

The Saudi Solution: Answering the Call for Reform

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Saudi Arabia has long served as the world's primary breeding ground of violent religious fundamentalism.¹ Unfortunately, rather than acknowledging and working to combat the forces in Saudi Arabia that breed terrorism, the U.S.-Saudi relationship continues to be dominated by narrow energy interests. For decades, Washington provided for Saudi security, offered advanced weaponry, and turned a blind eye to the country's turbulent internal affairs in return for Riyadh's use of its vast petroleum reserves to stabilize world oil prices.² But the global democratization of violence and the continued rise of non-state actors have eroded the traditional barriers between a foreign state's domestic affairs and U.S. national security. U.S. policymakers must realize that Saudi domestic policy will critically impact U.S. security in the years to come. The United States has a strongly vested interest in the emergence of a Saudi society that breeds less hostility and anti-Western violence. U.S. policy regarding Saudi Arabia must adapt to meet this challenge; Saudi reform efforts, not U.S. energy concerns, must form the core of a modern U.S.-Saudi relationship.

Refocusing the War on Terror

Immediately after the 9/11 attacks, U.S. forces launched an invasion of Afghanistan, toppling the Taliban regime for its role in harboring and supporting the terrorist organization al Qaeda. In Afghanistan, al Qaeda enjoyed a valuable base from which it could freely plan operations and train recruits; the invasion, which sought to deny al Qaeda this capacity, was a justified and necessary step in combating the

organization's ability to strike again. The U.S. invasion was also a strategic launching pad for a longer and more extensive "war" against militant Islamic terrorism. If the United States is to find success in its Global War on Terror, however, it should not lose perspective on the primary source of violent fundamentalism that fuels Islamic terrorism worldwide. No Afghan has been linked to the 9/11 attacks. In fact, all of the 9/11 hijackers were Arab—15 of the 19 were Saudi citizens.³ As *Newsweek's* Fareed Zakaria states, "Afghanistan was the campground from which an Arab army was battling America."⁴ The subsequent U.S. military excursion in Iraq has further clouded U.S. attempts to confront the heart of the terrorist movement. Saddam Hussein's Iraq, though brutally oppressive, was always a secular regime at heart. If the United States is to find success in its endeavor to fight extremism and the violence that it breeds, the time has come to refocus its efforts in the war on terror. Saudi Arabia, the spiritual cradle and largest purveyor of Sunni extremist movements, is the natural place to start.

The importance of Saudi Arabia to the violent Islamic fundamentalist movement is difficult to overstate. As the birthplace and spiritual heart of Islam, Saudi society plays a significant role in shaping the religious and social beliefs of Muslims worldwide. Saudi Arabia's role as guardian of Islam's two holiest sites and its status as a mandatory pilgrimage destination infuse the Kingdom with immense religious significance.⁵ The particular brand of Islam practiced in Saudi Arabia, an extreme and absolutist sect called Wahhabism, is disseminated throughout the Muslim and non-Muslim world through Saudi-funded mosques, schools, charities, and cultural centers.⁶ The dispersal of this fundamentalist religious ideology has been the largest driving force behind contemporary Islamic terrorism.⁷ The University of San Diego's Vali Nasr credits Saudi Arabia with the "increasing entrenchment of rigidity and fanaticism in the Muslim world," adding that "there is no other state who spends as much money at ensuring conservatism and fanaticism among Muslims."⁸ The Islamic scholar Khaled Abou El Fadl adds that "[Wahhabis] have influenced every puritanical movement in the Muslim world in the contemporary age. Every single Islamic group that has achieved a degree of international infamy, such as the Taliban and al-Qa'ida, has been heavily influenced by Wahhabi thought."⁹ Nasr and Abou El Fadl are not alone in their characterization of Saudi Arabia and Wahhabism as the most influential forces to the Islamic fundamentalist movement.

In an extensive survey of over 100 foreign policy experts, *Foreign Policy* magazine found that a full 62% named Saudi Arabia as the country that has produced the largest number of global terrorists. Together, Iraq and Afghanistan composed only 2% of responses.¹⁰ Clearly, a state such as Saudi Arabia, unrivaled as a source of money, ideology, and personnel for the Islamic fundamentalist movement, should form the central focus of any effort to curtail Islamic terrorism. Yet U.S. dealings with Saudi Arabia too often ignore the nation's role in spreading violent extremism. The few attempts to alter the Saudi status quo usually amount to empty promises and token reforms.¹¹ For the United States and the Global War on Terror, this is extremely unfortunate. For all the military might of the world's greatest superpower, progress will not be made against global terrorism unless considerable change takes place within its primary sponsor.

A Sticky Situation

For U.S. policymakers, encouraging change in Saudi Arabia will be costly, painstaking, and exceedingly difficult. The Kingdom boasts an array of factors that breed anger and fundamentalism including an unrepresentative and repressive political system, a disturbingly medieval education system, and an unsteady economy with towering unemployment and poverty rates. Added to the mix is a populace that the 9/11 Commission Report called "one of the most religiously conservative in the world,"¹² where anti-American and Israeli sentiment is deep and pervasive. A looming "demographic disaster"¹³ exacerbates all these problems. Due to high birth rates and a lack of family planning, Saudi Arabia's population has nearly tripled in size since 1980. A swelling of young Saudis, 43% of whom are under age 14, will soon hit the job market and bring with them unprecedented strain on economic and social conditions. Unfortunately, Saudi Arabia's King Abdullah appears glaringly unconcerned with his country's demographic predicament.¹⁴ If left unattended, these alarming trends overwhelm the unstable political system and spawn a Taliban-esque failed state where terrorists operate with impunity.

