

# CRS Issue Brief for Congress

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## **Saudi Arabia: Current Issues and U.S. Relations**

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## Saudi Arabia: Current Issues and U.S. Relations

### SUMMARY

Saudi Arabia, a monarchy ruled by the Saud dynasty, enjoys special importance in much of the international community because of its unique association with the Islamic religion and its oil wealth. Since the establishment of the modern Saudi kingdom in 1932, it has benefitted from a stable political system based on a smooth process of succession to the throne and a prosperous economy dominated by the oil sector. Some commentators have suggested that growing internal pressures and regional tensions may have weakened the Saudi regime in recent years; others point to an apparent consensus behind Saudi institutions over much of the last century as evidence of long-term stability.

The United States and Saudi Arabia have long-standing economic and defense ties. A series of informal agreements, statements by successive U.S. administrations, and military deployments have demonstrated a strong U.S. security commitment to Saudi Arabia. Saudi Arabia was a key member of the allied coalition that expelled Iraqi forces from Kuwait in 1991. Saudi Arabia subsequently hosted U.S. aircraft enforcing the no-fly zone over southern Iraq. Saudi officials expressed opposition to the U.S.-led military campaign launched against Iraq in March 2003 (Operation Iraqi Freedom), although Saudi Arabia reportedly permitted certain support operations by U.S. and British military forces, in addition to making some facilities available to them. By mutual agreement, the United States withdrew virtually all its forces from Saudi Arabia at the end of August 2003.

Bombing attacks against several U.S. and foreign operated installations in Saudi Arabia have raised some concerns about security of U.S. personnel and what appears to be grow-

ing anti-Americanism in some segments of the Saudi population. Since the attacks on the United States September 11, 2001, some commentators have maintained that Saudi domestic and foreign policies have created a climate that may have contributed to terrorist acts by Islamic radicals. U.S. officials have generally cited Saudi support in the aftermath of the attacks, including increased intelligence sharing, law enforcement activities, and tracking of terrorist financing.

In its final report, released on July 23, 2004, the U.S. National Commission on Terrorist Attacks upon the United States (the 9/11 Commission) described Saudi Arabia as having been “a problematic ally in combating Islamic extremism,” while noting that Saudi cooperation has improved, especially since further terrorist attacks in Saudi Arabia beginning in May 2003. The National Intelligence Reform Act (P.L. 108-458, December 17, 2004) contains a requirement (Section 7120(b)) that the President submit to designated congressional committees a strategy for collaboration with Saudi Arabia, as part of a larger report on U.S. government activities to implement the provisions of this act.

Other principal issues of bilateral interest include security in the post-war Gulf region, the Saudi position on the Arab-Israeli conflict, arms transfers to Saudi Arabia, Saudi external aid programs, bilateral trade relationships, and Saudi policies involving human rights and democracy. The Consolidated Appropriations Act for FY2005 (P.L. 108-447, December 8, 2004) contains a ban on U.S. assistance to Saudi Arabia but provides for a presidential waiver (Section 575) if the President certifies that Saudi Arabia is cooperating in the war against terrorism.

## MOST RECENT DEVELOPMENTS

Section 7120(b) of S. 2845, the National Intelligence Reform Act of 2004 (also known as the 9/11 Commission Implementation Act of 2004) requires the President to submit to designated congressional committees a strategy for collaboration with Saudi Arabia, as part of a larger report on U.S. government activities to implement the provisions of this act. President Bush signed S. 2845 on December 17, 2004, as P.L. 108-458. Also, Section 575 of the Consolidated Appropriations Act for FY2005 (P.L. 108-447, December 7, 2004) bans U.S. assistance to Saudi Arabia but provides waiver authority if the President certifies that Saudi Arabia is cooperating in the war against terrorism.

According to press reports, the Saudi Minister of Defense and Second Deputy Prime Minister, Prince Sultan bin Abd al-Aziz, told Saudi newspapers on January 25, 2005, that the country's appointive consultative ("Shura") council will be increased from 120 to 150 members within the next three months and that its authority will be expanded. Meanwhile, the first two rounds of municipal elections were held on February 10 and March 3, 2005, as part of a three-stage process in which Saudi male citizens are electing one-half the members of 178 municipal councils; a remaining round of elections is planned in April 2005.

## BACKGROUND AND ANALYSIS

### Current Issues

Oil and national security concerns have combined to produce a close and cooperative relationship between the United States and Saudi Arabia for much of the past century. Since the award of the first Saudi oil concession to a U.S. company in 1933, both states have had an increasing interest, respectively, in the marketing and acquisition of Saudi petroleum supplies. As regional threats multiplied in the latter half of the century, mutual concerns over the stability of Saudi Arabia and other moderate regimes in the Arabian Peninsula engendered a significant degree of defense cooperation. Saudi Arabia was a key member of the allied coalition that expelled Iraqi forces from Kuwait in 1991, and for the next 12 years it hosted more than 5,000 U.S. military personnel, most of them from U.S. Air Force units that enforced a no-fly zone over southern Iraq (Operation Southern Watch). The U.S. military presence, however, aroused resentment among many Saudis, particularly those inclined toward Islamic fundamentalism, and engendered both domestic and regional criticism of the Saudi leadership for allowing non-Muslim soldiers to be stationed in Saudi Arabia, where the two holiest sites in the Islamic religion are located. In August 2003, by mutual U.S.-Saudi agreement, almost all U.S. military personnel were withdrawn from Saudi Arabia, but the two countries will continue to conduct joint training activities and military exercises. (See below, *Future U.S. Military Presence*.)

### September 11 Terrorist Attacks and Aftermath

**Allegations.** The September 11, 2001 attacks kindled criticisms within the United States of alleged Saudi involvement in terrorism or of Saudi laxity in acting against terrorist

groups. Commentators have pointed to the high percentage of Saudi nationals among the hijackers (15 out of 19). Some critics go so far as to accuse Saudi government officials of responsibility for the September 11, 2001, attacks through design or negligence and for the continuing threat posed by the perpetrators or by like-minded terrorist groups. Others maintain that Saudi domestic and foreign policies have created a climate that may have contributed to terrorist acts by Islamic radicals. For example, some believe that the Saudi regime has fostered international terrorism by funding religious schools (*madrasas*) that propagate extreme forms of Islam and advocate violence. (For more information on these schools, see CRS Report RS21654, *Islamic Religious Schools, Madrasas: Background*, by Febe Armanios.) Critics of Saudi policies have also cited a multiplicity of reports that the Saudi government has permitted or encouraged fund raising in Saudi Arabia by charitable Islamic groups and foundations linked to Osama bin Laden's Al Qaeda organization, which the U.S. government has identified as clearly responsible for the hijacks. The exiled bin Laden was formerly a Saudi national, but Saudi authorities revoked his citizenship in 1994. (For more information on the question of Saudi fundraising, see CRS Report RL32499, *Saudi Arabia: Terrorist Financing Issues*, July 28, 2004.)

