



Saudi Arabia: Change and Uncertainty (5/10/18)

00:00:23

Jessica Chen: Good evening and welcome, my name is Jessica. It's my pleasure to welcome all of you to tonight's program. As always, I'd like to extend a welcome to our museum members here tonight, and those tuning in to our live web broadcast at 911memorial.org/live.

Tonight, we are joined by Christopher Blanchard for a conversation examining the current situation in Saudi Arabia, and what the reforms instituted by the new crown prince mean for the country, region, and its relationship with the United States.

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Christopher Blanchard is a Middle East policy analyst with the Congressional Research Service. He and his colleagues provide non-partisan and objective analysis on foreign policy issues to the members, staff, and committees of the United States Congress. He is joining us today in his personal capacity, and his remarks here do not reflect the views of the Library of Congress, CRS, or of the United States government.

Mr. Blanchard has been a keen observer of the U.S.-Saudi relationship for more than 15 years, and he has focused on different aspects of that relationship in his work with the Council on Foreign Relations' Independent Task Force on Terrorist Financing, the U.S. Treasury Department's Office of Terrorist Financing and Financial Crime, the United States Senate Foreign Relations Committee, and of course, CRS.

00:01:36 We'd like to thank Christopher for sharing his time and insights with us tonight. We are also deeply grateful to the David Berg Foundation for their support of the museum's 2017-2018 public program season.

Please join me in welcoming Chris in conversation with executive vice president and deputy director of museum programs Clifford Chanin.

(applause)

00:02:01 Clifford Chanin: Thank you, Jessica. Welcome, everybody. Wonderful to see the mix of new and... unfamiliar and familiar faces. I'm not gonna get to the new and old.

(laughter)

Clifford Chanin: But, you know, we've talked about Saudi Arabia on numerous occasions here. It's sort of in the news all the time, and we've had many people—and Chris Blanchard comes to us to add to this ongoing discussion that we've had.

00:02:30 And, of course, if you're just looking in the news yesterday, today, the day before, it's always something in the next turn of the page regarding Saudi Arabia and, of course, the broader Middle East. But I really wanted, Chris, for you to talk a little bit about the Congressional Research Service, because it is this sort of remarkable institution that not many people know about that creates and produces really important research on a wide range of subjects-- anything, I guess, that Congress is going to vote or opine on-- and yet it's not very widely known.

00:03:04 Christopher Blanchard: Sure. Well, first, I would really like to thank the 9/11 Memorial & Museum for inviting me here to participate. This is my first visit back to this site since I lived here as a graduate student, and, uh... I had a very moving tour just shortly this afternoon.

00:03:26 And so the experience of coming back to a place where, you know, in one way or another, most of my adult life, my professional endeavors, have been quite focused on, trying to better understand what happened here and to contribute, in some way, to the public conversation, and improving our lawmakers' understanding and appreciation for related issues, it's quite special, and so I'm deeply, deeply honored.

Clifford Chanin: Thank you.

00:03:56 Christopher Blanchard: I would again emphasize, you know, my remarks here are my own, and not those of the Congressional Research Service, but I will not resist the urge...

(laughter)

Christopher Blanchard...to plug, you know, who we are and what we do. You know, we're quite unique. We're a legislative branch agency, similar to-- you may be familiar with the Congressional Budget Office, the Government Accountability Office. We serve all the members, staff, and committees of the United States Congress. We do so in a non-partisan fashion. We provide, to the best of our ability, objective information and analysis to assist them in their legislative duties.

00:04:38 That, of course, includes appropriations, authorization, and oversight of the programs of our government. The work that we provide is often done in the form of reports, some of which the public has become increasingly familiar with. But we also do a lot of private consultative work for those members on a confidential basis, giving them a safe space to ask sensitive questions about the issues of the day.

00:05:06 And, as I said, we provide, to the best of our ability, the most objective information and analysis we can to them, and we do so in a non-partisan way, which, obviously, in Washington, makes us a bit unique. So it's been

my distinct honor and pleasure, privilege, to contribute to that work. I look forward to continuing to do so, and I hope that you'll find, as I do, your tax dollars well spent in the work of my agency.

00:05:37 Clifford Chanin: Thank you. Turning to the subject of the evening's program, Saudi Arabia, we have talked on these previous programs quite a bit about both the machinations within the royal family, the transition there, the dynamics of Saudi's relationships with its neighbors, and we'll talk about that tonight, but I do want to focus for a moment on the domestic scene in Saudi Arabia.

00:06:03 We always hear, of course, about Saudi as the world's leading oil producer, or has been-- that may be changing-- but the importance of Saudi reserves, the Saudi role in generating enough oil to sustain the market-- all of this-- but talk to us a little bit about, sort of, the domestic economy of Saudi Arabia, how it functions, the extent to which it is, indeed, dependent on oil, and the trend lines, as far as whether that is sustainable, from the point of view of the Saudi government today.

00:06:33 Christopher Blanchard: Sure. So the story of Saudi Arabia, the modern Kingdom of Saudi Arabia, founded in 1932, is really the story of a land, as the folks at Aramco describe it, transformed by oil. It was rather underdeveloped, isolated, not very well integrated, you know, rather sort of a remote area, but the influx of oil wealth catapulted it and transformed to the centerpiece of the global economy.

00:07:07 Over the 20th century, what we saw was the development of industry, the development of infrastructure, and the leveraging of oil resources to develop, really, all aspects of the society. So educational institutions, healthcare, roads, and as I said, the beginnings of an industrial economy increasingly focused on oil- and natural gas-derived petrochemicals.

00:07:38 So the very close relationship between global oil prices and the fiscal affairs of the kingdom has been there since the very beginning. I think we have a slide that we might pull up, number three. It kind of shows the ebb and flow, really, of this-- the bar chart here being the Saudi budget,

divided, in the light green, between, really, the cost of keeping the lights on, paying the operational expenditures, and then the dark green being capital expenditures.

