

SAUDI ARABIA AT A CROSSROADS JANUARY 30, 2004

On January 30, four CSIS scholars who traveled together in a delegation to Saudi Arabia in December held a public session to discuss the findings of their trip. A transcript of that session follows:

INTRODUCTION

ALTERMAN: Our goal on this trip was to talk in a serious way with Saudis about what's going on, what people in Washington should know, and in some cases, they wanted to know what people in Washington were thinking.

We all come to this with a different expertise. Tony Cordesman on my far right, on your left, is known to all of you as one of the preeminent experts on security, defense and strategy issues in the Middle East. He holds the Arleigh Burke chair in strategy here at CSIS. Bob Ebel, to my immediate right, is the chair of the Energy program at CSIS and a longtime expert on energy issues throughout the world. And to my left, Dan Benjamin, former director on the NSC for counter-terrorism and the author of – is it a best-selling book?

BENJAMIN: According to the publisher.

ALTERMAN: Excellent. According to the publisher, a best-selling book called *The Age of Sacred Terror*, also available as a book on tape.

So we all came to this with a different background, different sets of questions, and I think all came away enriched in different ways by the experience. What we'd like to do is to have each of us tell you a little bit about our conclusions—our take from the trip—and then relatively swiftly, to open up to questions and begin a more interactive process as we continue with this briefing. We'll start with Tony Cordesman and move on from there. Tony?

STRATEGIC CONSIDERATIONS

CORDESMAN: We could not be in Saudi Arabia without understanding that the threat of terrorism is now a common threat to both the U.S. and Saudi Arabia, and that Saudi Arabia has had to react to this threat on a very different level than it did after 9/11. I'll leave the details of that up to Dan – it's his area of expertise – but I think it is also clear that the level of cooperation has not only improved but needs to improve further and steadily over time.

The point that doesn't change is the level of dependence we have on Gulf and Saudi oil and the dependence the kingdom has on its oil exports. Again, Bob will be dealing with that, but I was struck by the fact that in its latest estimates, the Department of Energy estimates that Saudi Arabia must increase its production capacity by about 140% between now

and 2025. It is talking about Gulf exports more than doubling over that same period, and that is to meet the needs of the world economy, and we are as dependent on the global economy as we are on direct imports.

It's also interesting that in the latest edition of the annual energy outlook issued by the Department of Energy which reflects the impact of the debate over the energy bill and after years of Bush energy policy, estimates that our dependence on imports is now projected to be 4% higher in 2010 than it was in last year's projections.

We have a common interest in internal stability, and very briefly, I think, internal stability can be measured in a lot of different ways. One is demographics. Saudi Arabia was a country of six million people in 1970 – probably around nine million the first time I visited. It's about 22 million today. At current birthrates, it would be much higher than the figures I'll quote, but with declining birthrates it will be around 31 million in 2010 – 42 million in 2020 and 55 million in 2030. And the number of young men and women who enter the labor force will double between now and 2025. But among native Saudi males unemployment is officially around 12% among Saudi males, and in practice about 25%. One must remember that today there are more women graduating from university and secondary school in Saudi Arabia than men.

This gives all of us a common interest in political reform, and we saw some signs of that political reform, and it has been a continuing process, although there is certainly a great deal more to be done. Political reform is only part of the story, however. There are social reform issues as well and I'll leave those up to Jon. And there is the need to address the issue of Islamic extremism. Again, something where dialogue is needed and where we need changes in how we approach the issue. The kingdom has to change its approach both internally and externally.

My area of expertise is cooperation and security, and several things are now clear. One, our invasion of Iraq has not brought stability either in the short or long term to the region.

Second, while we have changed our military presence in Saudi Arabia, it does not mean that we have left Saudi Arabia in any real sense. Saudi Arabia has about 5,000 U.S. armored vehicles in its inventory, 200 of its most advanced combat aircraft are U.S. Saudi Arabia cannot support them and cannot train to deal with them without our aid. And Saudi Arabia has imported another \$7.7 billion worth of arms since 1995 from the United States. And the deliveries of those arms will spread out over the next 10 years.

We have to cooperate in information campaigns and in dealing with the media if we are to understand each other better. We found a climate of anger at the U.S. and a level of

misunderstanding of the U.S. very similar to the climate of anger and misunderstanding in the U.S., relating to Saudi Arabia.

I have no idea how the Arab-Israeli peace process will work out. But I think it is very important that Saudi Arabia continue its efforts, and that we try to find a way to deal with our different entries and produce a peace process.

I have to say when I first heard the phrase “clash of civilizations,” I thought it was inherently ridiculous, that what it described were problems within civilizations which spread out and impacted on the West because of these tensions. But the great fear I have, as a result of this trip, and what has happened since 9/11, is that Bin Laden may actually succeed in provoking something approaching a “clash of civilizations,” simply because the anger and misunderstanding on both sides can hand him a victory which he could never otherwise achieve. And that to me, that is perhaps the most important single reason why we need to reforge our relations. Jon.

REFORM AND POLITICAL CHANGE

ALTERMAN: Thank you very much, Tony. It seemed to me, as somebody who had looked at Saudi Arabia academically for some time, that one of the things that’s happened in Saudi Arabia in the last few years is a historic shift in where the threats to Saudi Arabia come from. The traditional threats to Saudi Arabia are external threats, and there are any number of books in any number of libraries that talk about the search for security, the search for stability, and they all refer to Saudi Arabia looking to its borders – to outside its borders – and to its neighbors.

One of the things that’s very clear now is that most Saudis consider the real threat, the existential threat to governments in the kingdom, not to come from outside, but to come from inside. And it’s a series of internal problems which the government has to be most concerned about, not that it can ignore the external threats, but that the external threats have become less important than the internal ones.

The nature of the internal problems, it seems to me, fall along three basic axes. One is the problem of governance. The government of Saudi Arabia has been led by the royal family since the 1920s, using a pattern of governance that developed in the early stages of the kingdom when the population was much less, when communications were different, and when Saudis didn’t travel as much and weren’t as exposed to other kinds of ideas. They also were – it’s a pattern of governance that developed at a time when living conditions in the kingdom were getting better and better, so people had better life expectancies, people were more literate, people’s incomes went up. And I’ve met any number of Saudis, as I’m sure many of you have, who talk about growing up in mud huts and now living in marble houses or apartments. The way governance worked, I think, many Saudis say is not the way governance can work going into the future and that has to be re-examined.