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### Saudi Arabia in Brief

<b>Population (July 2004):</b>	25,795,938 (includes 5,576,076 foreign residents) Growth rate: 2.44%
<b>Area:</b>	1,960,582 sq.km. (756,985 sq.mi.); just over one fifth the size of the United States
<b>Ethnic Groups:</b>	(native Saudis only) Arab 90%; Afro-Asian 10%
<b>Religion:</b>	(native Saudis only) Muslim 100% (Sunni 85-95%, Shi'ite 5-15%)
<b>Literacy (2003):</b>	78.8% (male 84.7%, female 70.8%)
<b>GDP (2003):</b>	\$211.6 billion; growth rate: 6.4%*
<b>External Public Debt (2003):</b>	\$39.1 billion
<b>Inflation (2003):</b>	1.0%
<b>Unemployment (2003):</b>	25%

\*Unusually high figure, largely owing to surge in oil production.

Sources: IMF; U.S. Dept. of Commerce; CIA World Factbook; Economist Intelligence Unit (London)

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**Saudi Responses.** Saudi officials maintain that they are working closely with the United States to combat terrorism, which they say is aimed as much at the Saudi regime as it is at the United States. In October 2001, the Saudi government announced that it would implement U.N. Security Council Resolution 1373, which called among other things for freezing terrorist related funds. The Saudi government later invited the G-7 Financial Action Task Force (FATF) on Money Laundering into the kingdom to conduct a "mutual evaluation," established a Financial Intelligence Unit (FIU) to collect intelligence on financial activity, and passed new banking regulations.<sup>1</sup> On February 24, 2004, Saudi Arabia and 12 other Middle East or Asian countries attended a conference organized by the 29-

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<sup>1</sup> Matthew Levitt, "Saudi Financial Counterterrorism Measures (Part II): Smokescreen or Substance?" *Policywatch* No. 687, Washington Institute for Near East Policy, Dec. 10, 2002, p. 1. A U.S. Treasury Department official confirmed on May 6, 2004, that the FIU had been established.

member FATF, where attendees focused on terrorist use of charitable organizations to finance terrorist operations.

Saudi officials say they have arrested suspected terrorists including persons believed to be affiliated with Al Qaeda and sought to dampen religious extremism in the Kingdom. In a speech to an Islamic conference on August 30, 2003, for example, Saudi King Fahd bin Abd al-Aziz condemned terrorism and exhorted Muslim clerics to emphasize peace, security, cooperation, justice, and tolerance in their sermons. Press reports indicate that Saudi security forces had arrested 600 suspects as of November 10, 2003. On several occasions, most recently in September 2003, the Saudi Embassy issued a comprehensive white paper detailing initiatives undertaken by Saudi Arabia in the war against terrorism since the September 11, 2001 attacks, with particular emphasis on apprehension of suspected terrorists, establishment of joint task forces with the United States (see below), intelligence cooperation, and various steps against terrorism financing.

U.S. government statements have generally complimented Saudi cooperation with the U.S. campaign against terrorism, while sometimes suggesting that the Saudi government could do more. In its most recent annual report entitled *Patterns of Global Terrorism, 2003* (published April 29, 2004), the State Department noted that the Saudi government adopted a new law in August 2003 criminalizing money laundering and terrorist financing, and also established new financial controls to regulate charitable contributions. In this connection, according to the U.S. Treasury Department, the United States and Saudi Arabia have worked together in jointly designating several entities as supporters of terrorism. For example, on June 2, 2004, a spokesman of the Saudi Embassy in Washington, D.C. announced that a large Saudi-based charitable organization (the al-Haramayn Islamic Foundation), which has been linked to terrorist activity, would be dissolved and that its assets, along with the assets of other Saudi charitable organizations, would be merged into a new organization to be called the Saudi National Commission for Relief and Charity Work Abroad, in an effort “to ensure that the charity of our citizens goes to those who need it.” During the same period, the United States and Saudi Arabia reportedly asked the U.N. Sanctions Committee to add five other overseas branches of al-Haramayn to its list of foreign terrorist organizations.

**Joint Congressional Report.** On July 24, 2003, the House and Senate Intelligence Committees released part of a 900-page report entitled Joint Inquiry into Intelligence Community Actions before and after the Terrorist Attacks of September 11, 2001 (S.Rept. 107-351; H.Rept. 107-792). The Bush Administration refused to allow the release of an approximately 28-page section of the report. According to press articles, persons who claim to have read the still-classified section of the report say it covers Saudi links with individuals involved in the September 11 attacks; specifically, the classified section reportedly states that senior Saudi officials channeled hundreds of millions of dollars to charitable groups that may have helped fund the attacks.<sup>2</sup> Saudi officials, including the Saudi Ambassador to the United States, have denounced the report, maintaining that “Al Qaeda is a cult seeking to destroy Saudi Arabia as well as the United States. By what logic would we support a cult that is trying to kill us?”<sup>3</sup> On July 29, in response to an urgent request from Saudi Arabia, President

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<sup>2</sup> “Classified Section of Sept. 11 Report Faults Saudi Rulers,” *New York Times*, July 26, 2003.

<sup>3</sup> “Saudis Slam Congressional Report Accusing Kingdom of Poor Cooperation in Terror War,”  
(continued...)

Bush met with Saudi Foreign Minister Saud al-Faysal, who called for the release of the still-classified section of the report to enable Saudi Arabia to rebut the allegations contained therein. President Bush refused to do so on the grounds that disclosure could reveal intelligence sources and methods to enemies of the United States and might compromise the on-going investigation of the September 11, 2001, attacks.<sup>4</sup>

**Joint Task Force.** In August 2003, the United States and Saudi Arabia reached an agreement for the establishment in Saudi Arabia of a joint U.S.-Saudi task force to monitor terrorist financing. The task force, composed of representatives from the U.S. Treasury Department, the FBI, and other U.S. agencies, will screen bank accounts, computer records, and other financial data in an effort to track the flow of money to terrorist organizations and shut it off. U.S. officials left for the Saudi capital of Riyadh on August 26, to work out details regarding the task force. News articles have noted that this is the first time Saudi authorities have allowed U.S. government agencies to maintain an extended presence in Saudi Arabia or provided them with access to Saudi documents and investigations. Some speculate that the May 2003 bombings of three residential compounds in Riyadh (see below) in which 34 people died, including eight Americans and seven Saudis, may have impelled Saudi authorities to expand cooperation with the United States in fighting terrorism (“U.S.-Saudi Anti-Terror Operation Planned,” *Washington Post*, August 26, 2003).