00:08:16

The line on this chart shows the revenue coming in, and that follows, as you can see, really, the price in the market. It's a good correlation and proxy. So the fortunes of the government, and its ability to make those investments, and support, as I said, the development of infrastructure, but also to pump that money into the private economy, and to pay the salaries of an increasing number of public sector employees in all sectors: education, security, health-- their ability to do that has really been, as I said, very closely tied to the influx of revenue, and that, of course, being tied to oil.

00:09:02

What we've seen since the early aughts, after a period in which, throughout the '80s and 1990s, Saudi Arabia operated at a deficit, we saw increases—rapid increases-- in the price of oil, and a corresponding increase in the revenue accruing to the kingdom.

Clifford Chanin: Can I just interrupt?

Christopher Blanchard: Sure.

Clifford Chanin: So that-- in that part of the chart where we see the line way above the bars...

Christopher Blanchard: Right.

Clifford Chanin: That's the period of time where they're accumulating these vast reserves.

00:09:29 Christopher Blanchard: So they're accumulating... They're accumulating fiscal reserves, and developing a very large public fund, but they're also paying off the debt. So Saudi Arabia's debt ratio-- debt-to-GDP ratio-- was close to 100 in 2000, I believe. And they spent, you know... So the delta between those, the bar chart and the line there, that is really their surplus.

00:09:55 Now, that, some of that is invested in paying off the public sector debt, but what we see in the expansion that follows in the bar is an investment of that in society. And so there's a second oil boom. If in the 1970s-- if we took this chart a little bit further back, it would look, the 1970s would look very much like this expansionary period in spending. What that translates to is, it's the government pumping money into the private sector economy. So the private sector, to the extent that it exists, is still quite dependent on the spending of the government.

00:10:31 And what that does is, it creates a sort of dual dependency. The government itself is still functionally dependent on oil revenue to meet its now expanded obligations, and the recipients of that, whether in the private sector through public sector purchases, or individual Saudis who, many of whom are employed in the public sector, the majority of whom are employed in the public sector; you know, the salaries that they are taking and then spending in the market, the subsidies that allow them the quality of life that they enjoy, you know, those are tied directly to that oil revenue.

00:11:11 Clifford Chanin: Can you talk about what those subsidies, in personal terms, for individuals and families, look like? They're underwritten in terms of schools and health, and so on and so forth, so the question is, what is the Saudi government expressing its obligation to the population to provide?

Christopher Blanchard: Sure. So, you know, the... The direction of, you know, this windfall to the population is seen in-- as, to a certain extent not often acknowledged in these terms, but an obligation of the state, right?

00:11:47 There's grown a certain perception that the state needs to provide a certain level of quality of life, a certain level of development, and those expectations that that will continue have really accounted for, you know, I think, some of the gap that we see in-- particularly, since 2014, when, you know, oil prices declined quite precipitously, and the ability of the state to do this without drawing down some of those accumulated reserves, issuing debt for the first time since the 1990s, you know, what it looks like is a gap between what's expected and what's available.

00:12:33 What's quite interesting and fascinating about some of the decisions that are being taken, and have been taken since 2015, 2016, under the new crown prince and the new, King Salman, is really going right at some of these day-to-day subsidies and day-to-day supports. For example, the price of a liter of petrol in Saudi Arabia has tripled since the introduction, or the withdrawal of price support.

Clifford Chanin: So that's a deliberate government policy.

00:13:07 Christopher Blanchard: That's a deliberate government policy, and it's designed deliberately to break some of this... I call it a double dependency. It's to begin to introduce people to more of an expectation that the government will not be subsidizing this. The net effect of that subsidy, by the way, has been a real expansion in domestic energy consumption.

00:13:32 So if on one side of the house, you know, you have the state exporting oil to the market, taking that revenue and, and investing it, as some of those "investments," some of that spending, has actually been in subsidies, what that's done is increase domestic consumption. So you're actually taking away from what you have available to sell.

Clifford Chanin: To sell.

00:13:51 Christopher Blanchard: So that's eating away at your ability to actually keep, keep this running in the way that it has. So what the government has decided to do is to say, "Well, you know, we're no longer... "This is not sustainable." You know? "We're not gonna take this approach. We're not gonna be-- we're not gonna catch ourself in this bind. We're not gonna leave ourselves tied here. We're gonna say to you, the public, you're expected to pay more."

00:14:15 And what we've seen is a sort of iterative process where these are introduced somewhat gradually, and we see some pushback. We see social media conversation and, and rumblings in the press about, you know... This is difficult to absorb. Imagine if the price of gasoline here, you know...

Clifford Chanin: Triples.

Christopher Blanchard: ...goes north of five or six dollars a barrel. That's not the equivalent for Saudis, right now, but if we tripled it, you know, that would obviously have a, a domestic political implication here. And so it's no different there.

00:14:51 Clifford Chanin: So you see at the end of the chart, which is the current year or up to 2016, so this gap with the revenue essentially falling well below the expenditures, and the expenditures now based on a real set of expectations, that's behind, ultimately, this idea that the Saudi spending patterns could not continue indefinitely. That within 15 or ten or 20 years, that the Saudis could actually exhaust their reserves if those patterns continued.

00:15:23 So the crown prince-- the new crown prince, and we'll talk about that-- comes forward with this Vision 2030 program, and the document that you're looking at is actually from, is sourced from the Saudi Vision 2030 program, because he's basically making the argument, "We can't go on with this anymore, so we have to change many things." Describe some of the things that need to change in the view of this vision.

00:15:51 Christopher Blanchard: Sure, so it has many components. And I, I would hope I could elicit some, some sympathy or empathy from some of you who absorb public sector planning documents and, and consultant-based PowerPoints and PDFs. 'Cause it's truly remarkable the volume with which these have been produced by the Saudis and, and their, their contractors as part of this program.

