly, September 11 and subsequent criticism from Washington with respect to the contacts between the Saudis and terrorist groups became a foreign policy issue. Secondly, terrorist attacks inside the Kingdom, on the one hand, and growing participatory aspirations of the public, on the other hand, increased domestic political pressure. Moreover, familiar old problems became even more explosive. The persistent population growth and resulting high unemployment, as well as the aging of the leadership circle pose obvious dangers to the stability of the country.

### **3.1 External Pressure: The USA and September 11, 2001**

The attacks on the World Trade Center and Pentagon confronted Saudi Arabia with hard facts: 15 of the 19 hijackers had Saudi passports, and the instigator of terror, Osama bin Laden, had been a Saudi national until 1994. Apart from that, Saudi Arabian citizens allegedly provided money to finance not only these attacks, but also many other al-Qaeda operations (Prados 2003: 2).

The Kingdom repeatedly tried to downplay the participation of Saudi citizens in the events of September 11.<sup>14</sup> Nevertheless, the Saudi leadership was alarmed by the obvious sympathy certain parts of its population felt for Osama bin Laden, who was after all an enemy of the royal house (Perthes 2002c: 10). Particularly the pro-American Sudairi Seven<sup>15</sup> are a thorn in Osama bin Laden's flesh (bin Laden 1996).

These domestic sympathies may also explain the large proportion of Saudi citizens in terrorist organizations. 100 out of the 158 alleged al-Qaeda terrorists detained in Guantanamo Bay in January 2002 had Saudi Arabian passports (Bandow 2002: 4). In 2004 it was 160 out of 640 detainees (Amnesty International Deutschland 2004). Saudi nationals were also involved in the attacks on the US Embassies in Kenya and Tanzania in 1998 and in the bombing of the USS Cole in the port of Aden (Yemen) in 2000 (Miller/Stone/Mitchell 2002: 271). The Council on Foreign Relations' Independent Task Force asserted in a report in October 2002 that Saudi Arabia had been the most important source of funds for al-Qaeda operations (Prados 2003: 2). The 27 blacked-out pages of the Congressional 9/11 Report allegedly describe the Saudi government's contacts with al-Qaeda (Meyer 2003).

14 For example, the Foreign Minister Saud: "The problem is that Osama bin Laden was a Saudi citizen. He used 15 Saudis for September 11. That's why critics say Saudi Arabia must be somehow involved in bin Laden's schemes" (Interview with Prince Saud, Minister for Foreign Affairs of Saudi Arabia, in *Welt am Sonntag*, 12.1.2003, 6).

15 King Fahd and his six full brothers constitute a very powerful unit in the family named after their mother Husa bin Ahmad Al Sudairi, the favorite wife of the state founder's and a descendant of the noble Arab clan of Sudairi. The group includes King Fahd, Sultan, Nayef, Salman, Deputy Minister of Defense Prince Abd al-Rahman, businessman Prince Turki and Deputy Minister of Interior Prince Ahmed.

Consequently, 600 relatives of victims of the attacks in New York and Washington filed suits against Saudi Arabian banks, ostensible relief organizations and individual members of the Saud family (Schmidt 2002), demanding billions in compensatory damages.

Involvement of Saudis in an attack on the US caused a backlash, particularly in America. The US mass media responded in outrage and highlighted the controversial alliance and its dangers for the security of the American people. A policy paper leaked to the Washington Post from the Pentagon of all the places characterized the Kingdom as “the kernel of evil, the prime mover, the most dangerous opponent of the United States” and as a terror superpower par excellence (Hertog 2002: 1217).

On top of that, the partner’s reliability in the war on terror leaves a lot to be desired as far as America is concerned. Saudi Arabia refused to immediately freeze accounts of terrorism suspects and delivered only limited information about the origins of the hijackers (Follath/Windfuhr/Zand 2002: 134).

In its Patterns of Global Terrorism Report the State Department criticized the Saudi Arabian leadership for failure to agree to the public disclosure of charity finances (Prados 2003: 2). On the other hand, it repeatedly praised Saudi Arabia for its support in the war on terror. The US Department of State spokesman Richard Boucher announced on November 25, 2002 that the Administration “made it clear again and again we believe the Saudi response on matters involving the war on terrorism has been very strong” (Prados 2003: 2).

The US politics in the region was watched in Saudi Arabia very closely. Admittedly, Riyadh was never directly in the focus of the US policy for promoting democracy, but the criticism of Iran and Iraq pertained to the desert kingdom just as much. Bush clearly criticized the lack of freedom: “All people have a right to choose their own government and determine their own destiny, and the United States support their aspirations to live in freedom” (Bush 2003) and underscored that brutal dictatorships “with ties to terrorism, with great wealth, will not be permitted to dominate a vital region” (Bush 2003).

Even though the US Administration refrained from direct critical statements because of dependence on Saudi oil exports and arms imports, the ranks of advisors publicly and unambiguously spoke out against the Royal Family. In his speech in April 2003 the former CIA director James Woolsey said: “We want you nervous. We want you to realize that [...] we are on the side of those whom you, [...] the Saudi royal family, most fear. We are on the side of your own people” (Alterman 2003: 158).

Critical voices in the US Congress became louder too. The linkages between the Kingdom and fundamentalist groups came to the fore. Senator Ernest Hollings from South Carolina put it in no uncertain terms: “We have problems: The Saudi Arabian and other Muslim support of terrorists” (Congressional Record 2002: S10348). Many believe that the lack of a process towards democracy explains the closeness between the royal house and terrorist groups: “The lack of democracy in Saudi Arabia [...] seems to have created fertile ground for the development of terrorist movements in these countries”

(Hearing before the Subcommittee on the Middle East and South Asia of the Committee on International Relations 2001: 2).<sup>16</sup>

The criticism of Saudi Arabia did not shy away from legislative bills. A law was proposed in the US House of Representatives in July 2003 that would have listed Saudi Arabia as a state sponsor of terrorism. It was rejected by 231 votes against 191. The Saudi Arabia Accountability Act was introduced in the US Senate in November 2003. It urged Riyadh to make a maximum effort to combat terrorism. But the bill failed to advance “as the State Department declared that Saudi Arabia had taken actions to disrupt domestic al-Qaeda cells and improved anti-terrorist cooperation with the USA” (Kapiszewski 2006: 464). But behind the scenes the Saudis were criticized for a lack of effective commitment to the war on terror: “We have not gotten all that we want from the Saudis during the first phase of the war against terrorism” (Gause 2002: 47).

The 60 year old alliance appeared to be at a crossroads. Though the Saudi leadership remained mute to the criticism from Washington, Riyadh soon realized that even the good relations with the US Administration could no longer protect the Kingdom from hostility. Saudi Arabia had to reconsider its response to the terrorist attacks on its ally.