The second set of problems is economic and demographic problems. As Tony suggested, the number of young Saudis coming into the market who simply can’t find jobs, can’t find appropriate jobs. People who have jobs that are basically no-show jobs. They can’t find meaningful work and that means that they can’t imbed in society in the way that normal people – or I’m sure, the way that most young people - imbed in society. You’re either in school, or you have a job, and you have a family, and that transition is becoming increasingly difficult for

Saudi – Saudi young people.

And the third issue is an issue of identity. Saudi Arabia has traditionally been a somewhat insular place which was able to define its environment and define the environment in which Saudis live. And technology, and communications technology more specifically, mean that that’s contested in a way it hasn’t been contested for Saudis before. And Saudis are increasingly forced to define what their lives were like and what Saudi Arabia is like in a global context instead of merely in a Saudi context. And that’s a process that’s oftentimes a little bit bumpy.

The response of the government to these challenges and to a rise in terrorist activities directed against the government in the last few years has been, it seems to me, also in three parts. One is the coercive component. The government has stepped up its use of law enforcement. It’s stepped up its cooperation on law enforcement intelligence with the United States. It’s stepped up its counterterrorism work with the United States, with foreign governments, and also internally.

It’s embarking on a wide series of reforms, partly educational reforms. Looking at the curriculum once again, looking at issues of tolerance in the curriculum, looking at trying to move away from patterns of rote memorization and emphasis on rote memorization in schools and moving toward reasoning skills. And toward a process of religious reform, of going through, of – quite frankly, increasing government control over the messages that are transmitted through religious channels, and cracking down on those whom the government believes to be outside of the proper religious tradition.

And finally, a process, which I think – and this is not in a derogatory way – a process of co-optation, partly through economic reform, through improving economic opportunities for young people, and also for older people, as well. Partly a process of political reform, and the government’s made any number of announcements about increasing the amount of electoral input that people will have, and adopting a process of frankness and dialogue that has previously not been a tradition in Saudi Arabia.

One of the striking things when you talk to Saudis, especially in the period after May 12th of last year, when there were the three related terrorist bombings in Riyadh, is the amount of self-criticism that’s present in Saudi Arabia now is completely unprecedented in the kingdom. And there is a process of people making suggestion, being frank, and confronting each other in a way that would have been – it’s not only unprecedented but would have been unthinkable in the not so distant past.

I think it’s important though that when we talk about dialogue in the Saudi context, and we look at the Saudi process of dialogue, it’s a very impressive process in many ways, and it has very serious sponsorship. We met with some people at the dialogue center that Conference Abdullah has set up in Riyadh. They’ve had some very important conferences, and will continue to, including one coming up on the role of women.

But it seems to me that this process of dialogue in Saudi Arabia is not an American style process of dialogue. We often think of a process of dialogue as helping to identify truths, and we see the process as having a utility of its own. I think in many ways the dialogue process that’s going on in Saudi Arabia is meant to validate a known truth.

We tend to be relativists. We say well you can't really know what's right, so we'll just try to get all the ideas out there. We'll try to figure out what the best answer is. And I think many Saudis are going into this process saying, we know where we're trying to get to, and the dialogue is going to be a part of that rather than help identify where the goals are.

That means, I think, that what we can expect from it in the near and intermediate term is not that Saudi Arabia is going to become the kind of tolerant place that not only Americans hope for, but Americans identify with being a place that's completely free, but it will be a place that is tolerant by Saudi standards. A place that has more dialogue and discourse by Saudi standards, but I'm not sure that Saudis – that many Saudis – some Saudis clearly are, but that many Saudis are ready to say there are no things that are out of bounds. We'll just open the dialogue and see where it goes.

There's no question in my mind that these processes of dialogue could lead to what I would call negative instability. And if the government of Saudi Arabia were to suffer a sharp change, I think one of the real possibilities is that what would follow would not be something that's more tolerant, but something that's less tolerant.

It struck me from our discussions with Saudis – and we had a wide range, with a wide range of Saudis – was that the key challenge is to define our roles better. Some Saudis basically want the U.S. to do it for them. They say come in, you're the ones who have a wiring diagram, you understand how the government works. Give the royal family a list of tasks and a list of dates and make them do it. In many ways they want us to be better monarchs. We have to be firm, wise and fair. I think we would like – the U.S. government, in many cases – would like the Saudis to be better democrats. We want them to be creative and entrepreneurial.

Ultimately, it's this process of figuring out our roles which is going to be the real challenge. How do we figure out as Americans what we can do to contribute to positive change? How can Saudis both figure out how to use the American role and how to create roles for themselves to move toward the kind of place they're trying to go to. Ultimately, defining where they're going is a Saudi challenge, it's not an American challenge. But as Tony suggested, it's a challenge which has dramatic effects on American security and American interest in the Middle East. I'd like to now turn to Dan, who will talk more narrowly about some of the security and terrorism cooperation issues.

COUNTERTERRORISM

BENJAMIN: We had very good access when we were in the kingdom to people who were involved with counterterrorism issues, both narrowly and more broadly defined, and I think that that was indicative of the extent to which the Saudi government recognizes that it has a very difficult set of issues on its plate, and a need to broaden its own dialogue with the United States, and to find interlocutors who can talk about these things in ways that might reduce the temperature and the tensions that Tony has alluded to.

I was impressed with the candor that we had from many of our hosts, and especially from those who were closest to the counterterrorism action. It seems clear to me that the Saudis are using the bombings of May 12th and November 9th as a pivot to turn their country around and to mobilize public opinion into the struggle against Al Qaeda, and also more broadly

against extremism within the kingdom. And I added the latter part because I think it is pretty evident that some of the people who have been either wrapped up or who were involved in earlier attacks cannot be really accurately described as being integral parts of Al Qaeda, but perhaps fellow travelers or people who have some sympathy with the Al Qaeda ideology without having had direct experience of the Afghan camps or being integral parts of the network. And in that sense I think the Saudis are using the counterterrorism effort as part of their larger campaign against extremism.

Now, it's often said that May was Saudi Arabia's 9/11, that the bombings that occurred then were their epiphany. And I think that that is a little misleading. I think that the royal family and many of the technocrats in the government understood that they had a very dangerous opponent on their hands. But as we know from anecdotal accounts after 9/11, and at least one poll, the popularity of Al Qaeda within the kingdom was held to be very, very high. These attacks gave them an opportunity to turn the debate and to turn on this very dangerous group in a way that they did not have before.