Proposal for Change

Taking these considerations into account, we propose a comprehensive overhaul of the U.S. approach to Saudi Arabia. New U.S. policy should reflect a shift in perspective, one that removes the traditional view of Saudi Arabia as a distant but reliable gas pump and instills a more accurate picture of a nation-state with domestic concerns that directly impact U.S. security.

Any honest attempt to tackle the Kingdom's many problems must be predicated by a few important truths. First, U.S. military power, however overwhelming, can be of no help in exacting positive change in Saudi Arabia. Saudi Arabia's problems are deep and pervasive, and a forced regime change can only worsen anti-American sentiment and allow religious extremists to wreak havoc. Successful reform will require slow, careful diplomacy and gradual shifts in Saudi domestic policy. Second, inaction, or maintaining the Saudi status quo, is a recipe for disaster. Although difficult to admit, blind U.S. financial and diplomatic support for such a repressive political system plays a part in the rabid anti-Americanism and fanaticism of many Saudis. U.S. policy factors heavily in Saudi Arabia, both to the monarchy and the public, who are well aware of their rulers' benefactors. The most fruitful and promising course of action for Washington is to leverage its considerable influence in Riyadh to engender widespread reform in Saudi society. By helping to remove the social pressures that encourage extremism, Washington can receive long-term strategic results in its Global War on Terror. With these truths in mind, our recommendations focus on encouraging three interlocking areas of reform. First, the Saudi education system must be updated and retooled to prevent the continued radicalization of Saudi youth. Second, Riyadh must institute economic and financial reforms, wisely invest Saudi oil money, and subject monetary transactions to stringent and transparent regulations. Finally, the U.S. should support cautious political reform in the Kingdom, driven by economic and social progress that prepares Saudi society for a meaningful decentralization of power. In the following pages, we present our recommendations chronologically, beginning with reforms that can be enacted immediately and ending with those that require long, slow periods of transition. The ultimate goal, of course, is to support and expedite Saudi Arabia's gradual shift away

from reliance on fundamentalist forces and help contribute to a more open, prosperous Saudi society.

Educational Reform

A state's education system represents the earliest opportunity to foster innovative and open-minded attitudes, establish enduring social norms, and lay the groundwork for a successful workforce. Unfortunately, the education system in Saudi Arabia was relinquished to Wahhabi clerics, whose fundamentalist methods indoctrinate and radicalize Saudi youth.¹⁵ To combat extremism in Saudi society, the Saudi education system must undergo substantial changes that provide sweeping and powerful reforms while avoiding violent disruptions of Saudi culture. Educational reforms will be the building block of a more balanced society, influencing the attitudes and behaviors of Saudi citizens while offering desperately needed technical skills to help Saudis compete in a globalizing world. The United States has an important role to play in fostering and supporting necessary reforms. Policy changes should include adjusting current reform efforts in the region, directed through the Middle East Partnership Initiative (MEPI), to focus specifically on Saudi citizens most vulnerable to violent extremism. Effective reform will address three priority issues: much-needed textbook restructuring, a shift in emphasis from religious indoctrination to vocational skills, and new, rigorous standards for instructors.

Growing Up Saudi

The most affordable schools in Saudi Arabia are religious schools, which train the majority of young Saudis in the fundamentalist ideology of Wahhabism. Class material is often antagonistic to non-Muslims, a result of an education system run by, as Zakaria describes, "militant mullahs" who "continue to call for the destruction of Christians and Jews."¹⁶ Saudi columnist Adel Zaid Al-Tarifi draws a more explicit link between Saudi education and terrorism, adding that "*jihad* groups find ideological cover in the religious message spread by the mosques and schools."¹⁷ Years of Wahhabi-influenced education infuse Saudi children with hatred, hostility, and intolerance and justify violence in the name of Islam.¹⁸ In addition to employing an explicitly fundamentalist approach to

Islam, the Saudi education system fosters extremism through its distressing lack of academic diversity. Current Saudi curriculum lacks practical application; Arab or Islamic Studies are prioritized over essential disciplines such as mathematics, humanities, sciences and computer skills.¹⁹ This remarkable imbalance results in youths who are unprepared to attend a university or enter the workforce. The outcome is an education system that “perpetuates social stratification and poverty”²⁰ rather than one that provides the modern, practical education Saudis need to compete in an increasingly globalized economy. Without the necessary skills to secure well-paying or reliable work, Saudis face poverty and unemployment, further fueling fundamentalism and social discontent.²¹ As the Saudi economy continues to decline, more citizens will find refuge in the familiar ideals of Islamic extremism which translates into jobless Saudis resorting to terrorist activities in order to support their families. The problem will only worsen with time as the aforementioned youth bulge thrusts thousands of young Saudis through Wahhabi schools and into the labor pool.²² The status of this next generation of Saudis will largely hinge on policy decisions made today. For Washington, that means that promoting rapid educational reform in Saudi Arabia must become an immediate priority.