**9/11 Commission Report.** In its final report, released on July 23, 2004, the U.S. National Commission on Terrorist Attacks upon the United States (the 9/11 Commission) described Saudi Arabia as having been “a problematic ally in combating Islamic extremism.” The report takes note of long-standing cooperative relations between the U.S. and Saudi governments, growing misunderstandings at the popular level in recent years, and U.S. criticisms in the aftermath of the 9/11 attacks that Saudi officials could do more to fight terrorism. The report acknowledges increased efforts in that regard since mid-2003 when terrorists began hitting targets in Saudi Arabia itself with more frequency; today, according to the report, “The Kingdom of Saudi Arabia is now locked in mortal combat with al Qaeda.” One of the key recommendations in the 9/11 report addresses the U.S.-Saudi relationship:

The problems in the U.S.-Saudi relationship must be confronted, openly. The United States and Saudi Arabia must determine if they can build a relationship that political leaders on both sides are prepared to publicly defend — a relationship about more than oil. It should include a shared commitment to political and economic reform, as Saudis make common cause with the outside world. It should include a shared interest in greater tolerance and cultural respect, translating into a commitment to fight the violent extremists who foment hatred.

## Major Terrorist Attacks

The mid-1990s saw two forerunners of more recent attacks by terrorists against U.S. and other targets starting in 2003. The first attack, which occurred on November 13, 1995, at the headquarters of a U.S. training program for the Saudi National Guard in the capital of

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<sup>3</sup> (...continued)

*Associated Press News Wire*, July 26, 2003.

<sup>4</sup> “Bush Refuses to Declassify Saudi Section of Report,” *New York Times*, July 30, 2003.

Riyadh, killed seven persons (including five U.S. citizens). Several months later, Saudi authorities executed four Saudis, who reportedly confessed to having been influenced by Islamic fundamentalist exiles. The second and more lethal explosion occurred in June 1996 at Khobar Towers, a housing facility for U.S. Air Force personnel near Dhahran Air Base, killing 19 U.S. Air Force personnel and wounding many others. Saudi Interior Minister Prince Nayif told reporters on May 22, 1998, that the bombings “were carried out by Saudis with the support of others.” On June 21, 2001, U.S. Attorney General John Ashcroft announced that a federal grand jury had indicted 14 individuals in connection with the explosion, which killed 19 U.S. servicemen and wounded 372 others. According to the U.S. Justice Department, the suspects belonged to the Saudi and Lebanese branches of the militant Shi’ite Muslim organization Hizballah, which is supported by Iran. The 1996 Khobar bombing remains unresolved, but seven years passed before another incident of this nature took place.

**Riyadh, May 2003.** Three near-simultaneous suicide bombings at about 11:20 p.m. on May 12, 2003, destroyed three housing compounds in Riyadh, Saudi Arabia, inhabited by U.S. military personnel and other foreign residents in Riyadh. According to reports, as many as 34 people were killed, including eight Americans, seven Saudis, two Jordanians, two Filipinos, one Lebanese, one Swiss and nine unidentified persons (possibly including the perpetrators), while many more were wounded. A fourth explosion occurred the following morning at the headquarters of a U.S.-Saudi joint venture, but there were no reported injuries. U.S. and Saudi officials said the attacks had many of the earmarks of previous Al Qaeda operations in their coordinated timing and in their techniques, in that the assailants attacked guards at the compound gates and then drove their trucks into the compounds. President Bush condemned the attack, which he linked to Al Qaeda.<sup>5</sup> Top Saudi leaders, including Crown Prince Abdullah and Defense Minister Prince Sultan, also condemned the attacks, and some commentators expressed the view that the attacks were targeted against the Saudi government as well. On May 13, a U.S. interagency team including six FBI representatives left for Saudi Arabia to assist in investigating the attack. A joint U.S.-Saudi task force was established several months later, as discussed above.

**Riyadh, November 2003.** On November 9, a car bomb exploded in the Saudi capital of Riyadh at a residential compound inhabited mainly by foreign residents from other Arab countries, killing at least 17 and wounding over 120, including four Americans. According to a statement by the Saudi Cabinet, King Fahd promised to “strike with an iron fist” at anyone seeking to threaten security and stability in the country; Interior Minister Prince Nayif said there would be no dialog with the perpetrators “other than with the rifle and the sword”; and the Minister of Islamic Affairs described the attack as “flagrant aggression” against Islam. U.S. and Saudi officials blamed Al Qaeda for the attack; visiting U.S. Deputy Secretary of State Richard Armitage said “this attack bears their hallmark.” Noting that virtually all U.S. military personnel have departed the kingdom, some commentators suggested that the perpetrators were primarily seeking to destabilize the Saudi government.

**Riyadh, April 2004.** On April 21, 2004, a suicide bomber detonated a Chevrolet Blazer packed with explosives in front of the Saudi General Security building in the capital of Riyadh, killing at least four persons (two Saudi police officers, one civilian, and one

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<sup>5</sup> “Bush Vows ‘American Justice’ For Bombers in Saudi Arabia,” *Washington Post*, May 14, 2003.

Syrian girl) and wounding 148. Al-Haramayn Brigades, a group allegedly connected to Al Qaeda, claimed responsibility for the attack, which was the first suicide bombing of a major Saudi government building. Saudi officials said the perpetrators “are not what they claim to be: people of Islam” but “criminals.”

**Yanbu, May 2004.** During a shooting spree on May 2, 2004, four gunmen killed two U.S., one Australian, and two British citizens employed by the Swiss-Swedish based engineering company ABB Lummus, which was engaged in upgrading operations at a petrochemical plant in the Saudi Red Sea port city of Yanbu. The plant is jointly owned by U.S. Exxon Mobil and a Saudi industrial firm. The gunmen dragged the body of one U.S. victim from the back of a car and fired at a nearby McDonald’s and a Holiday Inn before being shot by members of the Saudi Arabian National Guard. Two Saudi security officers were killed while trying to apprehend the gunmen. No group has claimed responsibility, but Saudi Interior Minister Prince Nayif blamed Al Qaeda for being behind the shooting, and a statement of undetermined authenticity by Abdul Aziz al-Muqrin, the leader of an apparent Al-Qaeda affiliate known as “Al-Qaeda in the Arabian Peninsula,” on May 5 praised “the four heroes” who carried out the attack. Meanwhile, Foreign Minister Prince Saud al-Faysal accused a London-based dissident group, the Movement for Islamic Reform in Arabia. In addition, Crown Prince Abdullah and Prince Saud suggested that “Zionists” had manipulated some of the terrorists but gave no evidence to support this claim.