Clifford Chanin: Well, that's one way to sustain somebody's economy.

(laughter)

00:16:20 Christopher Blanchard: Uh, I'll leave that. Um... So there are a couple of different components. I would argue that one of the most important is the, is the development and improvement in public sector capacity and the actual ability of different bureaucracies to set targets and meet them to attract and retain talent in order to, to make sure that these broader plans actually get where they're going.

00:16:50 But to be more specific, as I said, we've seen subsidy reductions in gasoline and electricity, we're seeing the introduction of a value-added tax, which is-- those two components are designed to improve the non-oil-based revenue contribution, to the Saudi budget. The goal by 2030 is to increase the non-oil contribution to the government's coffers by tenfold. They want to increase... I think our next slide might have some of these targets on it. Or the... um, one of them did.

00:17:31 What they hope to do is to increase the non-oil contributions, as I said, and they hope to use an expansionary budget, supported by these new revenues, to bridge the gap, right? And so they're investing in new sectors-- the development of mining in the kingdom, which is something that hasn't been touched for quite a few reasons, many of which having to do with land ownership and title rights, things like that. Development of infrastructure. The development of a domestic entertainment sector. The investment in domestic military production, really for the first time...

Clifford Chanin: To make their own weapons or equipment.

00:18:15 Christopher Blanchard: Certainly, yeah. And that's something, I think, that could have considerable implications for current patterns of U.S. partnership with the Kingdom of Saudi Arabia. You know, for 40-, 50-plus years, we've been really leading, if not sole provider. The Brits provide a lot, the French some, you know, and that's been done on the model of U.S. production, U.S. service, U.S. interests. The Saudis want to take 50% of that at least, as their goal, and, and develop that locally, to be producing that locally.

Clifford Chanin: So replace the U.S. production with their own domestic production.

00:18:54 Christopher Blanchard: Well, I think, not necessarily replace, but at least attract and localize. You know, some of that is to provide employment. Some of that is to improve domestic know-how, their defense-industrial base. They look in their, in their neighborhood to the model that Abu Dhabi and the United Arab Emirates has taken-- they've done this quite successfully, and created a domestic arms industry using partnerships with outside suppliers.

00:19:25 So there are many components. I would argue, you know, this list one here, the fiscal balance... You know, they are making these changes while they're also seeking to balance the budget, right? And so there's a push and pull. You know, you take one step forward, you take maybe a half-step back. It's an iterative process where they introduce these taxes, these changes in the domestic economy, and those have to be absorbed.

00:19:55 And you know, being here in New York and in the Financial District, you know, the elasticity of people's decisions is not a foreign concept. This takes some time to figure out. And as I said, what we see is some results on the plus side, we see increases in non-oil revenue, but we also see some increases in subsidy payments as a means of trying to balance the

way that this is absorbed by the population, to ease the burden, and so the goal is, is to bridge. It's not to rush.

00:20:29 This does seem sudden and some of these changes are quite significant, and could have fairly severe consequences for certain aspects of the Saudi population. But we've seen the government take steps to, as I said, ease those burdens, to distribute the pain to a certain extent. They've set up a progressive system where, you know, those least able get more support from the government.

00:20:54 Those most able to pay don't. So they're cognizant of the need to, to have this balance and to have this back-and-forth. Um, um, but, uh, you know, I think what's, what's very important to watch is whether or not they're willing to adjust some of these targets, to move, to move the goal, goal posts if necessary. This, fiscal budgeting program is, is a good example of that.

00:21:23 The original goal was to balance the budget by 2020. And last year, they said, "You know, we're not gonna do that. Let's move it ahead three years. Let's make sure that we get this right, not that we get this now." And you know, that's in response to some of the advice that they got from the I.M.F. and others that, "You're doing, you're headed in the right direction with some of these things. These are some of the things that we've been recommending that you do for a while. It's really a matter of not doing them so quickly that you may jeopardize some of the..."

00:21:52 Clifford Chanin: Let me ask, there's a... There's a whole social dimension, as you're alluding to. And you mentioned earlier this idea of providing entertainment options within the country, because traditionally, there have not been such. The Saudis are a relatively younger population. The strictures on the movements and role of women have traditionally been quite severe.

00:22:19 And so this idea of opening up, giving-- whether it's entertainment options or perhaps employment options-- for a younger population seems directly tied to the economic plans. That, you know, you're trying

to release a pressure valve because things have been building up in a certain way, and it's been clear that for many younger Saudis, there hasn't been an outlet for what they would like to do.

00:22:43

So talk, if you would, about, now, the social dimensions of this kind of economic transition, what it means for the broad public and its ability to go out and do things, women in particular. This summer, I believe, is the time when women will get driver's licenses.

Christopher Blanchard: June 24.

Clifford Chanin: June 24.

Christopher Blanchard: Inshallah.

Clifford Chanin: So almost a month away. So, or a little more than a month away. So how has that sort of become part of what the expectations are beyond the economy?

00:23:13

Christopher Blanchard: Sure. I'm glad you raised that. That linkage is, is often overlooked. People either focus strictly on some of the economic measures, the fiscal measures, or they focus on some of the social and cultural aspects. But I, I see them as quite tied and, and quite linked.

00:23:29

The population of the kingdom, as you said, is not just quite young, it's very young. 60% are, are 30 or, or under. Among those seeking jobs in the last quarter of 2017, it's roughly a million Saudis who self-identified as "job seekers." 90% of those were women.

Clifford Chanin: 90%?