A Lost Cause: Current Policy Needs Redirection

The 2002 Middle East Partnership Initiative (MEPI) is Washington’s most prominent attempt to combat extremism and promote democracy and social reform in the Arab world.²³ But Saudi Arabia’s unstable education system continues to slip away from Washington’s attention because, under the MEPI, it has not been made an immediate priority. To date, the few efforts MEPI has initiated in Saudi Arabia amount to little more than empty threats, and significant evidence of any progress is absent.²⁴ To more accurately pinpoint the sources of extremism, the MEPI must be restructured to ensure that individual nations are not neglected. Additional structural changes would also enhance the MEPI’s effectiveness. Finally, new MEPI programs can be established that address three key issues of concern in the Saudi education system: textbook reform, curriculum emphasis, and teacher training.

Restructuring the MEPI

In August 2005, the Government Accountability Office (GAO) reported that the MEPI had the potential to be a successful medium for reform, but current monitoring of the initiative's projects and funds is insufficient. GAO also found that the program lacks internal organization and effective exchange of information, resulting in an unclear communication of responsibilities.²⁵ Audits of MEPI programs, sparse in number, have not included Saudi Arabia in the four years of the initiative's existence. Effective policy changes will address these discrepancies, mandating annual audits and reports to Congress. Added transparency will ensure efficiency, highlight gaps in the MEPI's mandate, and allow Congress to gauge the program's success.

Targeting Terrorism

New MEPI initiatives must target the population demographic most vulnerable to Islamic extremism: the poor and the young. Current policy does not exemplify this effort. Thus far, the MEPI has established a total of 17 partnerships between American universities and Arab universities in all of the Middle East and North Africa.²⁶ These strategic partnerships are designed to improve the quality of the Arab institutions. However, the dire situation in Saudi Arabia demands broad reforms which will be felt by the entire population. If reforms do not impact the most vital demographics, any potential inroads against extremism will be limited. The MEPI's strategic partnership programs are an essential ingredient to improving educational opportunities within the Kingdom, offering "knowledge and hope"²⁷ to Saudi youths; however, limiting reforms to post-secondary institutions neglects those young Saudis in their most formative years. The MEPI should expand its scope in Saudi Arabia, offering similar partnership programs to primary and secondary schools. Additionally, the MEPI should work to ensure that all Saudis, women included, have access to an affordable public education.²⁸

Policy Changes: The Many Keys to Saudi Success

All specific educational reform efforts must begin by confronting and uprooting the Wahhabi clerics who have long controlled the Saudi education system. Effective changes will "curtail the power of the Wahhabi lobby domestically"²⁹ and reclaim

education for the moderate, practical forces in Saudi Arabia. Washington and Riyadh must work together to preserve future Saudi social, economic, and political stability. Specific reforms should keep two goals in mind: 1) modify curriculum and teaching methods, and 2) provide increased educational opportunities.

Textbook Reform: The First Step Towards Tolerance

Saudi textbooks are notorious for encouraging hostility and intolerance. Schoolbooks routinely treat non-Muslims with contempt and call for the destruction of Israel.³⁰ All textbooks should be re-written to exclude elements of extremism, which include all suggestions of hatred, violence, and intolerance against non-Muslims, and phrases that glorify terrorism. Fortunately, the Saudi Ministry of Education reports that such textbook examination is already underway to remove extremist propaganda. To capitalize on this opportunity, Washington must insist that the textbook examination process be comprehensive, rigorous, and open to international scrutiny.

Shifting Focus

Currently, Saudi education places too strong an emphasis on religion rather than vocational skills, particularly in the secondary and university levels. Ian Bremmer, president of the Eurasia Group, reports that only 8% of Saudi university graduates from 1995 to 1999 studied technical subjects such as architecture or engineering; this figure represents only 2% of all Saudis entering the workforce.³¹ Saudi schools must adapt to offer students the skills necessary to become competent, productive members of society. New curricula should stress classes in foreign languages, math, natural science, and computer skills. Washington should also encourage the monarchy to institute standardized tests at the primary and secondary levels in order to provide a basis of comparison with the rest of the world and measure the progress of reforms.

Effective Teacher Training

Introducing and developing new teaching methods will also ensure the quality of education at the primary, secondary, and university levels.³² Teachers must be trained to encourage students to think critically and engage them in the material. Also, every

teacher's job placement should be contingent on classroom performance rather than religious ideologies. Most importantly, new teaching methods, coupled with more rigorous teaching standards, can help the Saudi Ministry of Education slowly wean itself off its dependence on the strict Wahhabi clerical establishment.³³

Knocking on the Door of Reform

In expanding its role in reforming the Saudi education system, Washington must keep in mind that increased pressure for reform from abroad will unfailingly prompt domestic backlash and discontent. The U.S. must be willing to provide incentives that link educational reforms with tangible benefits to ensure Saudi cooperation. To make the political risk worthwhile for Riyadh, an assistance program can be established that authorizes the MEPI to offer foreign aid and symbolic diplomatic overtures once educational benchmarks are reached. Attaining Saudi cooperation will not be as unworkable as it may seem. The 2003 terrorist attacks in Riyadh forced the monarchy to realize that home-grown fundamentalism is a reality that compromises the nation's security, thus making the government more sympathetic to reform efforts.³⁴ King Abdullah has already announced that Saudi Arabia is "in the midst of a three-year program to overhaul its educational system,"³⁵ including increased funding to accomplish reform goals.³⁶ Neither the United States nor Saudi Arabia can afford to let this opportunity for meaningful reform pass.³⁷

Economic and Financial Reform

Fiscal policy in Saudi Arabia has contributed to the rise of violent Islamic extremism in two ways: 1) the appalling lack of regulations that long characterized the Saudi financial system allowed terrorist organizations to raise vital capital to fund operations worldwide, and 2) the subsidy-addicted economy leaves many Saudis jobless, hopeless, and vulnerable to the calls of fundamentalists. Washington can offer valuable assistance, encouragement, and pressure as Saudis tackle these two key concerns.