### 3.2 Internal Threats: Terror and Petitions

For a long time the royal house turned a blind eye to the danger of extremism in its own country and denied any responsibility for its acts of violence. But this stance had to change in the spring of 2003. Twelve suicide bombers blew themselves up on May 12 in three high-security foreign compounds, 34 people, primarily employees of the Vinell Corporation, an American weapons manufacturer, died and 200 more were wounded. On November 9, 2003 two truck bombs exploded in Riyadh, killing 17 and injuring 122 people (MacFarquahar 2003: 1). On April 21, 2004 a car bomb devastated security forces headquarters in Riyadh, 4 people were killed and 148 wounded (Nüsse 2004: 1). On May 1, 2004 two Americans, two Britons and one Australian were murdered in the port town of Janbu (Follath 2004: 120). In late May 2004 an attack on a foreign compound in Al-Khobar city in Eastern Saudi Arabia resulted in 22 deaths, in June Irishman Simon Cumbers, a BBC cameraman, was killed and his colleague, correspondent Frank Gardner, seriously injured in a gun attack. In the same month an American employee of Lockheed Martin, Paul M. Johnson, was beheaded (Zuhur 2005: 36), in December 2004 there was a raid against the US consulate in Jidda, 5 Saudis were injured. The attacks were alternately committed by a self-proclaimed al-Qaeda on the Arabian Peninsula group (Tanzim al-Qaida fi Jazirat al-Arab) and the “Brigades of the Two Holy Mosques” (Kata eb al-

16 Though Congressional statements were clear, Washington took practically no action to promote democracy. The US supported reforms primarily through the Embassy in Saudi Arabia and the State Department Middle East Partnership Initiative (MEPI). In 2003 the Embassy arranged country visits for human rights organizations and the Assistant Secretary for Democracy, Human Rights and Labor. The same year the Embassy also organized “orientation tours” to the US and workshops for journalists, educators and officials (Sharp 2004: 6).

Haramain) (Lacroix 2005b). A total of 221 people lost their lives in terrorist attacks between 2003 and 2005 (Teitelbaum 2005: 1).

After May 12, 2003 which the Saudis see as “their September 11”, the government stopped pointing fingers at other countries when terrorism was mentioned (Thumann 2003). This is how the 9/11 Commission Report describes the Saudi conversion: “[a]s in Pakistan, Yemen, and other countries, [Saudi] attitudes changed when the terrorism came home“ (National Commission on Terrorist Attacks upon the United States 2004: 373). Even though the security situation has stabilized since 2005, the terrorist attacks clearly demonstrated that the regime had long underestimated the scale and intensity of the threat from terrorist groups.

But terror was not to be the only problem for the Kingdom, another challenge came from citizens demanding enhanced participation. On January 20, 2003 Abdullah, the Crown Prince at the time, received a petition signed by 104 progressively-minded intellectuals and liberal Islamists (“A Vision for the Present and the Future of the Nation”). The petition was drafted by Abdullah al-Hamed (a liberal Islamist from Riyadh), Mohamed Said Tayyeb (a liberal lawyer from Jeddah) and Jaafar al-Shayeb, a Shi’ite (Kapiszewski 2006: 464). Among other things, they demanded elections to the Consultative Council and Regional Assemblies, separation of powers, a judiciary reform, guaranteed civil and human rights, as well as more rights for women. They aspired to give the Consultative Council power to legislate and means of control (Kapiszewski 2006: 464). Surprisingly, Abdullah did not respond in the same way King Fahd had done to the well-known previous petitions after the second Gulf War (Fürting 2005a: 274). That same month he received 36 of the signatories and assured them that “your demands are my demands”. He promised the group that “reforms [were] only a matter of time” (Raphaeli 2005: 522). Minister of Interior Nayef was clearly more negative about these reform aspirations. His motto is “no to change, yes to development” (Jones 2003). He believes that no change is necessary in Saudi Arabia: “Change means changing something that already exists. Whatever exists in the Kingdom is already well-established; however, there is a scope for development – development that does not clash with the principles of the nation” (Jones 2003).

But Abdullah would not be misled by such critical statements and pursued further contacts with advocates of reforms. On April 30, 2003 450 Saudi Shi’ites signed a petition (“Partners in One Nation”) demanding equality of citizens and an end to discrimination (Gause 2004: 23). They joined the January petition but also asked for a public declaration by the King securing more respect for the Shi’a rights and equal treatment with other residents (Kapiszewski 2006: 464f). Once again Abdullah showed readiness to talk. He received the Shi’a delegation and discussed the essence of the demands with them. At least officially this turned the Shi’ites from suspicious and discriminated apostates into (mildly) tolerated interlocutors. Minister of Defense Sultan also sought dialog. In July 2003 he invited 30 intellectuals and asked them for specific political reform proposals (Fürting 2005a: 275).

With the exception of these meetings the appeals of the reformists went unheeded. This led to new petitions. On September 24 more than 300 Saudis including 50 women

signed a petition entitled "In Defense of the Nation". They basically supported the January petition but in addition to that they rejected all forms of extremism and terrorism (Russell 2005: 74). Moreover, 300 Saudi women filed an eight point petition in December 2003 demanding more rights (Raphaeli 2005: 526).

The clear and persistent criticism of the lack of reform provoked the royal house against the reform proponents. When some of them brought another petition in December 2003 demanding accountability for the implementation of the previously announced reforms, Abdullah personally read them the riot act (Fürting 2005a: 281). In 2003 alone Abdullah received at least five petitions, another one came in 2004. In February 880 intellectuals demanded a precise schedule for political reforms and a constitutional reform. One of the initiators, professor Abdullah Hamed, even suggested a changeover from an absolute to a constitutional monarchy (Gresh 2006: 6).

Henceforth the climate changed, the petitions exhausted the royal patience and the royal house came out with a heavy-handed response. The Ministry for Information issued a gag order to journalists who had ventured too far in their criticism of the religious establishment. Minister of Interior Nayef decreed that censorious reform advocates must be arrested (Kapiszewski 2006: 475) for statements "that do not serve the unity of the homeland or the integrity of the society" (Wilson 2004).

Twelve reformists were detained in the middle of March because they had dared to remind the Princes in their last petition about a number of unmet demands for reforms. Nine of them were soon released on condition that they would stop filing such demands and cease their political activities. The three remaining petitioners, the poet Ali Dimeeni and professors Abdullah Hamed and Matrouk Faleh, refused to comply (Hamzawy 2006: 8). They remained in custody and were sentenced to prison terms of six to nine years in May 2005 amidst protests by international human rights organizations (Coll 2005).<sup>17</sup> Less than a week after his coronation Abdullah pardoned them in August 2005 (Mohler 2007: 10).

This example demonstrates the fault line that runs through the Saudi Royal Family. Minister of Interior Nayef wants to maintain the status quo, Crown Prince Abdullah favors dialog with all groups of society. But the reforms are not the only issue challenging the al-Sauds to find a common stance. In the coming years the Royal Family will have to identify a common denominator in many other areas, because the al-Sauds need to be able to make long-term decisions in order to solve the country's social problems.

### **3.3 Generational Change in the Royal Family**

The official order of succession to the Saudi Arabian throne is always the next eldest son of Ibn Saud. But now both King Abdullah and his Crown Prince Sultan are over 80 years old and the ruling family is having a heated debate about when to conduct a generational

<sup>17</sup> Six years for professor Matrouk Faleh, seven years for professor Abdullah Hamed and nine years for Ali Dimeeni (Gresh 2006: 7).

change in the royal house. This is why the focus of the debate in the royal court is now on the generation of grandsons.