Let me just say that there have been many, many raids. There have been quite a number of arrests and a number of militants have been killed. I think the Saudis have – although they knew they had a problem on their hands of significant dimensions, and I would say they have known that since the late 1990s, they, I think, are still surprised by the kinds of weaponry that they have found in the – in these take downs, including such devices as RPGs. And I think this has further motivated them.

Just as a little bit of background, it's often said that the Saudis have not been cooperative in counterterrorism efforts across the board, and I think that this needs to be disputed and a better picture needs to be delivered. The Saudis actually were good partners in the war on terror before 9/11, but their efforts were primarily concentrated on helping us with terrorism abroad, that is to say outside of the kingdom. They had a hesitance that is quite traditional in Saudi Arabia about letting the U.S. get involved in domestic affairs and were not particularly forthcoming in that regard. That has changed dramatically. That is clear, both from what we were told, but also from the remarks of the U.S. counterterrorism officials and diplomats who are intimately aware of the situation, and that is all for the good. I think that they recognize that the future of the bilateral relationship depends in large measure on that candor, on that transparency, and on that cooperation.

I should add that the regime is taking important steps, not only on tactical counterterrorism, in terms of finding terrorists themselves or their support networks and arresting them, but it's also taking important steps to legitimate the ideology, and this is a very important initiative on their part. Some of the key events include the arrest of three leading radical clerics after the May bombings. These are men named al-Khodeir, Nasser Bin Hamad, and al-Khalidi, and they have appeared on Saudi television and issued recantations of their radical statements of the past.

Now, none of us expect this to make any difference to hardcore jihadists themselves, but this is viewed as being very important for those people, especially young people, who are susceptible to the ideology. And this is – this is really something that we should take seriously and not look upon simply as a coerced recantation.

They are also using increasingly the family as the early warning system for dealing with radicalism, and they are publicly

discussing the need for families to keep an eye on their children, to make sure that if any of the signs of increasing radicalism are detected that they seek help. This might have to do with fighting with the father in the family, with destroying TVs or radios, and tearing up ID cards, are some of the different symptoms that have been described.

Additionally, they have, I think, a fairly good idea of how much of this de-legitimation needs to be carried on by the ulama, by the clerics. This is an area in which it's much harder to get a clear sense of what is going on. One has the impression that the senior ulama understand just what a threat Al Qaeda and its antinomian theology – what a threat it raises for the clerical establishment. Below that level it's harder to know. That's one of the big problems we face.

I don't want to go on too long but let me just say, that although we do have that kind of cooperation in what counterterrorism people might call the cops and robbers aspect of the business, the story on the broader issues of exporting radicalism and of terrorist financing through charities is a bit more murky. There have certainly been important steps forward: the freezing of the assets of four branches of the charity Al-Haramain is a very good step and the – and a number of the different legal actions that the government has taken to stop the overseas activities of charity is also good, but the critics who have pointed to the toothlessness of some of the agencies involved, they have a case. And I was just reading Matt Levitt's very good article in the Weekly Standard.

I think we need to understand or we need to look at this in the light that Tony has suggested, which is that we have very, very deep interests in stability in the kingdom, and that while no one should ever make an excuse for the financing of terrorism, the legitimacy of the royal family is staked to its propagation of Wahabi Islam. These are enormous charities. They are very difficult to control. There are a lot of rotten veins in them, and it's going to take a long time to get a handle on that. We need to encourage and we need to maintain the pressure but we shouldn't go at this in a way that's going to destroy our own relationship.

And let me just say in closing that while the candor we received was very good and the discussions we had was very good, the thing that bothers me most about assessing what's going on in Saudi Arabia, and where the future will take us, is that we just know very little about what is going on beneath the surface. Understanding or gauging how deep the inroads of jihadist ideology are, how far they've gone, is an enormous problem. We do not have the kind of access in many Arab countries, but particularly in Saudi Arabia – really in Saudi Arabia above all – we just don't know enough about public opinion, and this is going to be a major problem for us as we go forward.

ALTERMAN: Bob?

ENERGY

EBEL: Thank you. Let me begin by noting that the accepted growing dependence that we have in this country on imported oil, and the need to assure that this oil will be available in volumes required, has led to U.S. strategic energy interests being viewed quite differently outside the United States than what we, perhaps, perceive them at home.

There's no secret of our dependence on foreign oil. In 1983, 20 years ago, just 28.5% of the oil that we refined in our refineries came from abroad. Last year almost 63% of the oil

handled in our refineries came from abroad.

So while our administration and the politicians in Congress may worry about this dependency and seek to reduce it, what about the American public? Do you lay awake at night because much of the oil we consume comes from abroad, from nations whose national interests may not, and probably do not, coincide with ours? Of course not. The American consumer had just two concerns: price and availability. Where the oil comes from that he consumes does not make any difference. The price and availability do and these two factors make up the consumer definition of security of supply. And I suspect that consumers everywhere around the world are no different.

The foreign view of U.S. strategic interests is one of using military force to lock up the oil we need. And this view also springs from the conviction, at least held by some, that a peaking of world oil production is not far away, at least in relative terms, to be followed by a slow but steady decline.

The release earlier this month of a letter written in 1973 by the then British ambassador to Washington, and based on a conversation that he had had with James Schlesinger, who was then our Secretary of Defense, can only give additional sustenance to those who see a clear linkage between U.S. military and oil policies. That letter, in effect, let the British intelligence to believe that the U.S. was prepared to use force to seize the Middle East oil fields, read: Saudi Arabia. Should circumstances rise again that might jeopardize the timely and adequate flow of oil out of Saudi Arabia, I think, undoubtedly, there are individuals in Washington who would come to the same conclusion that Secretary Schlesinger came 30 years ago.

I'm not too worried right now about oil peaking. We've been there before. If you recall, the President of the United States, Jimmy Carter, going on national television some 26 years ago, in which he defined as unpleasant talk about the problem that is unprecedented in our history. He made several points in his presentation. He noted that oil and natural gas that we rely on for 75% of our energy simply running out. And remember, this is 26 years ago. "Each new inventory of world oil reserves has been more disturbing than the past. World oil production can probably keep going up for another six to eight years, but sometime in the 1980s it can't go up anymore. Demand will overtake production. We have no choice about that."