- 00:23:52 Christopher Blanchard: 90%. Among Saudi nationals. And so what that speaks to is both a personal desire and an economic imperative, in families and in households, to, you know... In our society, you know, we've dealt with, you know, the pressures and needs to have a, a two-income household for a long time. That's come to the kingdom.
- 00:24:19 And, and some of the measures that you alluded to, some of the restrictions on women's ability to move freely as part of the overall guardianship program, but also, restrictions specifically on their ability to drive have not just limited women's ability to participate in the economy fully, but they've also imposed a... a microeconomic cost on individual families, right?
- 00:24:46 So if, if your mother and sister can't drive, that means they are either paying drivers or not working, or you are leaving your job, reducing your own productivity, to, to help them participate in normal life. This has long been recognized, I would argue by a preponderance of the Saudi population, as untenable and unnecessary. The trick has been managing the decision point, and making sure that the timing was, was optimal.
- 00:25:25 I'm not sure that we can identify a specific reason why the leadership has chosen this last year to move forward with this decision. I do think that the broader cover provided by a change in leadership and the embarking on this broader effort to recast society, to start a new chapter, and correspondingly, to engage with members of the religious establishment in a different way have accounted for this decision.
- 00:26:00 And as I said, by and large, this has been welcomed by the Saudi population. But like many of these issues, there is a good deal of evidence that there are people who either don't welcome the change or are seeking and grappling to accommodate it, to adjust to it, and to understand what the new... the new normal is going to look like.
- 00:26:26 Clifford Chanin: So this is where we hear about the opening of movie theaters in Saudi Arabia, and the deals that the crown prince may or not have signed, and going out to Hollywood, and these big chain movie

theaters may come to them... But it got enormous amount of coverage, both in Saudi and around the world. That for the first time ever, families could go and watch a movie that was the same movie that someone in Tokyo or Jakarta or New York would be seeing.

00:26:58 Christopher Blanchard: Yeah, uh... This is a good example of an issue where it's challenging to balance one's optimism with one's skepticism or cynicism, I think. This is truly important for Saudi Arabians. You know, this has been another issue that's been broadly welcomed, particularly by young people. But it's not... It's not the whole story, right?

00:27:25 Being able to attend entertainment events as a public choice is certainly, certainly something that many Saudis have long wanted to do. But if it comes in a context in which one's ability to express themselves politically, to organize themselves, is limited, it's hard to feel like it's truly as groundbreaking as you might, we might expect.

00:27:56 What I would say, though, is that there's a... There's a famous, somewhat famous-- well-known, I should say—Saudi film. It's called "Cinema 500 km." And it documents a group of young men traveling to... outside of the country to attend a cinema, and a young man's first visit. Shot not, you know, not long ago. The idea that someone would have to obtain a passport, right, and to go through all the bureaucratic processes...

00:28:30 You know, it shows him going to the barber, and getting his thoub pressed, and doing all of the things that he needs to do to participate, you know. And then driving all the way, clear across the kingdom. That's gone, and young people truly appreciate that. But it's occurring in a broader context in which there's a lot of other social change going on that's potentially fraught for the kingdom.

00:28:54 A domestic economic picture that is challenging, to say the least. And a regional security environment that, that presents a good deal of threats. And so, you know, it's to be applauded, but it's also, I think, needs to be put in its... its proper context.

- 00:29:17 Clifford Chanin: So the crown prince, the... Mohammed bin Salman, who was initially, when his father became king-- King Salman, in 2015-- MBS, as he's known, is the deputy crown prince. And within less than a year, the crown prince himself is moved aside, and the deputy crown prince, the son of the king, is moved into the successor's position.
- 00:29:48 This occasions great shock, because a generation has been skipped, in some sense. And this young man, who does or does not, but who at least is of the age of representing the views that you've just described of the younger population, is now, essentially, in the critical making, critical decision-making position in Saudi Arabia.
- 00:30:11 So talk a little bit about that transition and the impact it had within the society that a country that had run through a series of sort of consultative agreements among the family, and this consensus process over generations and many different kings, has all of a sudden pushed this aside.
- 00:30:33 The agreed-upon crown prince is taken out of his position, and someone has jumped into it who happens to be the son of the current king. All of that is very, very different for Saudi Arabia. What's the impact within the society of all of those movements in a very short period of time?
- 00:30:54 Christopher Blanchard: I think it's been met with the same degree of... of both awe and concern domestically as it has internationally. I was talking, just before we started, with your colleagues about... You know, what's been amazing for me is that many of the sort of leading lights in my field, and very close observers of precisely the system that you described-- the sort of horizontal power-sharing agreement among brothers, you know, the sons of the founder of the kingdom-- the rules of the road in that system, and an understanding of power dynamics, it really has all been swept aside.

00:31:34 And, and we really are in somewhat uncharted territory. Now, now, for me, you know, I find some similarities between-- at least in terms of the content of the decision-making-- the moment that the crown prince finds himself in now and the direction that he's heading, and the environment that prevailed in the 1960s, when King Faisal replaced his brother Saud, who... And embarked on a series of, at that time, quite controversial reform-- the introduction of girls' education, the introduction of television to the kingdom.

00:32:13 These were things that were comparably controversial at that time, and were absorbed by the society... ..degree of discussion and debate. I think, you know, to be frank, the views of many Saudis about the changes in leadership are probably welcome in terms of generational and policy content. But I think there's also a sense that events of this drama, this level of drama, and this degree of importance, happening with this amount of, of speed, and things like what occurred, you know, in November with the imprisonment of really... really the sort of top prominent economic and certain political figures, security figures in the Ritz Carlton...

00:33:09 You know, events of that degree of, of... of, frankly, you know, danger, are observed by everyday people with a bit of trepidation, as well. So I think there's a mixture of hope and a mixture of maybe potential concern.

Clifford Chanin: Well, one of the arguments made on behalf of the Saudi system, the political system, has always been that it's at least stable. It may be missing many things, but you don't have to worry about a lack of stability in the country.