The transition from Fahd to Abdullah in 2005 went perfectly smoothly because Abdullah had assumed the affairs of the state ten years before Fahd's death. Immediately upon accession to the throne Abdullah boosted the stability of the ruling house by appointing his half-brother Sultan as the Crown Prince. Apparently this prompt decision significantly curtailed intrigues and plots in the Royal Family. In contrast to his predecessors Abdullah had the opportunity to personally select his Crown Prince. In 1992 King Fahd introduced a basic law that says that the throne will pass to direct descendants of Ibn Saud, in other words to his sons and grandsons. What caused a lot of excitement at the time was a rule allowing the King to appoint and dismiss his heir. However, Abdullah was explicitly exempt from this rule because he had been appointed as heir to the throne already in 1982 (Steinberg 2004a: 96f). Consequently he was the first king who could use this rule in his selection of the crown prince. His adherence to the familiar system of succession by his next younger (half-)brother indicates that Abdullah did not want or could not take responsibility for the generational change.

Since that opportunity is gone, the challenge now is to find other ways to implement the necessary measures. If the family fails to decide on the transition between generations in the dynasty, in the worst case scenario it will have to select a new king from within its ranks every two or three years, with all the consequences this could entail for political continuity and stability in the country (Steinberg 2001: 25).

### 3.4 Poverty, Unemployment and Education Deficiencies

One of the biggest challenges for Saudi Arabia is to find a solution to its demographic problems. At 3.5% per annum the Saudi population has one of the highest growth rates in the world.<sup>18</sup> Back in 1980 Saudi Arabia was home to only 7 million people, now 23 million live there. A logical consequence is the declining per capita income. By the late 1990s it sank from its 1981 peak of 28,600 USD per year to 8,000 USD. Rapid population growth, relatively low oil prices, economic mismanagement and corruption reduced it almost to third world levels.<sup>19</sup>

Planning experts estimate that sustaining and improving the existing standards of living and welfare for the growing population will require the investment of approximately 270 billion USD over the next twenty years (Länder und Märkte 2003c). Roughly 117 billion USD out of this amount will have to go into construction of new power plants. Another 90 billion USD will be needed to build sea water desalination and waste treatment facilities. Production and utilization of national gas reserves will require about 27 billion USD. The rest should be invested in such areas as telecommunications, road and airport construction and new transportation systems (Länder und Märkte 2003c).

18 Every woman in Saudi Arabia has an average of seven children (Fürtig 2006: 2).

19 Now it has reached 14,000 USD again (Chimelli 2006: 3).

Another side effect of the high population growth is that the share of younger people in the society continuously increases. 45% of the population is less than 14 years old, 73% of people are under 29. Creating new jobs is therefore one of the highest political priorities in Saudi Arabia. Every year the Saudi Arabian labor market has to absorb 130,000 young men. In reality, only 30,000 to 40,000 graduates find jobs. Since the public sector is already overstaffed and the oil industry does not show any employment-intensive growth, the unemployment rate<sup>20</sup> among young males is estimated to be between 15% and 30% (Länder und Märkte 2003a). Neither reliable statistics nor estimates are available for the female workforce whose employment opportunities are severely limited (i.e. teachers in girls' schools, medical professionals for female patients). Approximately four to six million new jobs will have to be created for the young population by 2020 (Länder und Märkte 2003a). Given the difficult situation in the Saudi economy, this is hardly feasible.

One of the attempts to create more jobs for Saudi citizens is "Saudization". This "Saudization" envisioned 817,000 new jobs for Saudis between 2000 and 2005. In parallel to new employment opportunities there is a plan to reduce the share of foreign nationals. The Ministry of Labor published a report in May 2001, demanding that the number of foreign workers be cut back from seven million to one million by 2030 (Steinberg 2004a: 100). But the government neglects the relatively low level of professional training in Saudi Arabia. Foreign labor force is better qualified and significantly less costly. It is observed that Saudi Arabian professionals earn twice as much in wages as foreign colleagues with equivalent qualifications (Länder und Märkte 2004). Moreover, traditionalist portions of the population refuse to work in the modern industries or service sector.

Despite all the calls for "Saudization" the Saudi Arabian secondary and higher education system cannot educate and train a qualified labor force for the Saudi labor market (Länder und Märkte 2003a).<sup>21</sup> The fundamental problem is that education is split into two parallel sectors: one is dominated by religion and fully controlled by Wahhabi scholars, the other bears a stronger resemblance to secular education systems. But the religious content still accounts for almost a third of the curriculum in the latter sector and reflects the views of Wahhabi scholars. This problem also pertains to other subjects on the curriculum. The government's proposal to introduce English – the only foreign language officially permitted to be taught in Saudi Arabia – in the elementary level for six-year olds met with bitter resistance from religious forces. They are afraid of the growing Westernization of education and a reduction in the seven hours per week of religious education. Knowledge from the West may be transmitted only very selectively, it is restricted to natural sciences and

20 Consequences of unemployment in Saudi Arabia are not comparable to those in the West. So far in the Kingdom families have been responsible for the subsistence of the unemployed. However, the number of poor families without the means to support their unemployed members has grown in the recent years (Steinberg 2004b: 125f).

21 In its Human Development Report UNDP estimated that the adult (older than 15 years) illiteracy rate was still around 22% in 2002 (Hahn 2005: 17).



technical or applied sciences. The study of history, sociology, philosophy, and many other subjects is either impossible, or severely restricted (Länder und Märkte 2003b).<sup>22</sup>

Meanwhile Abdullah has recognized these problems. Since his accession to the throne society has become more transparent, there are unprecedentedly open discussions of such topics as population growth, education, poverty, and unemployment (Gresh 2006: 6f).

This chapter has demonstrated that urgent reforms were needed to respond to the challenges. The next chapter is intended to explain what reforms the royal house initiated to address the political, economic and social challenges described above, without jeopardizing the stability of its rule.

## **4. Transformation and Reforms**

### **4.1 The Return to the Diplomatic Arena**

The biggest foreign policy challenge for the Kingdom was to mend its relations with the United States after September 11, without losing face in the eyes of its Muslim population and neighbors.

Despite initial efforts to downplay the participation of Saudi citizens in September 11 the Saudi leadership quickly realized that it could not ignore the criticism from the US. As one of the first steps in the week after 9/11 Saudi Arabia sent the US a conciliatory gift: nine million barrels of crude oil, a day's output, were shipped to the US for free (Henderson 2002).

In addition, the Royal Family launched an outreach campaign in the American mass media to project a positive image of Saudi Arabia. It hired two PR firms to restore the image of Saudi Arabia as a US ally and yet another company to raise Congress members' awareness of the Saudi Kingdom and its interests (Marquis 2002).

But all these superficial attempts at improving the relationship could not disguise the fact that the allies had to deal with major political differences. One of the first signs came when Saudi investors pulled at least 100 billion USD worth of funds out of American holdings (Sieff 2004: 97). Disagreements around the war on terror also became more pronounced.

<sup>22</sup> The Saudi Arabian higher education system remains very dependent on Western knowledge. One of the core weaknesses of the Saudi university system lies in the qualifications of the teaching staff. The total number of instructors with doctorate degrees is still only 10,738. Foreigners make up roughly 50% of the 8,291 male educators with postgraduate degrees. Their share of 1,487 in the 2,447-strong female faculty with advanced degrees is even higher (Hahn 2005: 41).