What stood behind this assessment? What were his advisors looking at when this message was being put together? One document in particular did stand out. In the latter 1970s, we had bought into the belief that the Soviet Union would soon be running out of oil. But that document by itself would not have warranted a Presidential address to the nation.

I poked around in my files the other day and I found an interesting report that had been prepared by a sub-committee of a U.S. Senate committee on foreign relations, and this is the summary of that statement. "Based up on information collected by the committee staff over the past year, it seems evident that the United States should not base its energy plans on the premise that Saudi Arabia, as residual supplier, will produce enough oil to supply the needs of the United States or the world economy over the next two decades at the anticipated rates of consumption," and the date of the report was April, 1979.

It's probable that the Senate staff had passed onto the White House at least their preliminary evaluation of the Saudi oil

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sector, and that evaluation, together with the CIA judgment that the Saudi oil industry was in dire trouble, helped convince President Carter to take to the air. However, though, I think, what really caused him to go on the air was the classified report that had been put together by CIA on problems that the Saudi oil fields – that there were problems at the Saudi oil fields -and that probably made the case. But you know, the passing of time proved President Carter to be wrong, CIA to be wrong, the Senate committee to be wrong, and now we have the opportunity to be wrong once again.

We no longer ask ourselves, will Russia be running out of oil? We ask ourselves, can their growth in the production of exports continue? For Saudi Arabia it's very back to the future. Questions are being raised again about Saudi oil production. Are the major oil fields in decline? Might we expect Saudi oil to peak anytime soon?

This time, though, the warning is not coming from the U.S. government or from a congressional committee. It's coming from a respected U.S. investment banker by the name of Matt Simmons, who has concluded, after a detailed review of technical papers, many of which had been authored by Saudi ARAMCO geologists and engineers, that Saudi Arabia has likely already peaked in its sustainable oil production. He's not an oil reservoir engineer, he recognizes that. He has sent his draft out for review by people who do have the technical competence. I've not seen any of those reviews yet. I'm not a reservoir engineer. I've seen the draft of his new book. I can't say he's right or that he's wrong.

We don't need to dwell on the importance of Saudi oil to the United States or to the world oil market. Saudi Arabia is, has been, and probably will continue to be leading crude oil supplier to our market, although the number one oil supplier to the United States, if we include both crude oil and petroleum products is Canada, our neighbor to the North.

Whoever might replace Saudi Arabia in terms of production, exports, and most importantly, spare producing capacity? Not Russia. It's unlikely to ever deliberately develop any spare producing capacity. But Iraq could replace Saudi Arabia, at least in the minds of the Iraqis that I have met with. If they put together a broad, successful exploration and development program, if they raise the depletion rates at the fields say, up to 4% to 5%, then in their judgment, they could take Iraqi oil production to as much as 12 million barrels of oil a day. Not this decade, and certainly not without foreign investment. But would they develop spare producing capacity? Doubtful.

Today's Saudi Arabia has a spare producing capacity on the order of a million and a half barrels of oil a day. That spare producing capacity is just as important as its position as an oil exporter, even more so in times of oil supply disruptions. Saudi – let's take the example of when we militarily intervened in Iraq and Saudi – and Iraqi oil came off the market. Saudi officials came to the U.S. and said, look, you're going to intervene in Iraq, Iraqi oil's going to come off the market, we will put our spare producing capacity to work and then you don't need to tap into your Strategic Petroleum Reserve. They did and we didn't.

The message to me, at least, is very clear. There is no substitute for Saudi Arabian oil. Not today, not tomorrow. No oil exporting country has the financial means to invest in the development of spare producing capacity and then hold that capacity for the time, whenever that time might be, for its use as a political or market tool.

Today all OPEC member companies are producing at or very near their production capacity. At the same time, OPEC is losing market shares to non-OPEC-member countries. How long can that last? OPEC is being very patient, recognizing that the oil future will be defined, not by current production levels, but rather by reserves in the ground. And if you accept that reasoning then, then the next decade will belong to OPEC.

I would note, just if you want to put in your calendar, on the 24th of February, we're going to have Matt Simmons here to talk about his book, and on the 27th of April we'll have the oil minister of Saudi Arabia here for a presentation.

QUESTION AND ANSWER

ALTERMAN: Thank you very much, Bob, Tony and Dan. Now we'd like to open the floor up to questions. There are three rules. The first rule is you have to identify yourself by name and organization. Second rule is you're allowed one question apiece. And the third rule is your question must be in the form of a question. (laughter) We had to be with each other on this trip, you don't have the privilege of making speeches, only we do, unless you want to travel with us, which I don't think you do. (laughter) And we have microphones, so if you just wait for a microphone. Thank you.

POLITICAL CHANGE

EREKAT: Thank you, my question is to Tony Cordesman. You suggested that the Saudis want the U.S. to go on –

ALTERMAN: I'm sorry, could you start by identifying yourself.

EREKAT: My name is Said Erekat from Al Quds newspaper. Again, to Tony Cordesman, you suggested that the Saudis want the U.S. to go in and make them better monarchs, we want them to be better democrats. There are others in this town who are calling for the breakup of Saudi Arabia, actually to threaten that the U.S. will recognize a Shiite state and the Eastern thing. After all, if this was a company that has failed, let's say, at diversifying its economy and so on, there would be a hostile takeover. So what do you think, between these two options, where – and what should happen – or what will happen over the next decade or so in U.S.-Saudi relations. Thank you.

CORDESMAN: These are not the options I presented. When I talked about political reform, I did not specify what the role of the monarchy would be relative to the Majlis as-Shura and to elected officials. This is an issue which Saudi Arabia is going to have to work out over time. Whether it moves towards something approaching a constitutional monarchy in the Western sense is a question which ultimately is going to be up to Saudi reformers and not to Americans. The idea of added pluralism, of a more representative government, of a government that meets the needs of its people is certainly, one that the lessons of history indicate at one way or another the Saudi monarchy is going to have to deal with.

I'm always very leery, however, about the careless use of the word democracy. We don't live in one, we live in a representative government where the first 10 Amendments to the Constitution of the United States are probably the most antidemocratic legislation ever passed. They protect the individual at the expense of the majority, and nothing could be

more antidemocratic than human rights. This is not a semantic quibble or casual point. We often see voting somehow as pluralism, and we forget the rule of law, and we forget the need to protect the individual, which are to us as critical as is the existence of representative government and checks and balances on democracy.