Financing Terror

Immediately after 9/11, an intense search began for the financial support for al Qaeda and other terrorist organizations. As information on terrorist financing came to light, Saudi Arabia soon became the target of widespread and vigorous criticism. For years the stark inadequacy of Saudi financial regulations and the lack of political will for enforcement created a regulatory vacuum that allowed al Qaeda to amass considerable wealth from Saudi individuals and charitable organizations.³⁸ David Aufhauser, the former chairman of the National Security Council's Policy Coordination Committee on Terrorist Financing, commented on how this environment allowed Saudi Arabia to become "the epicenter of terrorist financing."³⁹ Some Saudi-based charities, like the now-notorious Al-Haramain Islamic Foundation, raised an estimated \$50 million annually for terrorist causes in Saudi Arabia.⁴⁰ The flow of funding to violent fundamentalists from Saudi charities was so great that a task force at the Council on Foreign Relations called Saudi Arabia "the most important source for funds for al Qaeda."⁴¹ The same task force spoke of "the fundamental centrality that persons and organizations based in Saudi Arabia have had in financing militant Islamic groups on a global basis,"⁴² citing Saudi-funded extremist movements in Asia, Africa, Europe, the Middle East, and North America. In addition to failing to prevent charities from directly supporting terrorist activity, Saudi Arabia has long funded the global propagation of Wahhabism through the construction of mosques, schools, hospitals, and cultural centers throughout the world. This exporting of extremism, ranging from Pakistan to Nigeria to Indonesia and even to the United States, fosters hostility and violence against non-Muslims and may be setting the stage for the next generation of Islamist terrorists.⁴³

Early Progress

As a result of U.S. and international prodding, Saudi Arabia initiated an overhaul of its financial regulatory system after the 9/11 terrorist attacks. Significant steps were taken immediately after 9/11, including the creation in 2002 of a High Commission for Oversight of Charities to supervise and audit the financial activity of Saudi charities.⁴⁴ However, many actions taken by Riyadh were nominal and lacked the necessary political will to ensure complete compliance. A Saudi about-face came in May 2003 when an al

Qaeda attack on housing compounds in Riyadh galvanized the government into seeking new levels of cooperation and vigorous action on terrorist financing. A profusion of new and more comprehensive regulations, laws, and institutions followed the Riyadh bombing. Saudi Arabia passed wide-ranging anti-money laundering legislation, banned cash donation boxes at mosques and shopping malls, set up a joint task force with U.S. forces to investigate suspected sources of terrorist financing, closed charitable organizations with terrorist ties, and enacted thorough new restrictions on the financial activities of Saudi charities.⁴⁵ Many have applauded Riyadh's willingness to institutionalize a comprehensive regulatory system in an attempt to cut off the flow of funding to terrorist organizations. The Council on Foreign Relations task force noted that al Qaeda "is undoubtedly a weaker organization as a result" of Saudi initiatives.⁴⁶

Despite the *de jure* progress made in combating the "fundamental centrality"⁴⁷ of Saudi Arabia to international terrorist financing, success in this endeavor is far from complete. Implementation of the laws and institutions created since 9/11 has been far from impressive. Opportunities for terrorist groups to find financial support remain chiefly because the willingness of Riyadh to fully implement, fund, and enforce new regulations is lacking.⁴⁸ Many organizations mandated by new Saudi laws have yet to become fully operational. Furthermore, a glaring lack of public information about actions taken to fight financiers of terrorism hinders the deterrent effect of such laws. Arrests are not publicly announced, and audits of Saudi charities are not open to international scrutiny. Actions taken behind closed doors will diminish the chances of establishing a meaningful norm against funding terrorist activity.⁴⁹

Policy Changes: Pushing Implementation Forward

A harsh examination of Saudi Arabia's financial regulatory system has important implications for U.S. policy. First, Washington should encourage Riyadh to implement the full array of regulations, laws, and institutions set up in the past five years. The two countries now share a vested interest in denying al Qaeda the funding necessary to carry out terrorist attacks; whenever possible, Washington should repeat and reinforce this mantra to Riyadh. Secondly, Washington and Riyadh must work to increase the openness and public awareness of steps to combat terrorist financing. A focus on

transparency has two benefits: ensuring that appropriate enforcement measures are occurring and constructing a Saudi norm against funding terrorist activity. Both countries should commission annual reports to their respective legislative bodies to highlight progress and consider further steps for financial reform. Thirdly, Saudi Arabia must be persuaded to apply the same vigor it uses in prohibiting the domestic spread of violent extremism to the various Wahhabi organizations it funds abroad. Shrinking fundamentalism within Saudi Arabia while spreading it abroad benefits no one, especially not the Saudi monarchy. A focus on these three issues should significantly weaken the ability of terrorist groups to find sources of funding in Saudi Arabia. An end to the problem, however, will only come when public support for such groups diminishes. Therefore, a solution to the problem of Saudi terrorist financing can only come in the larger context of other political, economic, and social reforms.