**Khobar, May 2004.** On May 29, 2004, at least four gunmen attacked a residential compound housing oil company employees and dependents in Khobar, Saudi Arabia, seizing approximately 50 hostages. Twenty-two of the hostages, including one U.S. citizen, were killed and approximately 25 wounded before the hostage-takers fled during a rescue operation mounted by Saudi commandos on May 30. Three gunmen either escaped or were allowed to leave by Saudi authorities in return for releasing the hostages; a fourth, described as a ringleader, was wounded and captured. In a taped statement, Al Qaeda operative Abd al-Aziz al-Muqrin (see above) claimed responsibility for the attack and promised that the year 2004 would be “bloody and miserable for infidels.”

**Assassinations and Murders, Post-May 2004.** Since 2004, terrorist groups in Saudi Arabia have targeted several western expatriates, including three U.S. contractors working on military-related projects. This shift by terrorists from bombs to targeted assassinations has been described by some observers as an attempt by the perpetrators to deflect mounting criticism of Saudi militants for previous indiscriminate bombings that cause injury and death to increasing numbers of Saudis and other Muslims.<sup>6</sup> On June 8 and 12, respectively, two U.S. contractors were shot and killed near their residences. On June 12, another U.S. contractor, Lockheed Martin employee Paul M. Johnson, was kidnaped by Muqrin’s group, which subsequently gave Saudi authorities a three-day deadline to release detained members of a militant Islamist cell. On June 18, Muqrin’s “Al-Qaeda in the Arabian Peninsula” posted photos in which they claimed to have beheaded Johnson after Saudi authorities did not meet the three-day deadline. Meanwhile, an estimated 15,000 members of Saudi security forces mounted a massive hunt to find Johnson and his captors, and on June 19, Saudi officials announced that they had killed Muqrin and three of his

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<sup>6</sup> See Craig Whitlock and Renae Merle, “Saudi Victims Had Military Link,” *Washington Post*, June 14, 2004.

confederates in a shootout in the capital of Riyadh. In a CNN interview on June 21, a senior Saudi foreign policy advisor described the elimination of Muqrin as a major blow to his group but added that others might seek to reconstitute the group's capability. Subsequently, conflicting press reports indicated that Muqrin's replacement, Saleh Al-Oufi, was killed by Saudi security forces and replaced by Saud Al-Otaibi, but a Saudi Ministry of Interior officials denied this report.

**Jeddah (U.S. Consulate), December 2004.** On December 6, 2004, militants using small arms and grenades stormed the heavily fortified U.S. Consulate in the Red Sea port city of Jeddah, killing five foreign employees of the consulate before Saudi security personnel killed four of the militants and captured the other one. The Saudi cabinet condemned the attack, which Saudi officials blamed on "deviants," a term used by Saudi officials to describe operatives or supporters of Al Qaeda. This is the first major terrorist assault inside Saudi Arabia since the attack on the oil company residential compounds at Khobar on May 29. Some commentators speculate that Al Qaeda may have shifted its strategy again to target U.S. and western interests while refraining from attacks on domestic targets, in an effort to recoup Saudi domestic support for their operations.<sup>7</sup>

**Evolution of Saudi Efforts.** In the past, U.S. officials have criticized Saudi counterparts for insufficient sharing of information that Saudi officials have gained from their investigations of terrorist acts that have killed or injured U.S. citizens. Press reports indicate that U.S.-Saudi cooperation in the investigation of terrorist incidents has improved since mid-2003. Both U.S. and Saudi officials said the impetus for closer cooperation came from the May attacks, which one knowledgeable observer described as "the inevitable wake up call" for Saudi leaders increasingly concerned over apparent attempts by terrorists to target the Saudi regime. The November bombing, which occurred after virtually all U.S. forces had left the country, may have reinforced Saudi concerns over their vulnerability to such attacks by Al Qaeda and like-minded groups,<sup>8</sup> and Saudi willingness to share information with U.S. officials. According to the 9/11 Commission's report, "[a]s in Pakistan, Yemen, and other countries, [Saudi] attitudes changed when the terrorism came home." In another vein, on June 23, 2004, Saudi Crown Prince Abdullah offered a limited amnesty to members of a "misguided group" who turn themselves in to Saudi authorities within one month. According to press reports, only six responded to the offer, one of whom was on the kingdom's 26-member most-wanted list. Meanwhile, in early June, Saudi Ambassador to the United States Prince Bandar bin Sultan promised to conduct war against the insurgents, whom he described as "deviants" and "traitors to their faith" and added: "War means war. It is not Boy Scout camp."<sup>9</sup>

**Bin Laden Tape.** On December 16, 2004, an audiotape circulated on the internet and purportedly from Osama bin Laden called for an uprising against the Saudi monarchy. The tape charged the Saudi royal family with misrule, condemned other "tyrannical ruling families" in the region, praised the December 6 attack on the U.S. Consulate in Jeddah, exhorted listeners to attack Gulf oil supplies, and added that "Targeting America in Iraq in

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<sup>7</sup> "Al Qaeda Shifts Its Strategy In Saudi Arabia," *The Washington Post*, Dec. 19, 2004.

<sup>8</sup> "U.S.-Saudi Anti-Terror Operation Planned," *Washington Post*, Aug. 26, 2003; "A Campaign to Rattle a Long-Ruling Dynasty," *New York Times*, Nov. 10, 2003.

<sup>9</sup> "Turning Back the Tide," *Middle East Economic Digest*, July 23-29, 2004, p. 23.

terms of economy and loss of life is a golden and unique opportunity.” On the same date, the London-based Saudi dissident group, “Movement for Islamic Reform in Arabia,” called for protesters to mount anti-regime demonstrations in Saudi cities, but these demonstrations failed to materialize.

## **Saudi Stance on Iraq**

**Operation Iraqi Freedom.** Between the Gulf War of 1991 and Operation Iraqi Freedom in 2003, Saudi Arabia hosted U.S. Air Force units that conducted overflights to enforce a no-fly zone over southern Iraq (Operation Southern Watch). Although they did not usually object to small scale U.S. responses to Iraqi aircraft or air defense units challenging allied aircraft conducting these overflights, Saudi authorities were opposed to large-scale allied military action against Iraqi targets. Saudi Arabia opposed the U.S.-led Operation Iraqi Freedom, and on March 19, 2003 (the day President Bush initiated the campaign), a communique by King Fahd stated that Saudi Arabia “will not participate in any way” in the war. A number of news reports, however, indicated that Saudi Arabia informally agreed to provide logistical support to U.S.-led forces: permission to conduct refueling, reconnaissance, surveillance, and transport missions from bases in Saudi Arabia; landing and overflight clearances; and use of a U.S.-built facility in Saudi Arabia known as the Combat Air Operations Center (CAOC) to coordinate military operations in the region.<sup>10</sup> Also, on March 8, 2003, Saudi Defense Minister Prince Sultan bin Abd al-Aziz said his government was allowing U.S. troops to use two airports in northern Saudi Arabia for “help in a technical matter.” A later report in the *Philadelphia Inquirer* on April 26, 2004, quoting unnamed U.S. and Saudi officials, alleged that Saudi Arabia had a wider role in the war than had been publicized at the time. In addition to support noted above, the officials said the Saudi royal family permitted the staging of special forces operations from inside Saudi Arabia, allowed some 250-300 mainly transport and surveillance planes to fly missions from Saudi Arabia, and provided tens of millions of dollars in discounted oil, gas, and fuel for U.S. forces.