00:33:42 And that was advertised as one of the great graces of that system because of what was going on around Saudi Arabia in neighboring countries. So the question is, is stability at risk, or, by this change and the kind of plans-- the Vision 2030, and some of the other things he's doing... He claims he's trying to avoid future instability by making these changes now. How do you assess, sort of, that balance?

00:34:08 Christopher Blanchard: Right. So I think it's... It's unsatisfying, but it is a bit too soon to say how this will pan out. But I do think we can identify a few factors. We talked a lot already about the fiscal balance, and the relationship between oil... About revenue, budget, deficits.

00:34:28 It's very important to keep an eye on that because the relative success or failure, in the eyes of average Saudi citizens... You know, pocketbook and security go hand in hand, but, you know, pocketbook is really gonna be a determining factor. And so if people get the sense that this isn't panning out, and that it's not producing, there's gonna be pressure on, on them to change.

00:34:52 What we haven't seen, in spite of, you know, these sort of serious changes at the top, in spite of, really, the removal and replacement of leading members of the security establishment-- obviously, Prince Muhammed bin Nayef, who had been the principal U.S. counterterrorism partner in the kingdom, long-serving minister of interior, the removal of, uh...

Clifford Chanin: Removal of bin Nayef as the crown prince.

00:35:22 Christopher Blanchard: As, as the crown prince, and as the minister of interior. The removal of Prince Miteb bin Abdullah, the former king's son, who was the head of the National Guard. We've seen reshuffles in the military leadership-- the chiefs of the services. In spite of those serious changes, what we haven't seen yet emerge, at least in public, is a sense that there's going to be a sort of countervailing force, or mass, that's going to publicly resist what the crown prince is doing.

00:35:58 You know, there are lots of rumors, there's discussion about tensions in the family and rumblings about people feeling disgruntled about having been disempowered. But there is not yet real tangible public evidence that that's amassing to a security challenge or a security threat. I think it

bears watching, but for now, you know, I don't see-- I don't see it as inherently unstable.

00:36:25 Clifford Chanin: Now, on the foreign policy front, the crown prince has pushed for a much more aggressive Saudi foreign policy than had been the case, Yemen being maybe the best example. But the Saudis had been involved in Yemen in various ways in previous generations, but this now is a full-fledged involvement in the war, and the consequent, humanitarian consequences of these-- you know, significant numbers of bombings by Saudi Arabia and its allies, the conflict with Qatar about who is really setting the rules, and who is the leader of, of the gulf states.

00:37:03 Is it intrinsic in the vision of the crown prince that Saudi Arabia's leadership should be taken for granted by its neighbors and the other Arab states that it has underwritten, in some cases for many years? Is that coming up against the resistance of these other states? Is it coming up against the resistance of reality? That the Saudis simply are not capable of doing even what they're trying to do now?

00:37:35 Christopher Blanchard: So I think... Official Saudi self-image of the kingdom as the rightful arbiter, leader, and protector, at a minimum, of the Gulf Cooperation Council countries-- that's the countries of the immediate Arab Gulf...

Clifford Chanin: And we can bring up the map so we have a... We have a map that can show you the neighbors, the six-- no, the other map.

Christopher Blanchard: Yeah, let's go back to...

Clifford Chanin: That's the Yemen map.

00:38:00 Christopher Blanchard: So, uh, you know, Kuwait, Bahrain, Qatar, the UAE, and Oman, if not Yemen, as well-- Yemen's not a GCC state. But, you

know, Saudi's self-image as the rightful leader of that group of countries pre-dates Mohammed bin Salman, and, you know, the relationships between those GCC countries have ebbed and flowed in terms of cooperation, and, and a degree of confrontation in the past.

00:38:32 What I think is, is worth noting, particularly with regard to Yemen, is the dual sort of Saudi concerns that characterize their national security views over the last ten years. And that's concern about domestic political instability in neighboring countries.

00:38:58 Now, with Yemen, that first trend manifested itself in the 2009 confrontation with the Houthi movement, which is a Zaydi Shia religious-political movement located in northern Yemen, just across from Najran there, you see on the map. There was a military confrontation there, followed by the instability in Yemen that resulted from the Arab Spring, that ultimately culminated in Ali Abdullah Saleh, the president of Yemen, being removed from office through a GCC-brokered agreement.

00:39:33 What followed was inconclusive, inconclusive attempts to stitch back together some semblance of political order in Yemen. The Houthi movement rejected the net result of that, much, obviously, to the Saudis' chagrin, and began a military campaign that culminated in them taking over the capital, Sana'a, and marching down to Aden, expelling the, the Saudi-backed government.

00:40:03 Saudi Arabia expressed increasing concern about this throughout 2014, making clear in no uncertain terms that it regarded this as an immediate national security threat to itself, and imploring the United States and others to act in a way that would help them reverse this change of fortune.

00:40:23 Now, one of the principal reasons that Saudi Arabia was concerned about this particular turn of events in Yemen, is the, the pressure that it feels from Iran and Iran's relationships in the region with, with various largely Shiite political military movements. Now, relationship between Iran and the Houthis, somewhat amorphous then, it has solidified now into

something that, you know, the U.S. intelligence community is quite clear about as, as being real.

00:40:54 And so the Saudi military intervention in March 2015 was largely predicated on, you know, their desire to reverse the Houthi gains and to reset the political- military situation in Yemen back to something that they were more comfortable with. Their inability to achieve the political end, the political side of that desire, has really been, you know, the sort of, the bane of, of their campaign there. And it's put a lot of pressure on the U.S.-Saudi military relationship and political relationship.

00:41:30 It's obviously created the humanitarian concerns that you alluded to. And I think it's a good, it's a good proxy or a good metaphor for some of the challenges that the crown prince is going to face-- and the king-- but the crown prince is going to face in putting some details behind defining a new Saudi role. Saudi Arabia has a considerable military capability. It has and has long had considerable financial resources.