But despite the 15 Saudi hijackers – or maybe precisely because of them – Saudi Arabia joined the coalition against terror.<sup>23</sup> Nevertheless it rejected the antiterrorism coalition's campaign in Afghanistan. It made it clear even before the start of the hostilities on October 7, 2001 that it would not provide any logistical support because it could not accept a war by a Western power against a Muslim state.<sup>24</sup> The US combat aircraft stationed at the Prince Sultan airbase near Riyadh to enforce the southern no-fly zone in Iraq were not allowed to take part in the assault on Afghanistan. Saudi Arabia acquiesced only to the operation of the recently completed state-of-the-art command and control center at the base. At the same time Minister of Interior Nayef repeatedly and publicly criticized American actions in Afghanistan (Steinberg 2003: 26).

The Kingdom also criticized the American policy towards the Baathist regime in Baghdad. At a conference in February 2002 Prince Nayef unambiguously explained the Saudi position on a potential strike against Iraq. "Saudi Arabia is against resolving disputes through violence. [...] If this happens, God forbid, the Kingdom will not in any circumstance be for any war against any Arab country" (Peterson 2002: 72).

All denials notwithstanding, Riyadh provided the US with inconspicuous but effective military support (Cordesman 2006: 31). In the weeks preceding the hostilities the number of US soldiers on Saudi Arabian soil grew to almost 10,000 (Schmitt 2003: 1). The Prince Sultan airbase was allowed to operate as a command and control center throughout the air campaign. At the same time American elite troops were moved to the Arar and Tabuk airbases in the North-East of the country before being sent to carry out special forces operations inside Iraq (Gresh 2003: 1).

For the time being, support for the war in Iraq was to be the last American operation at the Prince Sultan airbase. The US planned to withdraw all its troops from Saudi Arabia in early 2003 and station them at the Al-Ubeid airbase in neighboring Qatar. The withdrawal was completed on September 22, 2003. Approximately 300 U.S. Army and Air Force personnel stayed behind for joint military exercises until May 2006 (Prados/Blanchard 2006: 10). The withdrawal was a relief for both parties in terms of domestic politics. Former Assistant Secretary of State Richard N. Murphy welcomed the withdrawal: "Our presence has become more of a burden than a benefit" (Tyler 2003: 14). The Saudi leadership supported the withdrawal even though US military presence on Saudi soil had been a factor of stability for the ruling family and an insurance policy against insurrectionists. The presence of US troops resulted in criticism from the opposition and became so unpopular domestically that the stability of the al-Saud regime was better served by the withdrawal than by a continued presence. Rumor has it that Abdullah had made the deal already in January 2003 for the troops to pull out after the invasion of Iraq

23 Foreign Minister Saud: "We felt nothing but condemnation for those who committed this utterly criminal act.[...] The Kingdom of Saudi Arabia has confirmed its categorical rejection of all kinds of terrorism, and sincere determination to combat it lonely and in cooperation with the world community" (Ministry of Foreign Affairs of Saudi Arabia 2002).

24 Defense Minister Sultan addressed this by saying: "We do not accept the presence in our country of a single soldier at war with Muslims or Arabs" (Teitelbaum 2001).

and offered regional elections in return (Tyler 2003: 14). Despite the withdrawal the US remains Saudi Arabia's most important military advisor, supplier and source of technical know-how. Between 2001 and 2004 Saudi Arabia procured 5.6 billion USD worth of weapons. The USA received 68 % of these contracts (3.8 billion USD) (Cordesman 2006: 32).

However, the biggest foreign policy challenge for Riyadh is the current situation in the region. The collapse of neighboring Iraq has created a new set of problems. Riyadh is worried about the realignment of powers and the rise of radical Shi'a leaders like Muktada al-Sadr in Iraq.<sup>25</sup> The Saudis fear a sectarian war in neighboring Iraq but they are already entangled in it for reasons of religion. When Vice President Dick Cheney was visiting Riyadh in December 2006, King Abdullah indicated that the Saudis would support the Iraqi Sunnis if the US withdrew and a civil war broke out (Chimelli 2007a: 8).

King Abdullah is exploiting all his diplomatic talents to secure stability in Iraq and the whole region. Saudi Arabia mediates almost all conflicts in the region. Abdullah received a lot of praise from diplomats for the Mecca Agreement between Hamas and Fatah in February 2007.<sup>26</sup> In March 2007 the Kingdom hosted the Arab League Summit. Saudi Arabia has been negotiating on all fronts: Iraq, Iran, Lebanon, and Palestine.

It looks like Riyadh is trying to use its mediator role to make itself indispensable not only for its neighbors but also for Washington. What is unmistakable is that the Saudis are not neutral brokers, they have clear interests. The primary reason for their diplomatic efforts is the growing Iranian power. Much to the displeasure of Saudi Arabia, Iran has gained significant influence in the region over the last four years: because of the collapse of the Saddam dictatorship, the growing role of the Hisbollah Shi'a militia in Lebanon and the Shi'a support for Hamas in Palestine. On top of this, Teheran is developing a nuclear program (Avenarius 2007: 4). Saudi Arabian responses are clear. It increases its oil production to prevent Iran from dictating the oil price and strengthening its power. Moreover, King Abdullah forged a Sunni alliance with Egypt and Jordan to contain the Shi'a dominance (Khoudry 2007: 7). Despite the rivalry the Iranian President Mahmoud Ahmadinejad made his first state visit to Riyadh on March 4, 2007.<sup>27</sup> Allegedly on the agenda were the Iranian nuclear program and the future of Iraq. The meeting between Ahmadinejad and Prince Bandar, the former ambassador to Washington and a close ally

25 This is why the former Saudi Ambassador to Washington Prince Turki said: "Our main interest is in stabilizing the situation in Iraq and maintaining the territorial integrity of Iraq. And it would be counter to our interest to have a continually disturbed Iraq, whether it is through sectarian or ethnic violence" (Scharff 2006).

26 After many failed attempts at mediation by regional stakeholders the King brokered a deal between Fatah and Hamas. It requires the Palestinians to pursue dialog and partnership instead of violence to deal with internal Palestinian disagreements.

27 "Rapprochement between Iran and Saudi Arabia", in *Süddeutsche Zeitung*, 5.3.2007, 8.

of the US President, may indicate that Saudi Arabia has been acting as mediator between the USA and Iran.<sup>28</sup>

Riyadh benefits from the US policy to support all pro-Western governments in the Middle East irrespective of how democratic or undemocratic their regimes are. Saudi Arabia has skillfully used this advantage to strengthen its position in the region. The state visit by US Secretary of State Rice in August 2007 showed that the USA was promoting an Arab-Israeli front against Iran (Chimelli 2007b: 4). Since then Washington has stopped criticizing Saudi Arabia for its autocratic form of government and started praising it as a moderate Islamic state. In order to contain Iran, Saudi Arabia receives new weapons worth roughly 20 billion USD. In return, it sent an ambassador to Baghdad and intends to respond to Washington's wishes and join the efforts to revive the Middle East peace process (Oetliker 2007).

The royal house's foreign policy after 9/11 should be seen in the context of Saudi relations with Washington. The Saudi royals tried to satisfy the Western partner by providing logistical support (which went almost unnoticed by the Saudi mass media) for the war in Iraq in 2003 and making an active contribution to containing Iran. The withdrawal of troops and diplomatic activity in the region reflect the interests of both the Saudi and American people. Offensive operations against terrorists and active participation in regional negotiations have made the Saudis welcome guests again in Washington and saved the regime from continued destabilizing criticism. Moreover, the US post-9/11 criticism of Riyadh is over, Saudi support in conflicts across the region is in demand. Thus the regime's explosive foreign policy situation has cooled down noticeably and can no longer threaten its stability. Having been tarnished by the terror attacks of September 11, 2001, the Saudis have taken this opportunity and successfully returned to the diplomatic arena.