Economic Reform: Money Matters

Contrary to the claims of some, poverty alone does not cause terrorism. Osama bin Laden and other top leaders of al Qaeda are from wealthy families with considerable power and influence.⁵⁰ However, other economic factors like high unemployment, low standards of living, and extreme income disparity play an important role in fueling the angry, fundamentalist societies where terrorist groups find active and passive support. A population that faces poverty and hardship and sees little chance of improvement is more susceptible to the comforting allure of religious extremism. As New York Times columnist Thomas Friedman writes, “[P]overty is great for the terrorism business because poverty creates humiliation and stifled aspirations and forces many people to leave their traditional farms to join the alienated urban poor in the cities — all conditions that spawn terrorists.”⁵¹ The 9/11 Commission Report adds that “when people lose hope, when societies break down, when countries fragment, the breeding grounds for terrorism are created.”⁵² Economic stagnation also often galvanizes populations into holding a deeply hostile view of modernity. A central aspect of any strategy to combat the fundamentalism that feeds terrorism must therefore be encouraging the development of open, healthy economies that provide citizens with jobs and opportunities for advancement.

Saudi Economic Woes

Economic circumstances in Saudi Arabia are a serious obstacle to curtailing violent fundamentalism. Ian Bremmer describes the dismal state of the Saudi economy: “Real unemployment hovers above 20 percent. An even higher percentage of Saudis live below the poverty line...the Kingdom contends with a rapid and unprecedented rise in crime...and since nearly 60 percent of the Saudi population is under 20 years old, the most severe demographic stress has yet to hit the job market.”⁵³ Other factors exacerbate the problem. Since Saudi schools do not produce a sufficient number of skilled laborers, foreign workers must be imported every year to support the all-important oil sector.⁵⁴ Excessive dependence on oil revenues has created its own host of problems. Due to volatility in world oil prices, Saudi Arabia’s per capita income has fallen from US\$25,000 in 1980 to about US\$8,000 in 2003.⁵⁵ Low industry diversification and heavy government subsidies negatively impact economic growth.⁵⁶ Stark income disparity and the absence of a genuine middle class fuel resentment and prevent pressure for political reform. The monarchy has recognized the severity of these problems and has recently shown initiative in applying limited economic reforms,⁵⁷ but the deep issues plaguing the Saudi economy will require a dedicated and sustained effort to resolve. Necessary reforms will be politically painful and reap few short-run benefits. They can be grouped into two categories: using oil profits to fuel diversification into other sectors, and continuing liberal economic reforms to create jobs and invite foreign investment.

Policy Recommendations: Escaping the Oil Curse

Although abundant natural resources were traditionally considered a benefit to a country’s economic growth, modern manifestations suggest otherwise. Oil-rich countries in particular tend to suffer from a shortage of diversification and a lack of political and economic institutions that sustain economic growth. Nancy Birdsall and Arvind Subramanian assert that “countries often end up poor precisely because they are oil rich. Oil and mineral wealth can be bad for growth...since they tend to impede the development of institutions and values critical to open, market-based economies.”⁵⁸ Saudi Arabia, where 90% of government revenues are derived from oil profits,⁵⁹ would

certainly fall under this categorization, and any attempt at economic reform there would be incomplete without tackling the 'oil curse.'

One way to ensure that oil abundance does not necessarily translate into poor economic growth is to use oil profits to fuel diversification into other economic sectors. Such an approach was tried in Chad, when significant oil deposits were discovered in 2003. The World Bank, the European Union, and several oil corporations teamed up in an attempt to ensure that future oil revenues in Chad would benefit rather than damage the economy. These international parties initiated the Petroleum Revenue Management Program, which created an independent oversight committee to determine, monitor, and oversee spending of oil revenues. The committee, composed of various economists, government officials, and civil society representatives, set out guidelines for the allocation of oil revenues according to determined sectors. Ten percent of oil profits is set aside and invested for future generations, and about 75% funds health, development, education, and other priority sectors. The remaining 15% is reserved for the government's general budget.⁶⁰ Although the Chad program has encountered serious difficulties due to political squabbling, this new approach has great potential for changing the curse of oil into a blessing. It could also serve as a model for other oil-rich countries such as Saudi Arabia.

An identical setup in Saudi Arabia would be politically impossible to establish. Rather, a Saudi Petroleum Revenue Management program would differ considerably from Chad's. First, Chad's oil was newly discovered while oil revenues in Saudi Arabia are already allotted to various royal family members and government expenditures. Even a system that dedicated 15% of Saudi oil profits to building other sectors of the economy would be a significant boost considering the size of Saudi Arabia's oil revenues. Lessons about transparency from the experiment in Chad can be applied to Saudi Arabia as well. Transparency adds pressure and exposure to government expenditures, which encourages healthier spending habits. At the very least, Washington should encourage Saudi Arabia to conduct and publicize annual audits of oil spending and commit to using more oil money to building infrastructure and economic development. The United States, as the largest customer of Saudi petroleum, has significant weight to bring to bear on this issue. U.S. pressure, coupled with the monarchy's own interests in economic growth, should

provide ample motivation for major reforms in the world's largest oil exporter. The surplus income accompanying today's soaring oil prices may provide a unique window of opportunity for implementing spending reforms. For Washington, it would be much more prudent to lock in Saudi Arabia at today's prices than to put off the issue for another day.