How the Saudis work this out is something that in many ways is up to them. But the need to work it out is something which we can certainly encourage. And though Saudi reformers who move forward to that pluralism, to a more representative government, towards human rights, towards a rule of law which is more fixed and equitable. All of these things are pressures which I think the United States can and should support.

Still, as Jon pointed out, the idea that Saudi Arabia should be a mirror image of the United States is to me one which has no practical meaning. It is no more likely or necessary than that France should be a mirror image of the United States.

And in terms of the economic issues and the demographic issues, let me note there are arguably 23 countries in the Middle East – depending on who wants to be in the Middle East at any given time. Not one of them, at this point, is dealing with economic reform on a successful enough basis to say that it is moving toward self-sustained diversification.

The problem of demographics, serious as it is in Saudi Arabia, is a regional problem. It is critical to the future of the Arab and Islamic worlds. It is also one of the few areas where the Arab development report, again, fails to come to grips with any honesty or integrity, about a problem which is as serious as foreign divestment, foreign direct investment or employment. These issues are not Saudi issues, but they are issues which, if they are not dealt with honestly in this region, are going to make conventional political and economic reform impossible.

U.S. ROLE IN CHANGE

HISHMEH: George Hishmeh, Daily Star, Beirut, Lebanon. I was at another panel discussion yesterday at Georgetown, and I heard from Saudi academicians the point that's tested time and again that don't push us, we will do things at our own pace. Is that an attitude you felt when you were there? And the other point is this speculative information about – how do you suppose we should meet this problem?

ALTERMAN: Let me take a whack at that if I may. I think this issue of don't push us is not a uniform view. There are some people who say, please push us, because we can't push ourselves, and others who say, you know, if you want to delegitimize an idea, go talk about it, and then nobody will support it.

You hear both of these things and to some extent sometimes you hear it from the same people. I mean, it's a reality that on the one hand, a lot of Saudis are looking for an external force to solve the problem, to arrive at the conclusion they want to arrive at. And there are other Saudis who say, if you look around, you're stirring the pot of nationalist resentment if the United States or some external power is identified. It has to come from within.

Ultimately, I think that's why it's so important to better define goals for the kinds of things for which there might be more external involvement and the kinds of things which should be left internally. What will be done quietly and together, what will be done apart?

And to understand our capacities better because, I think, quite frankly, some people in the U.S. want to do everything, some Saudis want to do it all by themselves. The U.S. and other foreign powers are not going to stay totally out of it, and the Saudis aren't likely to do it all themselves on a timeframe that certainly would make the Saudis happy. So we have to find some sort of balance there.

In terms of scarcity of information, one of the interesting things is how many Saudis complain about the scarcity of information about life in the kingdom themselves. I had a very interesting discussion in September with a Saudi physician who was saying, basic public health problems and understanding public health problems is hard because we simply don't have a very good sense of what's happening in the kingdom. And indeed this is a female physician who said, in some cases, we deal with husbands who do not want their wives to give identifiable names to medical staff. So this problem of information is a broader and deeper problem than just a group of Americans can't come over in four days and understand everything about the kingdom. It's a little deeper than that. Tony?

CORDESMAN: Jon very correctly described the dualism in attitudes. Part of this reaction, however, comes from the fact that if every time the Saudis publicize a reform, the United States promptly reacts by describing the reform as inadequate, or a failure, or hypocritical, you create a level of antagonism which makes it difficult to encourage reform on any solid basis.

As for the timing, demographics and economics force change. Saudi Arabia's not moving forward quickly enough to cope with the pressures it faces. It is under severe budget pressure in spite of some of the highest oil revenues in its recent history. You have nearly two decades of deficits and problems in terms of trade balances. You have a steady pattern of under-investment in infrastructure because you had to shift money to operations and entitlements. And yet the entitlements have had to be cut back. The problems in unemployment are growing and Saudization is so far a significant statistical failure.

Now let me also say one last thing about numbers and information. Dan hit on some key points. It's very difficult to measure the Islamic currents and social patterns in any society, and particularly a closed one. But I find it a little striking that people talk about the lack of information from Saudi Arabia, when if you look at the plan organization which translates its documents into English, about all 600 pages of them, the Saudi Arabian monetary agency whose data on economics, and demographics, and work flows, and medical figures are more detailed than those of any other country in the Arab world, one should not confuse a failure to do basic research and sort of illiteracy by laziness with a lack of information. There is an incredible amount of information available on Saudi Arabia if you are willing to look for it.

EBEL: Let me comment a bit on the oil sector, which is my area. The two world leaders in oil are Saudi Arabia and Russia. Which one of these two countries would you think is more transparent today, in terms of information? Is it Russia or is it Saudi Arabia? It happens to be Russia. Russia's far more transparent in what's going on in the oil industry than is Saudi Arabia. Today we have an opportunity to invest in the oil sector in Russia. We do not have the opportunity to invest in the oil sector in Saudi Arabia. Are we investing in the oil sector of Russia today? Only under extreme caution because the rule

of law quite isn't in place yet. Would we invest in Saudi Arabia, should the opportunity come about? You bet we would.

BENJAMIN: Just one additional note on the information issue. First of all, there's some hope on the horizon. I think two wire services have opened up offices in Saudi Arabia and AP may soon follow. And this is of course a fairly dramatic change from past practice. Our ability to get a better handle on what's going on in terms of religious attitudes within the kingdom is going to depend in part on the insistence of the United States to deploy more researchers and have better access for its own people.

This is a problem not just in Saudi Arabia. As I said, we don't really know what's going on beneath the surface in Egypt very well. And we have lots of journalists that have lived there, but our diplomats and intelligence people have a fairly hard time moving about freely without getting a lot of grief from the Egyptian government about some of the people our diplomats are talking to. I think one of the things that will have to work itself out in the post-9/11 readjustment of relations between the United States and the Arab world is our access to broader sectors of the society, because we need to know, as we now know, what is going on in these societies. We can't simply confine the discussions of our relations to issues of security or the Middle East peace process anymore.

CONGRESSIONAL ROLES

ALTERMAN: Khalid.