## **4.2 Participation – The New Word in Town**

Since 2003 Saudi Arabia has shown more decisiveness in combating terrorism on its own soil. Security forces have exposed terrorist cells and weapons depots in various parts of the country. Along with the wave of arrests hundreds of preachers were dismissed, ostensibly for insufficient professional qualifications (Glosemeyer 2003: 1). As Minister of Interior Prince Nayef claimed, the security forces had thwarted 90% of planned attacks (Frefel 2006b: 5). In the middle of 2004 the Saudi security forces greatly reduced the probability of attacks when they killed Abd al-Aziz al-Muqrin, the "leader of al-Qaeda on the Arabian Peninsula" at the time (Lacroix 2005b).

Along with the counterterrorism efforts the regime initiated some of the reforms that the people had demanded in the 2003 petitions. One of the first steps towards reforms was the decision to establish the "National Dialogue" as a permanent institution. The first

28 "A Looming Rift: Riyadh and Teheran Are Seeking Peace between Sunnis and Shi'ites", in *Frankfurter Rundschau*, 5.3.2007.

National Dialogue meeting took place in Riyadh on July 15-18, 2003. Behind closed doors pro-government spiritual leaders, liberal-Islamist reform advocates, Shi'ites and liberal intellectuals discussed various reform proposals (Fürting 2005a: 276). The King Abdulaziz Center for National Dialogue was opened on August 3, 2003 to host the organization.

A total of six National Dialogue meetings have taken place since then. They debated such issues as extremism, rights and responsibilities of women, education, youth and perceptions of foreigners (King Abdulaziz Center for National Dialogue 2007). Among other things the National Dialogue recommended elections to the Consultative Council, legitimization of trade unions and other civil society organizations, separation of powers into legislative, executive and judiciary, revision of curricula, modernization of religious discourse, better opportunities for responsible expression of opinions, more rights for women and mandatory schooling for girls (Fürting 2005a: 276).

Having introduced the National Dialogue, the King institutionalized a forum for peaceful dialogue to engage as many social groups in the reform process as possible. The Forum for National Dialogue is also a strategic measure to channel social pressure and retain control over the content and pace of reforms at the same time. Because as the arrests of the reform proponents have demonstrated, the ruling family was less inclined to dialog whenever demands went beyond its ideas.

The National Dialogue meeting at the end of 2003 culminated in the royal house conceding to one of the reform demands and announcing elections to the municipal councils. An official proclamation on October 13, 2003 of elections to half of the municipal councils in the course of the next year set the process in motion (Glosemeyer/Perthes 2003: 7). However, nine months had gone by before the Minister of Municipal and Rural Affairs announced that the elections would take place in September, applicable regulations came out soon afterwards. An absence of any information about voter and candidate eligibility, electoral districts and women's right to vote had long cast doubts about the sincerity of the plans, a growing number of observers concluded that the announcement was merely a gesture to the US Administration (International Crisis Group 2004: 19). Skepticism grew when the elections were rescheduled from September 2004 to early 2005. In December 2004 it was disclosed that women would be denied the right to vote purportedly because there was not enough time for preparations, but male citizens 21 years of age and over could vote. The election of half of the members in the Kingdom's 178 municipal councils started on February 10, 2005 in Riyadh and proceeded in two (Eastern Province, March 3, and Hijaz from April 21) subsequent phases (Fürting 2005a: 285). Seats in municipal councils were heavily contested, for example, in Riyadh 640 candidates ran for 7 seats (Wilson 2005a). 87,000 people registered as voters in the capital, another 149,000 – in the surrounding communities. This may not look like a lot, given that there are some four to five million residents there, but half the population – the women – was not eligible. And almost 30% of the population could not participate because they are foreigners (Chimelli 2005: 1). But even on balance, the turnout was low, only 25 to 35% of eligible voters went to cast their ballots (Hamzawy 2006: 12).

The elections themselves had some odd features. There was no campaigning in the Western sense of the word. Advertising on the radio, television or in mosques was

forbidden. Newspaper advertisements were permitted, but no candidate was allowed to reveal his affiliation with any group (Chimelli 2005: 1). Only eight months after the vote did the government make public the procedures for these municipal parliaments and their authorities and rights. Two weeks later came the appointments to the second half of the seats, primarily notabilities selected because of certain qualifications (Gresh 2006: 6).

Islamist opposition representatives came out as incontestable winners.<sup>29</sup> For example, they won all seven seats in Riyadh (Kapiszewski 2006: 469). The losers justifiably accused them of having formed an Islamist alliance and of having used the religious establishment for propaganda and forbidden campaigning in mosques (MacFarquhar 2005). The two subsequent election phases produced identical results. Less surprising was that the Islamists clinched all the seats in Mecca and Medina. But even in Jeddah, the most liberal Saudi city all seven seats went to the candidates on the so-called "Golden List" of nominees favored by conservative religious leaders (Kapiszewski 2006: 469f). However, in other regions the elections finally delivered the long-awaited political participation for minorities. Thus for the first time in the history of Saudi Arabia a small fraction of the political power was given to the Shi'ites in the East of the country (Wilson 2005b).

Even though President Bush praised Saudi Arabia,<sup>30</sup> one should not forget that the elections did not constitute a breakthrough for democracy. The elected representatives have only regional influence and can be kept in check by the royal appointees if necessary (Nonneman 2006: 29). Nevertheless, large sections of the clergy and parts of the royal house opposed the elections on principle<sup>31</sup> because they considered elections in general to be un-Islamic (International Crisis Group 2004: 23). Neither the Qur'an nor Sunna provide for such forms of expression of will. The National Dialogue as well is seen as a superfluous undertaking because truth may be attained only through religious discourse. If the perfect instrument is available, why regress to an imperfect one (International Crisis Group 2004: 23)? This is why many of the religious conservatives welcomed Minister of Interior Nayef<sup>32</sup> who openly expressed his disapproval, saying "We can hold elections and rig them like other Arab nations" (Al-Ahmed/Shirreff 2004: 53-57) in a provocative statement in December 2003, two months after his half-brother Abdullah had announced the elections. The conservative and feared Nayef holds contrary views not only on the subject of reforms, Abdullah is confronted with opposition in the ranks of the al-Sauds on the issue of the generational change too.

29 Unfortunately the published election results do not show which electoral districts were captured by liberal Islamists, conservative Islamists or Salafi Jihadists.

30 "[T]he United States applauds the recently held elections in the Kingdom [of Saudi Arabia] [...] and looks for even wider participation in accordance with the Kingdom's reform program" (Prados/Blanchard 2006: 21).

31 The clergy's position is ambivalent. It criticizes elections but supports certain candidates when elections take place. A case in point is the "Golden List": instead of boycotting the elections, the clerics actively interfered to secure victory for the preferred candidates.

32 Prince Nayef even issued a ban on the word reform (Islah) in public debate, he prefers the notion of "development" (at-tanmiya) (Abou-Taam/Khalatbari 2006: 125).