Liberal Economic Reforms

The British magazine *The Economist* states that "the final, and hardest, measure [for tackling the oil curse] is economic reform."⁶¹ Luckily, the monarchy in Saudi Arabia has already shown recognition of the necessity for larger economic reforms and a willingness to take some difficult but needed steps to that end. The goal of economic success in Saudi Arabia should be threefold: providing enough jobs for the emerging boom in the working-age population, eliminating poverty and raising standards of living, and reducing the income disparity by enlarging the Saudi middle class. Two actions, along with the spending reforms articulated above, will speed this process along. First, the Saudis must continue their recently impressive record of privatizing state businesses. The private sector has been flourishing over the last few years due to structural changes initiated when oil prices hit historic lows in the 1990s. The privatization of Saudi Telecom in 2003 invigorated the Saudi stock market and should serve as a model for future privatization. Saudis are seeing the success that a thriving private sector can bring; private sector growth outpaced overall economic growth this year, and the Saudi stock market has grown an average of 87% in each of the past three years.⁶² Saudi accession to the World Trade Organization in December 2005 should facilitate the process of reform in the Kingdom. The role of Washington should be to applaud such reforms and continue to pressure Riyadh to integrate its economy with the rest of the world. The second action that should be taken to enhance economic performance is encouraging foreign investment in Saudi Arabia. This goal often coincides with the aim of diversifying the economy away from oil dependence. Many corporations, for example, have expressed interest in developing Saudi Arabia's ample natural gas reserves.⁶³ A project to open natural gas resources to Western energy companies fell through in the past, but the deal, and similar

deals in other sectors, would benefit the Kingdom by adding badly needed jobs and inviting foreign capital and expertise into the economy.⁶⁴

Complete economic transformation will not come from shifts in spending, industry, and foreign investment alone. Coupled with educational reforms, however, these steps will provide a serious blow to the current circumstances that allow poverty, hostility, and fundamentalism to flourish.

The Political Connection

As the 9/11 Commission Report points out, “the politics that support economic development and reform also have political implications.”⁶⁵ A growing Saudi private sector will support an emerging middle class, forming a constituency that favors stability and limited government power. Pressure for political reform will naturally build as “those who develop the practice of controlling their own economic destiny soon desire a voice in their communities and political societies.”⁶⁶ The net result is that, as education reforms empower Saudi workers and enable further financial reforms, economic growth will strengthen the forces that can work for political change.

Political Reform

The modern Saudi political system draws its origins from a historic 18th-century alliance between Muhammad ibn Saud, predecessor of the current royal family, and Muhammad ibn Abd al-Wahhab, father of the contemporary radical religious sect that bears his name. By allying themselves with al-Wahhab’s religious movement, the Saud family was able to amass a considerable following from the desert tribes of Arabia, who were attracted to the simplicity, absolutism, and Arab nationalism of al-Wahhab’s religious message.⁶⁷ In return for their support, Wahhabi leaders expected an unwavering commitment to their puritanical understanding of Islam. The Saud-Wahhab alliance grew in size and power until it eventually became the dominant political entity on the Arabian Peninsula.⁶⁸

The very same alliance forms the basis for Saudi political and social leadership today. With Wahhabi leaders serving an intermediate position between the governing body and its people, the royal family derives its ruling legitimacy by propagating and

disseminating Wahhabi ideology. On every social issue, the royal family remains extremely attentive to the Wahhabi clerics that appease the public and provide legitimacy for its rule. Unfortunately, Wahhabi leaders often use their elevated status to incite anti-Western hostility and broadcast a doctrine that sanctions violence. This precarious bond prevents the monarchy from actively confronting the ideology responsible for fueling the majority of modern-day terrorist movements. The monarchy has also found it convenient to use Wahhabi clerics to divert domestic criticism and anger to foreign targets.⁶⁹ Clearly, if the Saudi monarchy is ever to seriously tackle home-grown fundamentalism, it must first wean itself off its crippling dependence on Wahhabism. To do so, the monarchy must find a new source of legitimacy and support; meaningful, long-term inroads against domestic extremism will not be possible unless the monarchy begins to derive its validity directly from the Saudi populace.⁷⁰

Roadblocks to Political Reform

Unfortunately, shifting the monarchy's support from Wahhabi clerics to the populace will be much more difficult than simply offering Saudi citizens greater participation in the political process. A number of internal factors plague the Saudi political system that prevents it from both governing effectively and gaining the trust of the public. Endemic corruption, a financially debilitating patronage system, rising public discontent, and vague, unenforceable constitutional regulations undermine the Saudi state and threaten its stability. Fortunately for Washington, King Abdullah has displayed openness to reform and modernization that his predecessors lacked.⁷¹ Aiding Riyadh in addressing these difficulties offers the United States an opportunity to set the Kingdom on the road to a gradual, long-term decentralization of power.