Meanwhile, on March 5, 2003, Saudi Arabia dispatched over 1,000 troops to Kuwait, where they formed part of a joint umbrella force from several Gulf countries to help protect Kuwait but did not have an offensive role against Iraq. According to the Saudi Embassy in Washington, Saudi Arabia contributed a total of 6,000 troops to the allied force in Kuwait (known as Peninsula Shield).

**Post-War Iraq: Withdrawal of U.S. Troops from Saudi Arabia.** Following the collapse of the Saddam Hussein regime, the *New York Times* reported on April 30, 2003, that the United States planned to withdraw almost all of its 5,000 troops in Saudi Arabia and move its Combat Air Operations Center to neighboring Qatar. The U.S. Air Force unit to which most U.S. military personnel in Saudi Arabia had been assigned was formally deactivated on August 27, 2003. On September 22, 2003, the *New York Times* reported that the last American combat troops had left Saudi Arabia earlier in the month. Approximately 220 U.S. military and contract advisors, most of them working with the Saudi National Guard, remain in country. Both U.S. and Saudi officials hoped the departure of U.S. troops would remove some of the pressure on the Saudi government from militant anti-U.S. groups; but some terrorist attacks against residential compounds have continued, as noted above.

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<sup>10</sup> See for example “U.S. And Saudis Agree On Cooperation,” *Washington Post*, Feb. 26, 2003.

**Infiltrators?** In late August 2003, a senior State Department official commented that pro-Saddam Arab volunteer fighters have been infiltrating into Iraq through Iran, Syria, and Saudi Arabia to mount attacks against U.S.-led coalition forces in Iraq. In remarks published on August 26, a senior Saudi foreign policy advisor responded that “we have no evidence of Saudis crossing into Iraq and we have received no evidence from the U.S. government.”<sup>11</sup> A press article on November 19, 2003, quoted local U.S. military commanders as saying that their soldiers had encountered relatively few foreign fighters crossing into Iraq from neighboring countries, including Saudi Arabia.<sup>12</sup> According to a *New York Times* report of April 23, 2004, quoting Saudi officials, the Saudi government has installed heat sensors to detect movement on the Saudi-Iraqi border in an effort to seal it. In late December 2004, unidentified western diplomats in Saudi Arabia reportedly said that several hundred Saudi nationals are fighting in Iraq from a total of 1,000-1,500 foreign insurgents, but went on to say that most Saudi infiltrators had come via Syria or other countries rather than directly from Saudi Arabia, which has tighter border controls. (London Financial Times, December 20, 2004).

**Iraqi Debt.** As of January 2004, Iraq reportedly owed the Saudi government \$9 billion in debts incurred during the Saddam Hussein regime, while private Saudi firms and banks hold about \$19 billion in Iraqi debt.<sup>13</sup>

## Arab-Israeli Conflict

Saudi Arabia supports Palestinian national aspirations, strongly endorses Muslim claims in the old city of Jerusalem, and has been increasingly critical of Israel since the outbreak of the Palestinian uprising in the occupied West Bank and Gaza in September 2000. At the same time, Saudi Arabia has supported U.S. policy by endorsing Israeli-Palestinian peace agreements, joined with neighboring Gulf states in 1994 in terminating enforcement of the so-called secondary and tertiary (indirect) boycotts of Israel while retaining the primary (direct) boycott, and adopted a more pro-active approach to peacemaking. In March 2002, Crown Prince Abdullah proposed a peace initiative calling for full Israeli withdrawal from occupied territories in return for full normalization of relations between Arab states and Israel. The plan was endorsed by the Arab League at a summit conference on March 27-28, 2004 and used as a basis of discussion between Crown Prince Abdullah and President Bush at a bilateral meeting in April 2002. Over a year later, on June 3, 2003, President Bush, Crown Prince Abdullah, and four other Arab leaders met at Sharm al-Shaykh, Egypt, where the attendees endorsed the Road Map — a plan for Palestinian-Israeli peace promulgated by the United States, the United Nations, Russia, and the European Union (the “Quartet”).

**Saudi-Palestinian Relations.** Saudi Arabia, like other Arab states, recognizes the Palestine Liberation Organization (PLO) as the legitimate representative of the Palestinian people. Saudi officials say that their support to Palestinians (estimated at \$80 million to

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<sup>11</sup> “Saudis Challenge U.S. Over Iraq Fighters,” *Washington Post*, Aug. 26, 2003.

<sup>12</sup> “U.S. Officers in Iraq Find Few Signs of Infiltration by Foreign Fighters,” *New York Times*, Nov. 19, 2003.

<sup>13</sup> Tom Everett-Heath, “Opposing Views of the Kingdom to Come,” *Middle East Economic Digest*, Jan. 23-29, 2004, p. 1.

\$100 million per year) is provided exclusively to the Palestinian Authority (PA), which was established under the Israeli-Palestinian agreement of September 13, 1993, known as the first Oslo Accord.<sup>14</sup> Saudi Arabia has provided aid (variously estimated at \$33 million and \$59 million) to families of Palestinians killed or injured in the three-year-old Palestinian uprising; in addition, Saudis raised additional funds (over \$100 million according to one report) for this purpose at a telethon sponsored by King Fahd on April 11, 2002. Saudi officials told U.S. counterparts in late April 2002 that proceeds of the telethon are funneled through non-governmental organizations to provide some humanitarian support to needy Palestinian families; the Saudis drew a distinction between their fund raising activities and those of Iraq under Saddam Hussein, which paid families who would sacrifice their children as suicide bombers. (For more information on Saudi payments to families of Palestinians killed in the Palestinian uprising or imprisoned by Israeli authorities, see CRS Report RL32499, *Saudi Arabia: Terrorist Financing Issues*.)