Abdullah has a rather weak position in the family. He has no full brothers<sup>33</sup> and thus, in contrast to the Sudairi Seven, he does not enjoy automatic support from powerful elements in the family.<sup>34</sup> On the other hand, he is supported by influential sons of the former King Faisal, who allegedly have a tense relationship with the Sudairis. Faisal's sons are seen as religiously conservative and reform oriented at the same time,<sup>35</sup> and they profit from the continued high esteem in which their father is held.

The relationship between the King and his half-brother is full of mutual criticism, Nayef reproaches Abdullah for his overly liberal policies while the Minister of Interior aligns himself with the clergy. The two half-brothers and their respective camps argue, as to whether the power of the clergy should be restricted (Doran 2004).

Probably because of his fragile position in the family Abdullah chose not to resolve the issue of the generational change himself by appointing his Crown Prince. Almost unnoticed by the general public, he published a decree in October 2006 passing a law on establishment of the Allegiance Commission. Henceforth the Commission will deal with issues of hereditary succession in the Saud dynasty and secure the continuity of its rule in the foreseeable future (Flottau 2007: 20f).

Both the younger princes from the sons' circle and princes in the grandson generation are viewed as potential heirs. Muhammad (\*1950), the son of King Fahd, Khalid bin Sultan (\*1949), the governor of the Asir Province on the Red Sea and Foreign Minister Saud bin Faisal (\*1940) are treated as very promising candidates too. Succession by one of the younger sons, for example Salman (\*1938), the governor of Riyadh, is also possible. Prospects for the two former ambassadors to Washington, Bandar bin Sultan (\*1949) and Turki bin Faisal (\*1945) are not as bright.<sup>36</sup> Obviously, the young princes will have a hard time establishing themselves in the ruling house, because it is scarcely imaginable that the elder princes, including Minister of Interior Nayef, would be ready to abandon their own aspirations.

33 Abdullah is the eldest of the three children and the only son of the state founder Ibn Saud and his eighth wife, Fahda Bint Asi al-Shuraym (Flottau 2007: 21).

34 Abdullah's strength has two pillars. Firstly, he is very popular in Najd where he enjoys good relations with the tribes and a reputation for piety. Secondly, he controls a strong power base in his capacity as the National Guard commander since 1963, with somewhere between 35,000 to 45,000 people under arms, it is almost as large as the army and consists primarily of descendants from Bedouin tribes (Steinberg 2003: 11).

35 The Foreign Minister Saud Al-Faisal holds the view that Saudi Arabia "has reached a stage in [its] development that requires expanding political participation." Turki al-Faisal also emphasizes that "reforming the Kingdom is not a choice, it is a necessity" (Jones 2003).

36 Being a son of a Sudanese slave, Bandar would not be an acceptable heir to the throne, even if he had strengthened his position by marrying one of the daughters of the former King Faisal (Steinberg 2003: 13). Arguments against Turki include his possible contacts with Osama bin Laden, his sudden retirement from the office of the Director of Foreign Intelligence after September 11, 2001 and his equally sudden and unexplained departure from Washington.

As a result of the reform the domestic politics of Saudi Arabia have experienced a visible transformation. The declining number of attacks since 2005 proves that the tough stance against terrorism was successful.

The reforms propelled by Abdullah offer only a minimal response to the petitioners' demands. It is true that the National Dialogue debates only topics approved by the royal house, but the participation of Shi'ites and women in this discussion forum has created a new venue for discriminated groups to express their views. Although the elections may have had some strange features, they should still be valued as the first step towards liberalization; it may look small from the outside, but it has an enormous magnitude from the Saudi perspective. The ruling house has successfully used the elections and the discussion forum of the National Dialogue to demonstrate change to the public without surrendering even a single privilege of power. Thus the reforms serve to stabilize the regime in the context of domestic politics and distract the citizens from obvious participatory deficits by offering minimal liberalization.

The fact that the reform process came to a halt in 2005 could be seen as a sign of the reforms having been intended to stabilize the autocratic regime. Expanded political participation in the Consultative Council has not been forthcoming. The official explanation is the current foreign policy focus of the Saudi ruler. Abdullah had to interrupt the reform process so that he could stand up to Iran (Khoudry 2007: 7). A more realistic explanation would be that further reforms could jeopardize the stability of the autocratic regime because increased participation by the people could possibly force the monarch to surrender effective elements of political power.

### **4.3 Economic Problems Recognized, Danger Averted?**

Since 2003 the Saudi Arabian economy has been experiencing strong and sustained growth buoyed by oil prices. The rate was a substantial 5.3% in 2004, and it increased to 6.6% in 2005. This development is reflected in the national budget. While 2002 saw a budget deficit of 5.3 billion USD, the country has been running a budget surplus since 2003. The surplus amounted to 26.2 billion USD in 2004 and it grew to 57.1 billion in 2005. Since 2003 a significant proportion of the the surplus has been used to pay off the foreign debt (Länder und Märkte 2007). Abdullah is very much committed to reducing Saudi Arabia's foreign debt. It was he who saw to 60% of the surplus being directed towards paying back the debt (Länder und Märkte 2004).

The Saudi government will have to exert itself to develop the infrastructure and create new jobs at the pace the population is growing. Therefore the primary objective of reforms is to create jobs, stimulate the private sector, accelerate the necessary infrastructural investment and continue opening the country to the global market.

Thanks to large revenues from the oil industry Saudi Arabia can afford to expand its infrastructure. The labor market policy presents a bigger problem. Once it was recognized in 2005 that the first attempt at "Saudization" had not been successful, a new labor law was adopted on April 23, 2006. The objective is to increasingly replace foreign workers with Saudis. Businesses are required to bring their share of indigenous workforce up to



75%. A strict visa policy complements the program. The number of employment visas for foreigners will be dramatically reduced by 100,000 per year. The program met strong objections from both foreign and domestic businessmen. It is evident that the compulsory "Saudization" and tougher visa policy cannot remove the deficits in the education system (Länder und Märkte 2007).

But the new labor law has produced positive effects too. It strengthened the rights of foreign workers. Employers are required to have written contracts with them, pay for their relocation and provide them with vacation time. On the other hand, the law requires enterprises to conduct professional training in order to increase the share of indigenous labor. Moreover, women received the right to work in areas that "conform to their nature". They may not be required to work at night, they are entitled to maternity leave and (in larger companies with more than 50 people) day care for children or even kindergartens (100 and more employees). Implementation of these rules has been problematic: the religious police obstructs employment of women, occupational gender segregation has to be enforced, mobility remains an issue because women are not allowed to drive. Consequently women make up only 10.7% of the Saudi Arabian workforce, or approximately 4% of all people employed, even though there are more female than male university graduates. In reality, just as before their employment is limited to education, social services, healthcare and mass media.

Along with the labor law a comprehensive capital markets law was introduced. The state wants to partially transfer some of its economic power into private hands. Over the next ten years the government wants to divest state-owned enterprises and institutions with a total value of 800 billion USD (AMEInfo 2005). So far the privatization program has been slow. Key sectors such as the state oil company Aramco and the Saudi Arabian Basic Industries Corporation (SABIC), and the biggest bank in the country, the National Commercial Bank, remain predominantly state controlled (Länder und Märkte 2007).

Even though Saudi Arabia passed 40 laws in 2005 to increase its openness to trade and foreign investment, the influx of direct investment remains moderate by international standards with the exception of petrochemistry, telecommunications and gas production.<sup>37</sup> As in the past Saudi Arabian investors depend on assistance from Western experts (Nüsse 2006a).