Constitutional Chaos

Compared to the detailed foundational text of other nations, the Saudi constitution is little more than a vague, hollow declaration of state responsibilities. Although the constitution indicates the government's caretaking duties, such as public education and health care, the specifics of how the monarchy should operate in implementing such provisions are omitted. The constitution carries no specific descriptions of the state's

laws or the range of the monarchy's power except for the continuous reference to Islamic law, the interpretation of which is dominated by ultra-conservative Wahhabi clerics. Department and ministerial positions have no designated criteria and lack structured definitions and duties. This absence of clarity has led to a unique construction of the monarch's role in the Saudi political sphere. Today's Saudi King has a limited range of power, in sharp contrast to the boundless powers inferred by the title of absolute monarch. A more proper description for the Saudi monarchy would be that the royal family as a unit serves as the absolute ruling body, with governmental powers residing absolutely within the Saudi family.⁷² The King exerts considerable control over legal matters but the extent to which his rulings are carried out is influenced by the compliance of the family members heading the various departments. Thus, attempts to legislate reform are subject to the whims of the royal family, many of whom are much more conservative and hard-line than King Abdullah.⁷³ The failure of the constitution to provide detailed outlines of departmental powers only adds to the confusion.

A related difficulty arises when the government must determine which royal family members will control important government offices. Currently, hundreds of family members are scattered amongst the various governing branches. In the absence of any outlined criteria for each office, a strict patronage system has evolved. The present occupant usually selects his own replacement on the basis of loyalty or ideology rather than merit. The result is a thoroughly corrupt governing body that is as inept as it is unresponsive to the public's needs.⁷⁴ If the monarchy is ever going to find an authentic support basis in its citizenry, it must force itself to incorporate structure and accountability into the governing process.

Finally, the Saudi constitution fails to provide a regular mechanism for royal succession. According to the analysis of the Political Risk Services, this leaves the Saudi monarchy with a possible "succession dilemma" as the current ruling generation ages and the next gains attention as plausible candidates for future kingship.⁷⁵ This pool of possible appointees numbers over one thousand, and the potential for conflict arises with the selection of a crown prince. Family consensus cannot be guaranteed, and the lack of an institutionalized method of succession threatens to fracture the royal family, a

dangerous prospect in a system where potential legal and political reforms depend on the agreement of various powerful royal family members.

Treasury Trouble

Financially, royal family members, including several thousand of Ibn Saud's descendants, rely on the royal treasury as a source of monthly income. The numerous princes living within Saudi Arabia and abroad are allotted a royal allowance. The lifestyles of even minor third-generation princes can exceed a million dollars, and if the Saudi family continues to grow at its present rate without restraining its spending habits the royal treasury will face an impending monetary crisis.⁷⁶ Many younger members of the family regularly express dissatisfaction at their inability to sustain a lifestyle to their personal standards. As a result, many turn to bribery, property confiscation, and corruption, feeding the overall abuse of the family's governing powers.⁷⁷ In the absence of enforced regulations regarding the expenditures of the royal family, royal funds face a steady depletion. The volatility of oil prices, which provide the vast majority of the monarchy's income, adds another layer to the fiscal mess. These royal stipends, apart from threatening the financial stability of the government, incite anger in Saudi citizens, who are well aware of the lavish lifestyles and corrupt behavior of their rulers.

Public Discontent

All of these factors play a role in fomenting widespread public discontent in the general public. Most Saudis are deeply dissatisfied and disillusioned with their government, which limits the establishment of public forums and fails to properly address citizens' concerns. This lack of communication between the monarchy and its subjects adds to the anger over the openly fraudulent behavior of royal family members. The monarchy's heavy hand intensifies the potential for mobilization of opposition groups, at once threatening the government's power and preventing it from grounding its rule in the general public.⁷⁸ Past riots by the Saudi Shiite minority and the siege of the Ka'ba in 1979 illustrate the effects of continuous public dissatisfaction.⁷⁹

Furthermore, militant religious extremists, after years spent concentrating on foreign targets, have turned their wrath toward the monarchy, compounding the

monarchy's troubles. Most Saudis openly oppose Riyadh's close political and economic ties with Washington, and fundamentalists have used the issue as a rallying point to provoke domestic unrest.⁸⁰ Much of the backlash against the monarchy is the inevitable result of decades spent encouraging anger and fanaticism toward external enemies. As global pressure mounts for Riyadh to sever its extremist ties, the royal family's historical bond with the Wahhabi sect has left the monarchy with no other support basis to lean on. A drastic abandonment of support for Wahhabism would leave the monarchy with a dangerous vacuum of support and threaten rampant domestic upheaval. Instead, the monarchy must work, slowly and carefully, to establish a genuine relationship with Saudi citizens which eliminates the need for a religious middleman. Doing so will require restructuring the Saudi constitution and cautiously offering citizens a voice in public affairs.