**Hamas.** There have been unsubstantiated reports of Saudi assistance to the PLO's principal rival organization, the fundamentalist Hamas organization, which the U.S. government has designated as a foreign terrorist organization. In its annual report on terrorism for the year 2001 (*Patterns of Global Terrorism, 2001*, published May 21, 2002), the State Department noted that Hamas receives funding from "private benefactors in Saudi Arabia and other moderate Arab states." In its most recent issue (*Patterns of Global Terrorism, 2003*, published April 29, 2004), the State Department does not specifically mention Saudi Arabia; rather, it states that Hamas "[r]eceives some funding from Iran but primarily relies on donations from Palestinian expatriates around the world and private benefactors, particularly in Western Europe, North America, and the Persian Gulf region." The State Department reports do not estimate amounts involved. According to one press report, people in Saudi Arabia contribute approximately \$5 million to Hamas per year, or approximately half of its annual operating budget.<sup>15</sup> Some reports indicate that Saudi authorities tolerate fund raising for Hamas. For example, in May 2002, Israeli officials, citing captured Palestinian documents, said the Saudi government had given money to 13 charities, seven of which provide support to Hamas. Saudi spokesman Adel al-Jubeir, an advisor to Crown Prince Abdullah, maintains that "no Saudi government money goes to Hamas, directly or indirectly."<sup>16</sup> (See also CRS Report RL32499, cited above.)

## Arms Transfers to Saudi Arabia

**U.S. Arms Sales.** The United States has long been Saudi Arabia's leading arms supplier. During the eight-year period from 1996 through 2003, U.S. arms *ordered* by Saudi Arabia amounted to \$7.3 billion while U.S. arms *delivered* to Saudi Arabia amounted to \$22.9 billion, reflecting earlier orders. An upsurge in Saudi arms purchases from the United States in the early 1990s was due in large measure to the Iraqi invasion of Kuwait and its aftermath. The largest recent sale was a \$9 billion contract for 72 F-15S advanced fighter

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<sup>14</sup> "Flow of Saudi Cash to Hamas Is Under Scrutiny by U.S.," *New York Times*, Sept. 17, 2003.

<sup>15</sup> Don Van Natta, Jr., with Timothy L. O'Brien, "Flow of Saudis' Cash to Hamas Is Scrutinized," *The New York Times*, Sept. 17, 2003. The report cites American law enforcement officials, American diplomats in the Middle East, and Israeli officials.

<sup>16</sup> Don Van Natta, Jr. with Timothy L. O'Brien, "Flow of Saudis' Cash to Hamas Is Scrutinized," *The New York Times*, Sept. 17, 2003.

aircraft, signed in May 1993. Saudi arms purchase figures include not only lethal equipment but also significant amounts of support services and construction. A downward trend has marked Saudi arms procurement since the mid-1990s as Saudi Arabia completed many of its post-Gulf War purchases and the country faced straitened finances.

**Saudi-Pakistani Contacts.** According to press reports in 1999, U.S. officials were concerned over a visit by the Saudi Defense Minister to nuclear and missile facilities in Pakistan, but had received assurances from Saudi officials that Saudi Arabia was not seeking nuclear weapons or other weapons of mass destruction. Four years later, a *Washington Times* article of October 22, 2003, citing “a ranking Pakistani insider,” reported that Saudi Arabia and Pakistan have concluded a secret agreement on nuclear cooperation, under which Pakistan would provide Saudi Arabia with nuclear technology in return for oil at reduced prices. On the same day, a U.S. State Department spokesman said the U.S. Administration had seen these reports but added that “[w]e have not seen, however, any information to substantiate what would seem to us to be rather bald assertions.” The spokesman went on to note that Pakistan understands U.S. concerns over nuclear proliferation and that Saudi Arabia is a party to the Nuclear Non-Proliferation Treaty. The Saudi Ambassador to the United States denied that Saudi Arabia and Pakistan had concluded a nuclear agreement and repeated previous Saudi calls for a nuclear-free zone in the Middle East.

**Contacts with China.** In 1988, shortly before the end of the cold war, Saudi Arabia concluded a controversial purchase of approximately 30 intermediate range CSS-2 missiles from China, in its first and only major arms purchase from a communist (or formerly communist) state. A Reuters news wire report of February 15, 2004, quoted unnamed U.S. officials as voicing concern over continued alleged cooperation between China and Saudi Arabia on missiles; the report did not provide details. On the following day, the Saudi Press Agency said a responsible source at the Saudi Defense Ministry denied the report, which a defense spokesman described as “fabricated and baseless.”

## Trade Relationships

Saudi Arabia was the largest U.S. trading partner in the Middle East in 2003. For that year, Saudi exports to the United States were estimated at \$17.7 billion (a marked increase from the previous year’s 12.2 billion) and imports from the United States at \$4.3 billion. Comparable figures for Israel, the second largest U.S. trading partner in the Middle East in 2003, were \$12.8 billion in exports and \$4.6 billion in imports. To a considerable extent, this high volume of trade is a result of U.S. oil imports from Saudi Arabia and U.S. arms exports to that country. The Saudis buy significant amounts of U.S. commercial equipment, such as machinery, vehicles, and electronic items as well. Saudi Arabia has applied to join the 128-member World Trade Organization (WTO), and U.S. officials including President Bush have expressed support for its application.

**Oil Production.** With the world’s largest proven oil reserves (estimated at 261.7 billion barrels in January 2001), Saudi Arabia produced an average of 8.8 million barrels per day (bpd) of crude oil as of May 2003. Approximately 14.5% of U.S. oil imports and 8.8% of total U.S. oil consumption came from Saudi Arabia during 2003. Formerly the largest foreign supplier of oil to the United States, Saudi Arabia has been exceeded in this role by Venezuela and/or Canada during recent years (see **Table 2**).

In recent years, Saudi Arabia has alternately supported cuts and increases in production as oil prices on the international market have fluctuated. Under a “gentlemen’s agreement” reached in June 2000, members of the Organization of Petroleum Exporting Countries (OPEC) established a mechanism to adjust the supply of oil by 500,000 bpd if the 20-day average price of oil moved outside a \$22 to \$28 price band. Members disagree, however, as to whether this mechanism is automatic or requires separate action by OPEC to implement, and Saudi Arabia has spoken of a target price of \$25 rather than a price band. Prices have risen markedly in recent years as regional conflict and terrorism have fueled concern over oil supply, bringing prices to a peak of nearly \$50 per barrel on August 20, 2004, before receding to \$45 on September 2. Saudi Arabia, the only OPEC state with spare production capacity, raised production from 9.25 million barrels per day to 9.5 million barrels per day in August 2004 and may pump more in subsequent months.