The most important step on the way to economic reforms was certainly the accession to the World Trade Organization (WTO). Saudi Arabia became its 149th member on December 11, 2005. Twelve years had gone by since it applied in 1993. During this period of time the Saudi economy gradually adjusted itself to the rules of international trade,

<sup>37</sup> Deregulation in some areas is already very advanced, one case in point is competition in the vital telecommunications market. The Emirate-based Telecom Etisalat operates the second national cellphone network since 2006. Electrical power generation and water production are open to foreign businesses, new railroad routes will be leased to operators after competitive bidding. Foreign banks already operate in the Kingdom, the Deutsche Bank was the first Western financial institution to receive its license in late 2003, the IT industry will benefit from zero customs duties on computers, semiconductors and other IT products until the beginning of 2008 (Glosauer 2006).

thus the accession itself did not require any major changes. Customs tariffs were reduced, imports were simplified, investment regulations were improved, and copyright protection was strengthened. In the course of accession talks Saudi Arabia signed 38 bilateral trade agreements with its partners (the last and most important agreement was signed in September 2005 with the USA)<sup>38</sup>, along with customs union treaties with the Arab League and the Gulf Cooperation Council. In addition, it adopted 42 new commerce laws and created nine new regulatory authorities. To obtain approval for accession from all 148 member states, Saudi Arabia conducted 314 bilateral negotiations and produced 7,000 pages of documents in response to a total of 3,400 inquiries and requests for clarifications (Fürtig 2006: 5).

The concessions were sweeping and they will significantly change the Saudi Arabian business environment. While the Kingdom's market for trade in goods is relatively open except for a few restrictions and features low customs barriers, the services market in particular will be affected by the reforms. Under the terms of the accession agreement signed with the USA Riyadh committed itself to an average customs duty of 3.2% on industrial products. Tariffs will be reduced even more significantly on a number of other important groups of products. Within the service sector it will result in the opening of such areas as banking and insurance, media, telecommunications, energy, courier services and construction (Länder und Märkte 2005). On balance, Saudi Arabia negotiated well and secured the most important issues: dual gas pricing (the domestic price is lower than the export price) and religious bans on certain imports (alcohol, drugs, gambling machines and pork). Its right to "Saudization" was also fixed in writing (Länder und Märkte 2007).

The first success of the WTO accession was growth in foreign investments in Saudi Arabia. Total investment in 2006 went up to 18.3 billion USD, in any case a 51% increase compared to 2005 (Sagia 2007).

A short-term effect of the high oil prices since 2003 is that they helped overcome the financial and economic crisis. To afford the necessary investment in the future, Abdullah counts both on continuously growing profits from the oil business and intended long-term effects of reforms. 80 billion USD will be spent on boosting the production capacities. Aramco's daily oil production is scheduled to grow from the current 9 million barrels to 12.5 million.<sup>39</sup> But neither the larger revenues from the expanded production capacities, nor the rising oil prices could solve the long-term structural problems of the Saudi economy. The labor market reforms and privatization measures are the first steps towards stabilization and liberalization of the Saudi economy, but in order to stabilize

38 The USA tied their approval for accession to support in the war on terror and normalization of relations with Israel. Saudi Arabia was required to show its readiness to establish political relations with Israel and distance itself from the Arab League's boycott of Israel. Given this background, the parties arrived at the bilateral negotiations in early 2005 with so much baggage that these lasted for five months. The Saudi announcement that it would strictly follow WTO rules with respect to Israel must have certainly contributed to the successful outcome of the talks (Fürtig 2006: 6).

39 "An Eastern Mecca for Western Investors", in: *Handelszeitung*, 14.2.2007.

their power the potentates have to find alternative sources of revenue because the oil profits alone will not suffice to meet the growing needs of the people in the long run.

#### 4.4 Fewer Taboos in a Taboo-Ridden Society

It is difficult to assess how severe the social problems really are. There are neither detailed statistics nor a trade union movement, social sciences are in their infancy. But there is a trend towards growing transparency in Saudi society. A few years ago, and increasingly since Abdullah's accession to the throne on August 1, 2005, daily newspapers started to write regularly about social topics such as unemployment, poverty, prostitution and drugs. Even AIDS is no longer a taboo: leaflets with explanations about immune deficiencies were distributed from ambulances in Jiddah on the World AIDS Day on December 1, 2005 (Gresh 2006: 6).

Even subjects such as domestic violence are debated. The Saudi Association for Human Rights reports that 30% of the 5000 cases of abuse it was aware of were associated with violence against spouses – this may now also be reported in the press (Gresh 2006: 6). One has to recognize improvements in terms of media freedoms. One may report failures more openly and engage in broad discussions of reforms (Frefel 2006a).

Accompanying discussions about effects of censorship and tolerance of other religions and cultures took place at the February 2006 book fair in Riyadh. In addition, Abdullah authorized a controversial cultural program on the occasion of the fair which also included debates about media censorship and the effects of WTO accession on the Saudi culture. Moreover, the monarch established the first Ministry of Culture in the history of the conservative religious country (Nüsse 2006b). The three contentious areas of Saudi society (human rights, rights of women and education) still deserve criticism by western standards, but even in these areas the first positive changes are visible.

The Minister of Interior may dismiss accusations of human rights violations in Saudi Arabia as “unsubstantiated” (El-Gawhary 2003: 10), but human rights organizations regularly reveal cases of torture and severe corporal punishment. The first six months of 2005 saw a new record of 88 executions (Lau 2007: 3). Human rights organizations frequently report the use of torture and forced confessions by the police. Another criticism is the continued ban on practice of religions other than Islam and import of religious objects and publications. Reports also condemn the lack of equality for women and foreigners (Steinberg 2003: 48). However, the first but slow steps towards openness should still be recognized as positive signs. The UN Human Rights Commission rapporteur made his first visit to the Saudi capital in October 2002. Moreover, a delegation from Human Rights Watch arrived in January 2003 for talks with different ministers. In February 2004 and October 2005 Human Rights Watch was even granted access to Saudi prisons (Kapiszewski 2006: 471). The first Saudi human rights organization was established in spring 2003 (Kechichian 2003: 111). Even though there still is no substantial progress, these visits should be seen as a positive gesture by the Saudi government. There has also been visible progress on women's rights.

For the first time in history Saudi women received personal identity cards in November 2001, "to combat fraud and forgery" (Kechichian 2004: 48), as Minister of Interior Nayef said. But even this was subject to restrictions: female applicants were required to show a written letter of consent from their guardians and employers, if applicable, and because of severe resistance from conservative circles the government emphasized that the IDs would not be introduced universally. The first time women publicly participated in the Jiddah Economic Forum was in 2002; they were separated from their male colleagues by only a partition wall. Now they also play an advisory role in the Consultative Council in gender-specific discussions such as large dowries (Steinberg 2003: 50). Women even have two permanent seats in the Consultative Council since 2004, and Foreign Minister Saud announced that his ministry would employ women (Zuhur 2005: 34). Women have also been granted enhanced political rights. As for the elections, Prince Turki bin Faisal promised that "women will vote the next time" (Chimelli 2005: 1).

By now women constitute a majority of students in the Kingdom, demonstrating better average performance than their male counterparts. Women also control up to 25% of private equity in Saudi Arabia, as they enjoy limited inheritance rights and may file for financial support in case of divorce (Steinberg 2003: 50).