DAWOOD: My name is Khalid Dawoud from Egypt's *Al-Ahram* newspaper. My question is for Mr. Cordesman. And actually it's a follow-up on what Said was saying. That with being here in Washington as reporters, we can feel that there's a lot of bad feelings between – even on the government level – between the Saudi and the American governments. And that apparently, for lots of observers, there's a growing lobby within the United States, Congress, even at least parts of the administration that is not like – it would not be satisfied with whatever reforms that might be carried out in Saudi. And we see a bill in Congress like – first stage like the Saudi Accountability Act. So I just wanted to know your estimate of the strength of this probable growing, relatively strong, maybe, lobby in the United States, and how it will affect relations with Saudi Arabia.

CORDESMAN: I think it's a very good question and I wish I could give you a more favorable answer. Part of the problem is that at the executive branch level cooperation has been considerably better, even in areas like support for the U.S. position in the Iraq war, than has ever been made public. This is an area, however, where the relations between two governments involve a lot of Saudi sensitivities, and full transparency is difficult for the Bush administration. It has, however, made statements about the level of cooperation in many areas.

The reason that Saudi, I think, is reticent about much of this cooperation is the internal backlash problem. If the Saudis talk too much about it, particularly in a climate of media hostility to Saudi Arabia in the U.S., they create serious internal problems for themselves. We have had several studies at CSIS about the Congressional desire to impose sanctions as often purely a domestic political tool, and a way to get publicity on the part of Congress, because it is very difficult to figure out what any of these have accomplished, with the exception of the UN and U.S. sanctions on Libya.

I am afraid that, in particularly an election year, it is very tempting to go out and pass or discuss something like the Saudi Accountability Act. It is equally tempting in a climate where there is still an ongoing problem with terrorism and Islamic extremism, to attack Saudi Arabia as a nation or people as distinguished from Saudi Arabia's extremists. It is tempting to attack the Arab world, and attack Islam, just as you see exactly the same tendencies in the Islamic Arab world and Saudi Arabia towards generalizing and making harsh attacks on the West and the United States.

Unless we are willing to honestly come to grips with the fact that this behavior is mutually self-destructive, and it is not founded on either side of an objective picture of the other nation or culture, we are going to find ourselves in deeper and deeper trouble. Communicating that to the Congress, and indeed to the American media, is going to be a very difficult challenge, but it's one that is going to have to be met.

BENJAMIN: If I can just refine or sharpen one of Tony's points, there's an enormous danger that in the next 10 months, we will, particularly in the lead up, I think, to the summer political conventions, we will see a kind of bidding war among candidates as to who will be toughest on Saudi Arabia in an effort to sharpen counter-terrorism credentials. This is, on the one hand, understandable, and on the other hand profoundly dangerous.

I think the central point of reference for determining what is going to be productive in the war on terrorism ought not to be our own desire for dramatic action, but rather the realm of the possible, 7,000 miles away. And I don't think this can be stressed enough. We need to maintain the pressure on Saudi Arabia to continue to improve its counter-terrorism performance, to work on funding of terrorism, but we also need to recognize just how dangerous the consequences are if we damage the relationship.

EXTREMIST PENETRATION OF SECURITY ORG'S

ALTERMAN: David, did you have a question?

OTTAWAY: Dave Ottaway from the *Washington Post*. I was wondering what your assessment is of the extremists' capability or ability to not just carry out things in the streets, but to what extent they've been able to penetrate either the army and the security services, or the government. Having lived through the assassination of Anwar Sadat, I'm aware that even local governments don't necessarily know what's going on inside their own security.

BENJAMIN: Well, it's an excellent question and I wish we knew. If you go back to the takeover of the Grand Mosque in 1979, it was an enormous shock for the Saudi regime to find out that many of the core actors were from the Saudi Arabian National Guard, which is the Praetorian Guard for the regime. And I'm not – I don't get classified intelligence anymore, and even if I did, I'm not sure I'd find anything on this particular subject. It is certainly one of great concern. And I think the long and the short of it is we really don't know.

I think that there's an awful lot of speculation about members of the royal family supporting radical organizations, and I think that there has probably been an overheated discussion of that. And I think that most of the royal family probably recognizes that if the revolution comes, they're in very deep trouble. I

mean, it's a very big family, there are 6,000 princes, so who knows how many of them have, shall we say, (inaudible) feelings about that. But as for what is going on within the military, what is going on within the National Guard, I just don't know.

CORDESMAN: Historically, I can't think of any of the governments in this region that really could monitor effectively what was going on in their security and armed services. It is a problem in Egypt. It's been a problem even in more relaxed environments like Morocco and Bahrain. What is striking about counter terrorism in Saudi Arabia is that there has not been any systematic review, or purging, or removal of officers and NCOs for alignment with extremist causes, nor in the National Guard. There have been some changes in the police structure, but they don't approach the changes that had to be made in the Egyptian security service when Egypt dealt with a similar problem. They don't approach what happened in Algeria, or even in some countries which are friendlier and have had their own internal problems in this region.

We do need to accept the fact that, as Dan and I heard, the Saudis did not know what was coming into the country by way of weapons and armament. A lot more was coming across the Yemeni border than they estimated. They did not know the cell structure of the opposition they faced. They had relied far too much on family relations and co-option rather than systematic security services. And that certainly creates the uncertainty as to what goes on.

Nevertheless what I find striking is after having watched these countries or countries in the region over some 40 years, so far the Saudis have done far less to cleanse their military and security services than the other countries who've encountered similar problems. Either they're wrong, which I guess is possible, or the problems haven't been quite as severe as they've been in some other countries which are, at least on the surface, far more secular.

RUSSIA AND ENERGY

HABIB: Edgard Habib, ChevronTexaco. Tony Cordesman, my (break in sound) are (break in sound) talked about different diverse views of different family members, (break in sound) and all that. Without going into details of personality, did you have sense any of that?

EBEL: Edgard, I'm not prepared to read too much yet into the visit to Moscow. I think that the Saudis are interested in improving relationships between themselves and Russia. They are competitors, in a way, for shares in the overall market. I think Saudi Arabia and other OPEC member countries would like to see Russia join OPEC. That's not going to happen. Russia has said they would prefer an oil price on the order of \$22 to \$25 a barrel, and continue to make that point to whoever is listening. I don't think that OPEC is ready to buy into that. It's just another effort, I think, on their part to try to keep relations smooth and even though they are competitors, let's stay friendly competitors. That's the way I view it at the present time.