**Table 2. Oil Consumption and Imports**

(in millions of barrels per day)

Category	2000	2001	2002	2003
Total U.S. Consumption	19.701	19.649	19.761	20.044
Total U.S. Imports	11.459	11.871	11.530	12.254
Imports from Saudi Arabia	1.572	1.662	1.552	1.772
Imports from Venezuela	1.546	1.553	1.398	1.385
Imports from Canada	1.807	1.828	1.971	2.068

Source: DOE.

**Foreign Investment.** Saudi leaders, notably Crown Prince Abdullah, have shown increasing interest in attracting foreign investment, especially in their country’s energy sector. Oil exploration and production remain generally off limits to foreign investment; however, with the world’s fourth largest natural gas reserves (219.4 trillion cubic feet), Saudi Arabia is emphasizing foreign participation in the country’s gas sector. In 2001, Saudi Arabia signed three preliminary agreements worth approximately \$25 billion with eight international oil companies (including six U.S.-based companies) to develop three natural gas fields. Conclusion of final agreements met continuing delays as Saudi and company negotiators tried to resolve several issues, including taxes, rate of return on investments, and size of gas reserves being offered. Eventually, in mid-2003, negotiations collapsed, and Saudi officials began pursuing a different approach involving smaller, less ambitious projects of more limited scope. Meanwhile, at a July 22-24 conference in London attended by over 40 companies including some U.S. companies, Saudi officials offered three other contract areas for exploitation and issued tenders on September 15. International oil companies were given until January 26, 2004, to submit bids.

Only six of the 40 companies that had expressed interest, including one U.S. company (Chevron-Texaco), submitted bids. The three winners, announced on January 26-28, 2004, were China’s SINOPEC, Russia’s Lukoil Holdings, and a consortium consisting of Italy’s ENI SpA (E) and Spain’s Repsol YPF S.A. (REP.MC). The state-owned Saudi Arabian Oil Company (Saudi ARAMCO) will hold a 20% share in each operating company. The U.S. Chevron-Texaco, which had bid on all three of the contract areas, was unsuccessful in

obtaining any of the contracts. Saudi Oil Minister Ali al-Naimi and other officials said the bids were assessed strictly in accordance with the terms offered by the various companies, although some unnamed observers suggested that the bidding process was structured in a way that favored non-U.S. competitors. Still other observers suggested that the awards reflect Saudi desire to cement economic ties with Russia, China, and other third countries, and one energy expert noted that “[t]he Saudis are clearly shifting around and looking to different parts of the world.”<sup>17</sup>

## Human Rights, Democracy, and Other Issues

Of particular concern to Westerners are pervasive restrictions on women’s activities and an injunction against the practice of other religions throughout the Kingdom. This injunction has been applied not only against non-Islamic faiths but also at times against the Shi’ite Muslim community in Saudi Arabia, estimated at 500,000 or more persons mainly in the Eastern Province. Since 1990, the Saudi government has moved quietly to ease some restrictions on Shi’ites. A petition presented by Saudi Shi’ite representatives was followed by an audience with Saudi Crown Prince Abdullah on April 30, 2003, indicating that both the government and the Shi’ite petitioners may be seeking to pursue a more cooperative approach. Also, according to the State Department, high-level Saudi officials have said that Saudi policy allows for private non-Muslim worship, for example, in private homes or secluded compounds; however, in its annual report on human rights practices, published on February 25, 2004, the State Department notes that Saudi officials do not always follow these guidelines in practice. In the State Department’s most recent annual Report on International Religious Freedom (September 15, 2004), Saudi Arabia is designated for the first time as a “Country of Particular Concern.”

Political reforms promulgated by King Fahd in the early 1990s and continued under Crown Prince Abdullah have set in motion a limited move toward democracy and protection of individual freedoms. The “main law” announced by the King on March 1, 1992, bans arbitrary arrest, harassment, or entry of individual homes without legal authority and specifies privacy in telephone calls and mail. On August 20, 1993, the King appointed a 60-member consultative (“Shura”) council (increased to 90 in 1997 and to 120 in 2001), with limited powers to question cabinet members and propose laws. On January 25, 2005, the Saudi Minister of Defense and Aviation and Second Deputy Prime Minister Prince Sultan told Saudi newspapers that the council will be expanded to 150 members and given additional unspecified authority in the next three months. In a further step, the Saudi government held two rounds of municipal elections on February 10 and March 3, 2005, as part of a three-stage process in which male Saudi citizens are electing half the members of 178 municipal councils in the country’s first nation-wide elections. The remaining round of elections is planned to be held in April. In a press interview, the Saudi Foreign Minister predicted that women will vote in the next election.<sup>18</sup> The State Department report notes the establishment for the first time in Saudi Arabia of a government-approved human rights

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<sup>17</sup> Karen Matusic, “Saudis Extend Geopolitical Base with Gas Deals,” *The Oil Daily*, Feb. 2, 2004; Simeon Kerr, “Saudi Arabia Strikes Hard Bargain On Gas Rights,” *Dow Jones, Emerging Markets Report*, Jan. 29, 2004.

<sup>18</sup> Al”Changes in the Kingdom — on ‘Our Timetable’” (interview by Lally Weymouth with Prince Saud al-Faysal), *The Washington Post*, Feb. 27, 2005.

organization, the National Society for Human Rights, which began to address some human rights violations during the past year, such as prison conditions. On the other hand, a trial is under way for three reformists, who were arrested in March 2004 after calling for a constitutional monarchy in Saudi Arabia.

## Background to U.S.-Saudi Relations

### Political Development

**Saudi Leadership.** As the birthplace of the Islamic religion in 622 A.D. and as the home of Islam's two holiest shrines (the cities of Mecca and Medina), the Arabian Peninsula has always occupied a position of special prestige within the Middle East. With the establishment of Arab empires based in Damascus and Baghdad, the peninsula gradually lost its political importance and sank into disunity. In the 16th century, much of the Arabian Peninsula came under the nominal rule of the Ottoman Empire; however, tribal leaders effectively controlled most of the region. During this period, an alliance developed between an influential eastern tribe, the House of Saud, and the leaders of a puritanical and reformist Islamic group known as the Wahhabi movement. During the first quarter of the 20th century, a chieftain of the Saud family, Abd al-Aziz ibn Abd al-Rahman (later known as Ibn Saud) overcame numerous rivals with the support of his Wahhabi allies and succeeded in unifying most of the Arabian Peninsula under his rule. Four sons have succeeded him.