00:41:58 The ability to translate those tools into durable solutions that meet Saudi national security interests and provide what, what they're... what they're looking for, you know, really depends on a broader set of factors, one of which is its relationship with outside powers like the United States.

Clifford Chanin: Let's come to that, the relationship with the U.S. This was the first foreign country that President Trump went to visit. That famous photo of the president, and the sword dance and that ball that was giving off the electric... I don't know what it was giving off. But in any case, um, uh...

Christopher Blanchard: It was fighting terrorism.

00:42:38 Clifford Chanin: The fight... the, the terrorism center. I mean, this seems to be a concerted effort on both sides to show-- U.S. and Saudi, I mean-- a much closer relationship than had been the case with Saudi Arabia

under the Obama administration. Is that simply the convenience of the moment, or is there something deeper going on here that does, in fact, bring the two sides closer together?

00:43:05 Christopher Blanchard: So U.S.-Saudi relations had been strained, certainly under the Obama administration, but arguably, you know, the Bush administration had a strained relationship with the Saudi government to a certain extent. You know, the Saudis were no fan of our approach to Iraq and the invasion there, the, the tensions, obviously, that resulted following the attacks of September 11.

00:43:31 And I think under the Obama administration, really, you could walk around the region and just identify any number of issues where we saw things differently. And I think that went both ways. So there was a desire, I think, arguably on both sides, to, to try to move past that. I think the question is, you know, whether both sides can, in the words of the 9-11 Commission, "Define a relationship that both sides are willing to publicly defend," right? And what that requires, I think, is, you know, a real examination of an alignment of policy on things, certainly some of these foreign policy cases, but also, arguably, on things like we've discussed earlier.

00:44:21 You know, if Saudi Arabia really is attempting to transform its social contract, to transform its domestic economy, is it going to invite the United States to participate that in a way other than investment, you know, through a partnership that improves capacity in the Saudi government to meet the needs of citizens, or is it going to remain somewhat superficial and dependent or defined by the announcement of investment deals and arms deals?

00:44:51 You know, what we've seen is a... arguably, a political reset with the new administration. There's a new opportunity, but I think it still remains to be seen whether we're going to actually move into a tangibly closer and more aligned relationship than we, than we've seen in the past few years.

Clifford Chanin: You know, one of the key differences-- and it goes right to the heart of 9/11-- is the propagation of a very conservative, very radical, and the export of this view of Islam that the Saudis, in those days, anyway, were claiming to be the heart of the faith.

00:45:26

And during his recent visit to the United States, the crown prince made strenuous efforts to recast the Saudi vision of Islam, talking about cutting back on the role of the religious police, that this is not the kind of export that the Saudis still want to go into, recasting Islam in a very different way than had been the case.

Is this something that actually has traction within Saudi Arabia or is this simply a, a public relations description of something that has not changed and continues to be at the heart of the Saudi view of their own faith?

00:46:07

Christopher Blanchard: So there are two components to that. I would say, inside the kingdom, there is very tangible change. You know, the, the religious police have by and large been disinvested of their ability to independently arrest individuals. Now, they're still present, but the conversation in the kingdom around the commission and around their role in society is very much along the lines of some people calling for their return in response to some of these social changes that we're seeing-- the participation of families in public, of public life and some of these public events...

Clifford Chanin: Families meaning mixed families with women.

00:46:47

Christopher Blanchard: Yeah, you know, the, the... Again, that social, that paired social and economic goal of getting Saudi family units to participate in society and in the economy as a unit and not as disaggregated, isolated individuals, means a degree of social change. Some Saudis are embracing that. Some Saudis reject it, and they're calling for a return to, um... And the very fact that they're calling for a return illustrates and indicates that there has been some change.

00:47:17 On the broader question of, you know, the, the content and type of ideological message that, that is emanating from the kingdom, you know, not long ago, in, in Washington, I had the opportunity to, to hear from the newly installed chief of the Muslim World League, Mohammed al Issa, Dr. Mohammed al Issa, who addressed a, a private gathering, discussing the Holocaust, predominantly, making statements that, you know, I think in no uncertain terms ought to be broadly welcomed.

Clifford Chanin: And they were unprecedented, certainly in the context of Saudi politics.

00:48:01 Christopher Blanchard: Certainly. The sort of statements that, had those been the statements from that platform and those individuals over the last 40 to 50 years, we would live in an entirely different world. Potentially, right? Now, does that mean that's the only message that's being delivered or is still emanating?

00:48:21 No. I think arguably the Saudi Arabian government, and the Saudi Arabian religious establishment that has partnered with that government, their ability to fully control that message and those ideas, lapsed long ago, right? If, if they ever actually had it.

00:48:41 So there is now an ecosystem out there of individuals who hold views that we might more closely associate with some of, some of the more negative aspects of, of messages that we used to hear coming from the kingdom. That's still out there. What we see now, though, and we hear, is a different message from the political leadership of the kingdom and from some of the leading religious figures that are associated with the state.

00:49:09 And I think, as I said, broadly, that's, that's something that ought to be welcomed. It also ought to be monitored. It ought to be verified. It ought to be something that we come to expect and come to hold them to.

Clifford Chanin: The irony of this is that the crown prince, a young man, alludes to the earlier period in Saudi history-- before 1979, the Iranian Revolution, the attack on the Grand Mosque in, in Mecca-- as a period in time when this very strict religious interpretation was not the case in Saudi Arabia.

00:49:45

And somehow, he is trying, he says, to skip back to what is a more authentic, traditional, but not repressive form of social life and presumably, a message of Islam sent out into the world that goes to this earlier time. Is that an accurate depiction of what Saudi Arabia was in the earlier '70s and before?

00:50:07

Christopher Blanchard: You know, I, I'm not entirely interested in disabusing the, the young crown prince of, you know, his...