Policy Recommendations: Establishing a Political Connection

The constitution presents the most promising opportunity for political reform. The most powerful issues preventing the monarchy from establishing public trust are the rampant corruption, abuse of power, and extravagant patronage system tainting the politics of the Saudi state. To remedy these troubles, the constitution must be updated; the text must function as a political dictionary with strict guidelines pertaining to the limitations of government powers and allocation of official duties. Detailed information regarding the process for distributing funds and a mechanism for reporting official abuses should be included. Criteria for ministry appointments and the creation of new departments need the strength of a written doctrine that emphasizes efficiency and merit. A formalized procedure for royal succession should also be added to the text of the constitution to hedge against potential fractures in the future. While institutionalizing procedures for accountability does nothing to guarantee real change in the Saudi ruling system, updating the Saudi constitution provides a public step to cut corruption and abuse of power. Formalizing political mechanisms strengthens the hand of those in the monarchy who genuinely desire an efficient, functional government. Fortifying the constitution can also limit the power of Wahhabi clerics by usurping some of the wide leverage in public affairs they currently enjoy.

If Riyadh ever hopes to separate itself from its historical alliance with Wahhabi fundamentalists, the path to reform cannot stop with updating the constitution. The citizens of Saudi Arabia must be given alternative means of political communication to fill the gap left by Wahhabi clerics. Washington must continually pressure Riyadh to take cautious steps to allow citizens a place in the political process. While rapid democratization is neither realistic nor desirable, the population must not be left paralyzed without a network relating it to the ruling body. To note, the monarchy has made some recent efforts to encourage a greater degree of public contribution to the political process, such as holding municipal elections and expanding the powers of the consultative Shura Council.⁸¹ However, additional measures can be taken to grant the people a political outlet and ease public dissatisfaction. Naturally, the monarchy is not eager to cede any of its control to an angry and unhappy public, so Riyadh and Washington should seek out steps that allow for greater citizen participation while preserving, at least for the time being, most of the monarchy's power. One such step is the creation of small, focus-based assemblies that could be placed in each of the 13 regions of the Saudi state; such assemblies would be tasked with addressing specific issues in each province. Drawing on the expertise of elected representatives, the assemblies would serve as "responsible [bodies] for developing regional strategies," varying from "regional development, housing, public health, and employment."⁸² The benefit of regional focus-based assemblies, first proposed for Britain, is that, while engaging Saudi citizens on public issues, the monarchy can retain budgetary powers and oversee the implementation of individual projects. The monarchy could establish each assembly on an ad-hoc basis as the need for local projects arises or, ideally, create a permanent body with which it regularly consults with on local issues. The process of decentralizing power and giving Saudis a voice in the distribution of public resources will, and should be, slow and deliberate. As the most powerful external influence on Saudi domestic policy, Washington must ensure that it is also continuous and lasting. In striking at the root causes of terrorism, encouraging a more accessible, embracing, and functional polity in Saudi Arabia may be the most effective single long-term objective for the Global War on Terror.

CONCLUSION

The recommendations presented in this paper are designed to set Saudi Arabia on the path to become a more open, prosperous nation where violent religious extremism is increasingly pushed to the margins of society. As noted earlier, the timing of these proposed reforms are presented chronologically. Educational reforms, which can be implemented in the short term, will eliminate one of the primary mechanisms through which Saudi youth are indoctrinated into intolerant Wahhabi ideology. These reforms will also enable Saudi Arabia to construct an educated, well-rounded workforce, thereby offering Saudis a genuine chance to succeed economically and setting the stage for medium-term economic reforms. As liberal economic policies contribute to a growing Saudi middle class, Saudis will provide the impetus for a gradual, long-term shift in political power. Well-educated and economically empowered, Saudi citizens will prove ready and willing to play an increasingly larger role in public affairs. Each step offers an opportunity for the social pressures that fuel extremism to give way to individual advancement and social progress.

The objective presented in this paper is not to remake Saudi Arabia in the image of the United States or any other Western country. Saudi society will, and should, always differ heavily from its counterparts in Western democracies. However, the problems plaguing the Saudi educational, political, and economic spheres are not mere cultural differences but dangerous aberrations that prevent Saudi society from achieving its own unique potential. The goals of the policies advocated in this paper are to help Saudi Arabia empower its citizens and encourage its own form of natural social development. The proposed recommendations are meant to provide a helpful and flexible guide to Saudi reform efforts rather than an ironclad list of specific prescripts. As circumstances in Saudi Arabia change, Washington must also adapt its particular policies towards Riyadh. Throughout, however, both American and Saudi policymakers must encourage the continuation of steady social reforms while preserving the political stability of the Saudi state.

There are those who claim that the United States, or any other foreign power, has neither the right nor the ability to engender domestic change in a sovereign country such as Saudi Arabia. Proponents of this mentality fall prey to two naive misconceptions: 1)

that the United States does not already play an extremely influential role in Saudi policy, and 2) that, in today's world, the internal affairs of other nations pose no security risk to U.S. citizens. Spending billions of dollars on Saudi oil and supplying the monarchy with scores of advanced weaponry does nothing to respect the nation's sovereignty or its people. The realities of the globalizing world, not U.S. foreign policy, have eroded the traditional boundaries between countries. For better or worse, Washington has a large part to play in Riyadh's decision-making, and ignoring that role only makes the United States complicit in the monarchy's oppressive and unrepresentative rule. In today's world, non-state actors have shifted the ability to launch attacks of mass violence downwards. This unfortunate development means that Washington must work to combat societies that foment and export extremism. Thus, Saudi domestic policy will critically impact U.S. security in the years to come.

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