The clergy has been very suspicious of these limited steps towards emancipation. In mosques, conservative clerics distributed pamphlets against fundamental rights of women (El-Gawhary 2005: 4).

Women achieved a major breakthrough after a tragic accident in a girls' school in Mecca. 15 girls died in a fire at a school. Witnesses reported in the Saudi press that the religious police had prevented girls from leaving the blazing building because the panicking girls forgot to put on their abayas, i.e. black robes worn with equally black scarfs and veils. Emergency exits were locked and the religious police controlled all other exits. Moreover, there were 800 girls at a school designed for 250. There were neither smoke detectors nor emergency exits (Gresh 2002: 14f).

The royal house responded a few hours later: As proposed by Crown Prince Abdullah, King Fahd transferred the General Presidency for Girls' Education to the Ministry of Education and dismissed its head (SAIS Review 2002: 207). Thus he took the authority over girls' education away from an institution dominated by the Council of Senior Islamic Scholars.

In general, the government has also attempted to reform the educational system. The Ministry of Education took some measures between 2002 and 2005 to remove extremist ideas from the curriculum and strike a balance between religious and non-religious subjects. Statements against Shi'ites and non-Muslims were deleted in 2002 and replaced with passages promoting respect for foreign cultures and religions. Non-religious curricula for girls and boys were harmonized in 2003 and 2004. Moreover, the liberal Minister of Education Muhammad al-Rashid spoke out in 2004 in favor of introducing English in elementary schools.

The Wahhabi clergy adamantly rejected all these measures. The common curriculum for both sexes and additional hours for non-religious subjects in particular galled them.

156 Wahhabi scholars effectively halted further reforms when they filed a petition against education reforms in early 2004. In 2005 the clergy succeeded in ousting the liberal Minister of Education on the basis of libelous charges and replaced him with an ultraconservative, Abdullah Salih-al Ubaid (Hamzawy 2006: 14).

The ongoing battle between the traditionalists and modernizers puts the brakes on the process of social liberalization. The two blocks quarrel over such subjects as excessively cruel forms of punishment, women's rights and education. Despite some positive developments, the strong influence of the Wahhabi clergy on the social structure obstructs the nascent liberalization of Saudi society. The diverging views of the traditionalists and modernizers on the Saudi society will continue to cause friction in the future. The fundamental feature of Saudi society is the dichotomy between technological modernity and conservative religious values – it eludes control by the ruling house and presents the biggest threat to stability.

## 5. Conclusion

In conclusion it would be worthwhile reflecting upon the significance and implications of the Saudi reform process for the ruling elite, citizenry and the West.

From the point of view of the ruling house, the reforms were to be used primarily to stabilize the regime. The external pressure after September 11 and the 2003/2004 petitions required urgent responses from the Royal Family. The objective was to preserve the absolute al-Saud monarchy and prevent both a potential regime change from the outside and an internal coup d'état. The rulers saw an opportunity in minimal concessions to the demands from both parties. In other words, the royal house did not want to “democratize Saudi Arabia from the top” (Lüders 2007: 9), as it was erroneously portrayed in the West. On the contrary, it allowed as little change as was required to meet the minimum demands both from within the country and from the outside. Consequently, King Abdullah is no democratic reformer, but an autocratic modernizer. He is not interested in structural reforms that could result in redistribution of power. His partial liberalization tactics have essentially served to stabilize the power of his family and preserve the regime.

As the explosive nature of reform “triggers” illustrates, the regime was a lot weaker before than after the reforms. The analysis has shown that the slowly paced liberalization of politics, economy and society has so far produced no threat to the stability of the Royal Family's power. In this sense King Abdullah has for now achieved his objective of stabilization.

Regardless of this, the reforms brought tremendous changes for the people. Even though only small portions of the demands in the petitions were implemented, these minor political reforms culminating in the first-ever local elections in 2005 made a tangible impact on the Saudi population. For the first time since the founding of the state the male citizens at least were allowed to cast their ballots and elect someone to represent their interests. This is a major development for Saudi society, which has received virtually

no rights since 1932. The same applies to the National Dialogue Forum as the first institutionalized form of expression of opinion, to enhanced freedoms of media, improvements in education and efforts to create new jobs. On this basis, the O'Donnell and Schmitter democratization model (1986) points to a liberalization of the Saudi regime. However, in contrast to the model's assumptions, democratization will not rapidly follow liberalization. As far as the people are concerned, it does not reduce the significance of these steps.

Western observers see the policies of the autocratic desert kingdom since 2001 as proof of its potential for transformation in small steps. These responses have demonstrated that the country could be induced to a slow transformation if external and internal pressures for reform were more destabilizing than the reforms themselves. But politicians in the West should always keep in mind the following three scenarios for the future.

Scenario 1: The power of the ruling family erodes and a power vacuum emerges. If a fraternal war, a rising radical group or invasion by a foreign power destroys the power of the Royal Family, Saudi Arabia could lose its stability. As the experience of Afghanistan and Iraq demonstrate, the collapse of an autocratic government may turn Saudi Arabia into a "failed state". If the al-Sauds were ousted, large portions of the country could become "ungoverned territories". Another concern is that no opposition group is strong enough to take full control over the government. If the Royal Family lost its power, Islamic opposition groups would struggle for power, which could lead to a civil war.

Scenario 2: The conservative parts of the Royal Family will prevail in the struggle for succession. Since both the King and his Crown Prince are octogenarian, the near future will show what parts of the family win the battle for the throne. If Minister of Interior Nayef or one of his allies acceded to the throne, he would pursue a tougher Wahhabi-motivated policy. As the conservatives in the family adamantly criticize both the petitions and the resulting elections, along with the embryonic liberalization, one should not expect them to continue opening up the regime. The clergy would increase their influence over women's rights and education and reverse the recently completed positive changes.

Scenario 3: The modernizers in the Royal Family will prevail in the struggle for succession. King Abdullah exerts every effort to direct the generational change within the family in favor of the modernizers. Should he succeed, it would be safe to assume that the earlier achievements would be preserved and even extended. Voting rights for women, new opportunities for non-religious education, extended media freedoms, new visits from human rights organizations would be possible, if this King and his future heir could continue promoting modernization in Saudi Arabia. Only if the moderate parts of the Royal Family could prevail in the power struggle, would the West be able to proactively advocate elections to the Consultative Council. Only a progressive monarch would let the Consultative Council first expand its parliamentary function and possibly later acquire legislative authority. In contrast to Saudi Arabia, other, smaller monarchies in the Gulf region have already taken this step. Oman has regular elections to the Consultative Assembly, Kuwait has had a partially elected parliament with extensive law-making powers since 1963 and Bahrain granted its citizens limited participation in the legislative process in a two chamber system. None of these states may be a democracy, but it is

obvious that these small monarchies allow their citizens more participation than Saudi Arabia does.

As these scenarios demonstrate, the West should support the moderate elements within the Royal Family without jeopardizing the country's stability in the process. Along with verbal pressure for reforms, modernization and liberalization, contacts between the societies under the motto "changes through exchanges" should be used to offer incentives to open up the opaque structures. This is the only way to pursue liberalization without creating a new Iraq. In any case, until further notice democracy will have to stay off of the agenda.

## 6. Bibliography

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