CORDESMAN: Well, to answer part of your question, whenever you are in Saudi Arabia, you discover that Saudis treat the royal family the way many Americans treat the NFL and the AFL. Every single one of them feels they have an exact knowledge of how the game should be played, a personal knowledge of the players, and can predict with great

exactitude what's going to happen. The only problem is that if you talk to any two Saudis, these highly detailed stories about the royal family never agree. And the more you talk, the more you discover that royal family rumors tend to be often wrong or misleading. And I'm afraid I have that general impression.

More seriously, there is much more broad understanding of the need to make reforms among the senior officials in the Saudi royal family than much of the outside criticism implies. The idea that there is somehow a deep division of reformers versus anti-reformers is not something we found during our visit. I have not seen evidence that it exists in any form of the pressure on the various ministries.

It is true that since May, a lot of discoveries about terrorism have forced people to radically revise the pace at which they have to deal with reform, or some reforms, and particularly with internal security issues. And there is a great deal of uncertainty and debate as to how that should be done. But the idea that you can look inwards into the Saudi royal family is as convincing to me as the ability to look inside the inner workings of the Bush administration.

ALTERMAN: On the first point, one thing that I had heard was that one of the topics for discussion had to do with Islamist movements in central Asia. And that was the topic of one of the points. There were some hands up and they disappeared. Yes, sir.

Q: Can you follow up on the point about Saudi money flowing to Asia?

ALTERMAN: I mean, there's certainly money coming out of Saudi Arabia, some of which is flowing to Chechnya and other places. Yes, I wasn't in the discussions so I don't know what the nature was, but there was at least some discussion of central Asia. Yes, sir.

ARAB-ISRAELI PEACE

LaFRANCHI: Howard LaFranchi with *Christian Science Monitor*. There was a lot of interest and speculation at the time of Crown Prince Abdullah's proposal for a Middle East peace process, about new Saudi engagement in the region and what this might mean. I was wondering what sense you might have had from your trip of where that stands, what the feeling is about how that proposal was received, and just where that willingness to be involved and to press for reforms in the region, where that stands.

ALTERMAN: We raised that issue, and I think the feeling is there's not much possibility of forward movement. It's a card we should play and move to play at a later date when there's more possibility of forward movement, and in their eyes, when there is a different Prime Minister in Israel. To use it as part of a holding operation now would mean that when you actually have a possibility to make forward motion, you'd have to come up with something entirely new, and it's just better to hold it in reserve.

CORDESMAN: Frankly, the Saudis also have reservations about how ready the Palestinian movement is to move, and how well organized it is. From a Saudi perspective, it was one thing to advance the peace initiative at a time when it looked like it might really get significant U.S. and European movement. It is quite another to try to sustain it at a time when it is not likely to succeed and there is no push by either Europe

or the United States. The end result is to expose the Kingdom and to appear to be unsuccessful and weak. We have to understand that part of the problem here is bringing together the various forces that want to move forward on a peace settlement in Israel, the Palestinians, the Arab world and the West together in a way where there's any reinforcement and synergy at the same time. And to be honest, I suspect that the Saudis, like many others, don't think that 2004 is likely to be the best of all possible years.

IRAQ

DEFRANCESCA: My name is Dela DeFrancesca. I work for Voice of America. Since we're talking about the broader region, what is the Saudi view towards Iraq right now?

CORDESMAN: It is divided, as it was divided over the war. At the military level we got far more cooperation than many people expected. At the level of Saudi foreign policy, the Saudi foreign minister clearly opposed the war. Now the Saudis are watching a process where the U.S. had a very dramatic military victory, but was not prepared to deal with the political, economic, security or information consequences of that victory. The U.S. has since been forced to try to improvise, with varying degrees of success, a low-intensity combat campaign and the creation of new security services. It has launched an economic aid effort, which was not contemplated in going into the war, but which is now costing well in excess of \$20 billion, and has \$38 billion in pledges. And, the U.S. is in the middle of trying to initiate a political process, which the Saudis regard as unstable and as uncertain, although I suspect that most people in the CPA would share that part of the diagnosis.

There's a broader problem, however, and that is that for Saudis, they identify in many ways with Iraqi Sunnis, not with Iraq as a whole. And if you talk to Saudis, as you will find in much of the southern Gulf, people talk about Iraq in terms of either Sunni interests or in terms of denying that there are significant differences between Sunni and Shiite, or between Arab and Kurd.

In short, the Saudis find themselves uncertain, and conflicted. Depending on which Saudi you talk to, you either have people who feel the U.S. is involved in a much more complex and difficult problem than it planned for, but is going to end up solving it, or that this is a very complex and difficult problem we still do not have a grip on.

ALTERMAN: I think another view that comes out is an incredulity that if the U.S. wanted to do it right, it couldn't. And therefore the fact the U.S. isn't doing it right is a sign of American hostility toward Arabs and toward Muslims more generally. So there's a way in which, not only is there a sense that we should be able to do it and we can't, but that we're intentionally not doing it as sort of a sign of a broader animus that's tied into visa policy and Guantánamo Bay and a whole war against Islam that people – or some people see the U.S. as being a part of.

EBEL: I think on the oil side, Saudis are a bit concerned that the occupational forces, that is the U.S., will work very hard to bring Iraqi oil production and exports back to pre-war levels as quickly as possible. Of course, they were relieved when that didn't happen, but they were concerned for a while.

BENJAMIN: I would just add that I sensed on the part of a number of people we spoke with a deep sense of foreboding.

And they both had some question as to whether we were going to be able to really bring stability, and a sense that if we didn't, it was going to cause them a great deal of grief.

CORDESMAN: That's a very good point. I did not sense on anybody's part the feeling that we had somehow brought stability and security to the Gulf by the war in Iraq. There was, I think, relief on the part of some of the military people we talked to that what was a very major military threat, and one which, if it was not actively in possession of weapons of mass destruction, was certain to reemerge with them, was gone. But you created basically a lesser and different kind of threat rather than having solved the problem.

DANIELS: Samira Daniels. I'm not affiliated, but trying to get affiliated. (laughter) I'm trying to understand the maze of DC as well. My question is what do you think of the efforts that have been made so far, if any, to sort of resolve some of the issues of misunderstandings. I'm a fan of Robert Jervis so I really feel that a lot of this has been generated by biases, traumas. And I'm wondering is there anywhere in the United States that you feel is doing something to sort of talk in a kind of a productive way. I mean, you get snatches of stuff. So can any of you respond to that.