(laughter)

Christopher Blanchard: ...his acquired memory of a kingdom...

Clifford Chanin: Precedes his birth.

Christopher Blanchard: I would note, though, that the dynamics that I've just described are, are dynamics that have recurred throughout the history of the modern Kingdom of Saudi Arabia. Right?

00:50:29

The very founding of the kingdom itself and the consolidation of its territory was accomplished in large part through the assistance and contributions of a rather unfriendly bunch of people who had a very narrow view. Their challenge to the state was put down and the political authority of the al Saud family and their authority above and beyond the, the religious establishment was firmly, firmly decided. But it was tested.

00:51:02 As I said, you know, this is, in Aramco's words, "a land transformed." And the social changes that have occurred in the kingdom have been met with a degree of, of pushback and resistance from time to time. You know, the introduction of, of television being a great example. You know, something that caused a degree of social disruption and a limited amount of violence.

00:51:26 But ultimately, you know, step by step, things moved forward. I'd put what the crown prince is currently engaged in, and the conversation that Saudis are engaged in, in a stream of recurrent conversation, a push and pull between different visions of society.

00:51:45 And, you know, I think it's a mistake for us to focus too much on either the liberal or highly conservative visions of, of the kingdom and, and what it is and ought to be about. But rather, what we ought to focus on is that conversation, is that tension, because it's those guardrails, it's those sort of figuring out where the red lines are, that make the decision-making so interesting to watch.

00:52:13 You know, it's, it's really watching society decide kind of what the new normal is and watching the political leadership try to adapt, and also to lead some of this change in a way that's acceptable and, and not disruptive.

00:52:29 Clifford Chanin: Let me ask and we'll turn to the audience after this, how is that monitored? I mean, obviously, expressions of violence are the prime indicator in some ways, but I'm not really expressing that. I mean, the Saudis are very heavy users of social media. I mean, there are ways in which messages are conveyed within that society, maybe generationally, maybe not. But how is something like the relative acceptance of these changes monitored?

00:52:54 Christopher Blanchard: You know... We can see and understand a lot more about public conversation among Saudis than ever before. But my perspective is, you know, there's real limits to understanding. You know, we talked earlier about the religious beliefs. You know, there is a subset

of people who have... been unemployed, had their vision of what their society is not to be challenged directly by the political and religious leadership of their country.

00:53:31 We're not hearing or seeing fully the effects of that, right, yeah? We're not, we don't have good insight into... well, really, how is this being perceived, and under what circumstances might this manifest itself in a disruptive way. I think the, the consensus opinion among, you know, my colleagues tends to be that this, at best, will amount to a nuisance. Right? That it won't pose a real threat.

00:53:59 But we say that in an atmosphere where we've already seen, you know, really, a decade-long terrorism campaign by isolated individuals, but nonetheless, we've seen a durability to these ideas and some people's willingness to be disruptive about it. So I think the short answer is, we don't... We have more insight than ever, but we-- there's a lot we don't see. And unfortunately, you know, that means we have to try to pay close attention and really get as close as possible.

00:54:35 Clifford Chanin: Good. Let's see if we have a question or two from the floor. Hang on one second—gentleman in the back there. Yeah, hang on one second, wait for a mic.

Audience Member: Thank you so much. In the near future, do you foresee Saudi-Israeli diplomatic relations?

00:54:56 Christopher Blanchard: Um... I mean, I think... I think there's been a lot of speculation and discussion about increased contacts between individuals associated or formerly associated with both governments. I think the same factors that have determined the likelihood of an answer to your question in the past will continue to bear: the direction in the Israeli-Palestinian conflict, the ability or willingness of the various parties there to, to move toward a solution, I think, probably, the ultimate arbiter.

- 00:55:39 There's an expectation or push that they... You know, the Iran issue, I think, arguably, there's some alignment of interests there. But in my view, that's not sufficient to see something of that magnitude. King Salman recently—very recently—hosted the Arab League summit in Dhahran, in eastern Saudi Arabia.
- 00:56:05 And the message there was one of strong solidarity with the Palestinians, a reassertion of longstanding Saudi views about the importance of a Palestinian state, about the importance of East Jerusalem being the capital of the Palestinian state. And so, you know, I think it's really that issue that will determine whether or not they head in a direction of a more overt and open relationship.
- 00:56:32 Clifford Chanin: And yet, at the same time, clearly, they are aligned, Israel and Saudi Arabia, in their views of Iran. And the crown prince, again, on this tour of the U.S., did talk about the right of the Jews to a homeland, assuming the Palestinians living side by side, which was, in terms of Saudi public statements, unprecedented, as well.
- 00:56:55 Christopher Blanchard: I mean, I think that, implicit in the Arab Peace Initiative that was put forward by the late King Abdullah, is, in fact, a recognition-- and perhaps, a more specific recognition-- that "a future state" for the Jews is, in fact, Israel, and that the Saudi government would be willing to recognize that state, and join together with the other Arab states in doing so, under the certain circumstances.
- Clifford Chanin: The conditions laid out...
- Christopher Blanchard: Yeah, and, you know, that remains operative. You know, that remains the sort of status quo position. And we will see where things go.
- 00:57:35 Clifford Chanin: Maybe this side. In the back, please.

Audience Member: What percentage of the population is employed, and the second part is, will the education system... Do you believe there will be any change in the Wahhabi system of education?

00:57:52

Christopher Blanchard: Sure. So the population in Saudi Arabia is split between, obviously, a very large foreign labor population, you know, northward of, um... I want to say it's about ten million. So there are about three million Saudis that are employed, mostly in the public sector, about... So that means it's about 70% foreign labor, 30% Saudi national labor.

Clifford Chanin: In the whole national labor force?

Christopher Blanchard: No, that doesn't include security force personnel.

Clifford Chanin: Okay.

Christopher Blanchard: But, you know...