**Royal Succession.** King Fahd, the current ruler and a dynamic leader for many years, is approximately 80 years old and suffers from medical problems including diabetes and arthritis. In early 1996, King Fahd temporarily turned over affairs of state to his half-brother, Crown Prince Abdullah, for a six-week period while the King recuperated from a stroke. Amid conflicting reports about the King's condition, Crown Prince Abdullah has increasingly carried out many governmental functions since 1996, together with other senior princes of the royal family. Another key figure is Defense Minister Prince Sultan, a full brother of King Fahd, who is generally considered next in line of succession after Prince Abdullah. (King Fahd, Prince Abdullah, and Prince Sultan also hold the positions of Prime Minister, First Deputy Prime Minister, and Second Deputy Prime Minister, respectively.)

Most commentators believe the royal family would back Crown Prince Abdullah in a smooth transfer of power if King Fahd should pass from the scene. Various sources describe Prince Abdullah as more traditional and less western in outlook than King Fahd and more oriented toward the Arab world. On balance, the Crown Prince seems likely to maintain Saudi Arabia's long-standing strategic and economic ties with the United States. U.S. officials commented that President Bush and Crown Prince Abdullah established a very good personal rapport during the latter's visit in April 2002. Some speculate, however, that succession could become more intricate after Abdullah (who is only two years younger than Fahd but believed to be in better health) and fear that future intra-family rivalries could weaken the Saud dynasty over the long term. Possible future candidates include some 25 brothers and half-brothers of King Fahd and a number of sons and nephews.

## U.S. Aid, Defense, and Security

As Saudi oil income expanded, U.S. economic aid ended in 1959. Small amounts of aid continued through 1975, limited to a small international military education and training (IMET) program after 1968. Total U.S. aid to Saudi Arabia from 1946 through its termination in 1975 amounted to \$328.4 million, of which \$295.8 million was military and \$32.6 million was economic assistance. Approximately 20% of total aid was in the form of grants and 80% in loans, all of which have been repaid. A small IMET program of \$22,000 per year to help defray some expenses of sending Saudi officers to U.S. military service schools was resumed in FY2002 and increased slightly to \$25,000 in 2003; \$25,000 was requested by the Administration for Saudi Arabia in FY2004. This amount permits Saudi Arabia to purchase additional U.S. training at a lower cost than that which is charged to countries not eligible for IMET. Saudi officials also cite their country's role as a donor of aid to less affluent countries; according to the Saudi Embassy in Washington, Saudi Arabia gave \$1.7 billion in development assistance and \$14.7 million in relief assistance to developing countries in 2002.

## Congressional Interest in Saudi Arabia

**108<sup>th</sup> Congress.** U.S.-Saudi bilateral issues of interest to Congress in recent years include arms sales to Saudi Arabia, Arab-Israeli issues including the now somewhat attenuated Arab boycott of Israel, oil pricing, Saudi trade practices including disputes between U.S. companies and Saudi clients (largely resolved), and — increasingly — terrorism. In the 108<sup>th</sup> Congress, H.R. 3137, introduced on September 17, 2003, would ban direct aid to Saudi Arabia along with five other named countries. In this regard, as mentioned above, Saudi Arabia only receives \$25,000 in annual U.S. aid under the IMET program. Companion bills entitled the Saudi Arabia Accountability Act, introduced in the House and Senate on November 21 (H.R. 3643) and November 18, 2003 (S. 1888), respectively, would require the President to prohibit export of arms or dual use items to Saudi Arabia and to restrict the travel of Saudi diplomats in the United States, unless the President certifies that Saudi Arabia is fully cooperating with the United States in investigating and preventing terrorist attacks and taking other specified counter-terrorist measures.

During the debate on H.R. 4818, the Foreign Operations Appropriations bill for FY2005, the House adopted Amendment 708 introduced by Representative Anthony D. Weiner, which stated that “None of the funds appropriated or otherwise made available pursuant to this act shall be obligated or expended to finance any assistance to Saudi Arabia.” This amendment, which the House passed by a vote of 217 to 191 (Roll no. 389), was included as Section 582 of H.R. 4818. Subsequently H.R. 4818 passed the House by 365-41 (Roll no. 390) on July 15, 2004. The Senate version of H.R. 4818, passed by voice vote on September 23, did not contain this ban. The Foreign Operations Appropriation bill was included as Division D of H.R. 4818, the Consolidated Appropriations Act for FY2005. The conference report on H.R. 4818 (H.Rept. 108-792) contained the ban in the earlier House version on aid to Saudi Arabia but provided waiver authority if the President certifies to the congressional appropriations committees that Saudi Arabia is cooperating in the war against

terrorism and that U.S. assistance will facilitate that effort (Section 575). The President signed the bill as P.L. 108-447 on December 8, 2004.

Relevant sections of the Intelligence Reform and Terrorism Prevention Act (P.L. 108-458, December 17, 2004) capture many of the concerns reflected in the 9/11 Commission report regarding Saudi Arabia. Section 7105(a) contains findings that review problems in the bilateral relationship but note improvements in counter-terrorism cooperation between the two countries since mid-2003. Section 7105(b) expresses the sense of Congress that “there should be a more robust dialogue between the people and Government of the United States and the people and Government of Saudi Arabia.” Section 7120(b) requires the President to submit to Congress within 180 days a strategy for collaboration with Saudi Arabia, as part of a larger report on U.S. government activities to implement the provisions of this act. The strategy paper is to include steps to institutionalize U.S.-Saudi relationships, intelligence and security cooperation, ways to increase Saudi contributions to peace and stability in the Middle East, political and economic reform, ways to promote tolerance and diversity in Saudi Arabia, and ways to diminish support from Saudi sources to extremist groups.

**109<sup>th</sup> Congress.** The 109<sup>th</sup> Congress has continued to show concern over the role of Saudi Arabia in the war against terrorism, with particular emphasis on encouraging Saudi leaders to heighten their efforts against terrorist financing. S. 12, the Targeting Terrorists More Effectively Act of 2005, introduced on January 24, 2005, contains sections on Saudi Arabia including:

- A statement of U.S. policy to work with the Saudi government to curtail terrorist financing through a variety of methods;
- Findings that Saudi Arabia has an uneven record in fighting terrorism, especially with regard to terrorist financing, support for radical *madradas* (schools), and lack of political outlets for its citizens; and that the Saudi government must undertake political and economic reforms; and
- A requirement for the President to submit a report to designated congressional committees containing a long-term strategy for U.S.-Saudi engagement and for effective prevention of terrorist financing.<sup>19</sup>

H.R. 505, the Prohibit Aid to Saudi Arabia Act of 2005, would impose a ban on U.S. aid to Saudi Arabia and contains no waiver authority.

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<sup>19</sup> Present legislation — Section 7120 of the Intelligence Reform and Terrorism Prevention Act (P.L. 108-458, December 17, 2004) — requires the President to submit a strategy as part of a larger reporting requirement within 180 rather than 90 days, as explained above.