ALTERMAN: I think you're seeing it.

DANIELS: I'm sorry?

ALTERMAN: Our trip was part of that.

DANIELS: I agree.

ALTERMAN: And a lot of this stuff is going to take an awfully long time. A lot of the relationships between Saudis and Americans were forged over a period of decades of Saudis being educated in the United States, of Americans working in Saudi Arabia. And then, it's also, I think, accentuated by media bringing images back and forth, and oftentimes bringing images which aren't necessarily intended to produce understanding, but to gain viewership. I mean, television is basically a platform to deliver commercials, not to deliver programming.

So this is a process that is going to take a long period of time, and is going to involve a widening group of people. I'm not sure that there's a specific center or place that's doing it all, though as I say we're doing some of it. I think it's something that we'll continue to do, both together and separately under different programs here at CSIS.

CORDESMAN: I would just add a couple of points. First, there is a lot of dialog about Saudi Arabia in the U.S., and it occurs in many institutions, and a lot of it is productive. There is also a lot of dialogue which is sort of hostile and antithetical, and it's often a contest as to which side is the most effective. I read through more of the media than I care to. In all frankness, a lot of the reporting on Saudi Arabia is really very good. Some of it is bad, but the majority of serious reporting in serious American papers has contributed a great deal over time to mutual understanding. When I look at the newspapers they often do a better job than area experts and academics do, partly because it's a lot more topical and founded in the issues.

If you look at the statements of people in the Bush administration, by officials who speak for the record, you see a clear effort to try to bring a balance and to put U.S. and Saudi

relations in perspective. And a lot of those statements are very positive. And yes, there are problems up on the Hill, but there are also quite a number of Congressmen who, in talking about terrorism, or intelligence, or foreign relations, provide a great deal of balance.

I think the problem, as John points out, that this is just the beginning of a dialog on both sides. And usually when you begin a dialog, the loudest voices are often the worst. Over time, if we can sustain this dialog and broaden it, we will develop a much better level of understanding.

BUSH ADMINISTRATION POLICY

THOMAS GORGUISSIAN: Thomas Gorguissian, al-Nahar. Did you – for any of the panelists – did you get the sense that all this is related, this misunderstanding, reform, and anything, in cooperation related with this administration, because almost this is reflected in the newspaper that all the bad things is related now to the administration. That we have to wait and everything will change, the tone will change with the new dialogue. And the other, if you get the sense that we can bargain the stability or reform, the stability versus cooperation in the anti-terrorist.

CORDESMAN: Let me try to answer your question first. I understand there are a lot of people who blame somehow the Bush Administration and neo-conservatives for problems which have arisen since 9/11. This is in some ways as a result of failures on the part of the Administration, and of ideological problems on the part of neo-conservatives.

Yet many people in the administration, particularly speaking on the record, have taken the opposite approach. Certainly President Bush has. Not in all the terms that would be welcomed in the Arab world, which would be a sort of broad endorsement of Saudi Arabia and the Arab world, and that everybody is doing everything they should. That isn't going to occur for obvious reasons.

Anybody who has been watching the presidential campaign to date, however, is going to be hard put to find a Democratic candidate who has ever said anything on the record as moderate as President Bush has said about Saudi Arabia and the Arab world. Candidates say what they have to to get nominated and elected.

Certainly if you look at the actions in Congress, there is, as Dan pointed out, a natural tendency on the part of individual Congressmen, on a very bipartisan level, to ride the terrorist issue to extremes or attack Saudi Arabia and the Arab world in ways that will give them a few more votes, or a higher visibility, or a better posture.

In retrospect, it is mildly amusing to me that when the Bush team came to office, so many people in the Arab world suddenly thought this would be much better than the Clinton administration—now, in retrospect has a far more favorable reputation.

GORGUISSIAN: I mean, the question related to the stability and anti-terrorism efforts, because the sense is there that they can get anti-terrorism cooperation in the Middle East in general, and preserve stability in a bargain with making reform.

CORDESMAN: You always have hard tradeoffs to make an example about how many policies you can visibly push at that

same time, and counter-terrorism is an example of one. So is reform, so is human rights, so is economic reform. On a given day, you have to try to keep all of these efforts in balance. Let me just remind you that if the President had wanted to make that trade, he wouldn't have given the speech he did on democracy. Now, people might argue about the content and timing of that speech, but it certainly was not part of a negotiation in which the Bush administration decided to accept effective action on counter-terrorism as a substitute for reform. And the Secretary of State and many other officials have since followed up with statements on the need for reform.

ALTERMAN: Let me also say that we didn't run into Saudis who felt that reform was something Saudi Arabia didn't need. We didn't run into Saudis who said, you know, the system is fine, the only problem is this 1% of the people. What we encountered were people who said, yeah, we have to change. And the question is to where, and how do we get there, and how do we build the political support to do it, and how do you create a leadership that's leading and gets people to follow.

Those are the kinds of challenges Saudis are dealing with. I think in many ways, the sort of sense the Saudis have is they live with the Saudi need and commitment to reform 24/7. And sometimes they hear a voice from Washington in the distance and say, "Well, how does that affect what I'm really doing?" But that's the sense that we got from people who are more conservative, and people who are less conservative. I spoke to some clerics and others who are part of this reform process, but certainly wouldn't be identified as liberal reformers by any stretch of anybody's imagination. There is a sense that change is necessary, that doing what Saudi Arabia has done is not going to be nearly as effective in the future as it's been in the past, and they have to change. And the question is just in what direction, how quickly, and with what different moving pieces.

DIVERSIFICATION OF ALLIANCES

EBEL: Jon, could I – we're nearing the end. Could I just offer a final thought for you, something we all need to think about? Saudi Arabia has just recently opened its gas sector, natural gas sector to foreign investment. Three major contracts were let. One to an Italian firm, one to a Russian firm, and one to a Chinese firm. Now, are they shifting away and looking to a different part of the world? I think that this carries both, not just commercial implications, but political implications as well.

ALTERMAN: We have run out of time. I'm very grateful to all of you for coming and for your patience and attendance, and we look forward to seeing you all again here soon, very soon. Thanks very much.