Clifford Chanin: Still.

00:58:30

Christopher Blanchard: Just a rough guide. You add to that the million Saudis, as I said earlier, who are looking for work. And one of the interesting components of the initial stages of Saudi 2030 and the National Transformation plan, which is the immediate goal, you know, they're putting real pressure both on that foreign labor, laborer population.

00:58:50

So we talked earlier about the incidents of subsidy changes on Saudi households. For expatriate households, the government has introduced a, basically, a per capita tax. So, you know, we were seeing a massive outflow of foreign nationals from the kingdom. And there are real

questions in the private sector about whether or not there's a labor match, right?

00:59:13 So most of the private sector jobs available for men, for example, north of 40% are in construction. Are Saudi men going to line up to take the jobs that Egyptian laborers are leaving because they can no longer afford the per capita taxes being put on them? Those are real questions. Are you going to build some of these new infrastructure and, you know, new cities and things that you want using Saudi labor? That truly would be a transformative and new thing.

00:59:43 So this is one of those sort of behind the scenes, nuts and bolts questions, you know, that really-- it makes a lot of sense to keep an eye on. And, you know, in my view, the financial press is quite good at it. They get this. They get those sort of tradeoffs. And so, you know, you'll have a lot of opportunity to keep tabs on them.

Clifford Chanin: And the education system?

01:00:07 Christopher Blanchard: Yeah, the education system. So, you know, the Saudis are revising textbooks. They're constantly doing so. You know, my colleagues in Washington who spend more time focused on that, you know, they're happier with what they see. They see certain changes that still need to be made. I think, you know, in terms of budget investment, 20, 24% of the budget goes towards the military.

01:00:34 Just below that goes to education. So the government understands that because of the youthfulness of the population, they need to invest in these people in order to give them the opportunity. We still have northwards of 50,000 Saudis studying here in the United States. And so that's creating a cadre of people with whom we have at least the opportunity for a good and longstanding relationship.

Clifford Chanin: Let's see. Uh, over there, please. Yep.

- 01:01:03 Audience Member: Thank you. So I'm under the impression, based on, like, my research and having visited and worked in some Arab countries, that it seems like the public sectors are so bloated, and that it seems like there's this mentality-- I don't know if it's cultural, or-- I hope you can speak on this point, that, sort of, the government should be, like, the employer.
- 01:01:30 For example, like, I worked in Libya, and there were people-- you know, this is post-revolution, but still very unstable-- people weren't working, but they were still getting their government salaries. I mean, it was, like, kind of crazy. So maybe you could articulate, kind of, more on the region, and those kind of trends.
- 01:01:45 Christopher Blanchard: Um... I mean, Libya is a, is a unique case, where, you know, the public sector's payment system is quite mismatched, and Saudi doesn't have that problem. You know, Saudis have... For a long time, the employment that was available was public sector. A certain culture of valuing the stability that that provided and the cachet that came with it is something that has integrated itself into Saudi life.
- 01:02:21 And so, the... The government and the private sector leaders that are engaged in these questions and these changes are well aware of that. You know, Gallup polling, a little-- the limited polling that we have, you know, suggests that that culture is still there, that people see, see that as guaranteed. The other thing to keep in mind is a wage gap. So the government pays at a certain level, private sector pays much less.
- 01:02:46 Some of that is the content of the job, but if we're talking, ultimately, at the end of the day, about people's ability to make ends meet, people's willingness to have pride in their job, and the related aspect of that is people's ability to get married in a society where, you know, your ability to do so is largely determined by the attractiveness of your prospects and your relationships, and things like that, these things have to be taken into account, and so, yeah, the... It's still a preferred, I would say it's still

preferred, but, you know, there is a... there is a demographic in Saudi Arabia that, arguably, is waiting to be unleashed.

01:03:24

You see, you know, people agitating for, "Hey, why do we have Egyptian dentists, if all of these Saudis are graduating from dental school? And why do we have all of these Pakistani pharmacists, if...?" Now, in a sense, what you get is a sort of economic nationalism, you know, a sort of Saudi First, you know.

(laughter)

Clifford Chanin: I'm trying... It reminds me of something, but I can't, I can't...

Christopher Blanchard (chuckling): And, uh... And that's playing out. And so, we'll see, but... That's the baseline they're coming up with.

01:03:56

Clifford Chanin: You know, it is really remarkable that... You know, we have, as I said before, we have talked about Saudi through the length of our whole public program series here, and again and again, you know, we keep adding layers and layers of depth which adds to the understanding, but not necessarily to a sense of where things are going. And you've described a situation that is sort of extremely in flux, if that's the right way to put it.

Christopher Blanchard: Transition, yeah.

01:04:22

Clifford Chanin: Yeah. Are Saudis, as a society, prepared to be in a sort of indeterminate state, watching all of these things happen, do you think? Is there a need for the stability that they'd become accustomed to, or is this going to be the bridge to the future that they're looking for?

Christopher Blanchard: The ultimate success remains to be seen. But I think what's important is that, is to appreciate Saudis' own view of just how transformative some of the changes that have already taken place are.

01:04:58 You get Saudis saying, you know, "This is a new chapter. This is brand-new." What could accompany a reversal of that, you know, could be an equally sort of sour reaction, a backlash. And I think that could have quite negative consequences. So I guess my sense is that, you know, you want to hope for them on their own terms, that they can cross this bridge to a more prosperous, and, arguably, stability on different-- uh... newly defined stability.

01:05:32 But, you know, whether or not the environment around them is going to allow them both the resources and the security to do that, I'm less certain of. Less certain.

Clifford Chanin: Well, I think we've established that we need to keep asking these questions and continuing this inquiry into the future of Saudi Arabia across the region. But that's all that we'll have time for tonight, so please join me in thanking Christopher Blanchard.

01:05:55 (applause)