THE ISSUE

- Crown Prince Muhammad bin Salman has been ambitious in his efforts to enact economic reforms in Saudi Arabia. However, these efforts have been accompanied by a series of seemingly poorly-planned foreign policy decisions.
- Despite this series of ad hoc decisions, the crown prince has successfully consolidated power in his own hands in a way that is unprecedented in recent Saudi history.
- The United States must be wary of insisting on a change of personnel that could lead to an intra-family conflict. Instead, the administration should encourage the crown prince to change his behavior.
- King Salman should identify an additional interlocutor who can engage with the United States on foreign policy issues for the foreseeable future.

n October 24, 2017, Muhammad bin Salman (MBS), the crown prince of Saudi Arabia, welcomed over 3,500 of the world’s financial elites to a conference center adjoining the Ritz Carlton Hotel in Riyadh for an “economic coming-out party.”1 The crown prince was selling investors and government officials on his plans for the transformation of the country, not just its economy but also its society. His Vision 2030 plan to lessen the economy’s dependence on oil and increase the role of the private sector required investment, both from at home and abroad.2 It was a glittering show, featuring plans for a new city on the Red Sea coast, Neom, which would be staffed at least in part by robots. Within a few weeks of this impressive gathering, hundreds of the Kingdom’s economic and political elites were prisoners in that same Ritz Carlton. One year after the conference, self-exiled Saudi journalist Jamal Khashoggi was killed by agents of the Saudi government in the Saudi consulate in Istanbul. When the crown prince convened a second investment conference in Riyadh, a “Davos in the desert” as some billed it, in October 2018, the guest list was much reduced. A number of high-profile political leaders and CEO’s backed out, including the U.S. treasury secretary, the president of the World Bank, the managing director of the International Monetary Fund (IMF), and the CEOs of JPMorgan Chase, HSBC, Credit Suisse, BNP Paribas, and the London Stock Exchange.3 While $50 billion in investment deals were announced, over $30 billion were with Saudi Aramco, the state oil company.4

In the year between the two conferences, the crown prince suffered a number of setbacks that called into question both his judgment and his political capacity. The killing of Jamal Khashoggi was simply the most recent in that line. Whether the killing was directly ordered by the crown prince or the
work of close aides who believed they were carrying out his wishes, the ultimate responsibility rests with him. Some of those setbacks can be attributed to MBS’s own decisions; others simply reinforced the fact that there are considerable obstacles confronting his ambitious plans. His regional foreign policy initiatives, in particular, have not worked out as he had hoped. But these setbacks do not mean that the crown prince’s days are numbered in the Saudi leadership. He has successfully consolidated power in his own hands in a way that is unprecedented in recent Saudi history.

The Trump administration, which hitched its wagon to MBS in an imprudent and counter-productive way, now has to decide how to use the fallout from this crisis to change MBS’s behavior, avoiding the extremes of a purely symbolic reaction that has no effect on Saudi policy and the unrealistic goal of declaring, as Trump ally Senator Lindsey Graham did, that the crown prince “has got to go.”

AMBITION AND JUDGMENT: THE POLICIES OF MUHAMMAD BIN SALMAN

The ambitions of the crown prince are well known and documented in the West, where they received considerable praise. In essence, MBS wanted to change the Saudi economy, culture, and regional foreign policy position. While it is not fair to judge the results of an enormously complex and difficult set of policy challenges after less than four years, it is fair to say that on the economic and foreign policy fronts, MBS has had a bad year. Some of his problems are of his own making. Others reflect the easing of the Saudi fiscal situation with the price run-up in the world oil market. Still others result from the inherent disadvantages Saudi Arabia has in its regional rivalry with Iran. Those setbacks have been accompanied by a series of policy choices that appear to be ad hoc, poorly planned, and ill-considered. The killing of Jamal Khashoggi is simply the most recent in that series.

The ambitions of the crown prince are well known and documented in the West, where they received considerable praise. All of these changes were adopted in an authoritarian manner, from the top down. But none have occasioned any significant disruption or social pushback. There are undoubtedly people in Saudi Arabia who disagree with MBS’s effort to open up the social sphere, but they have not been able to mobilize any opposition to the changes. The luster that these steps won MBS in the West was tarnished by a widespread campaign of arrests against activists across the political spectrum, from Islamists to the relatively few real liberals in the country, including a number of women activists who had campaigned (at considerable risk to themselves) for the end of the driving ban.

But it is necessary to credit the crown prince with having a decent sense of what his society would support and the political will to carry it through.

On the economic front, the results have not been as clear or as easy to achieve. The crown prince’s Vision 2030 program sets as a goal a substantial reduction of the role of oil in the Saudi economy. That meant a major effort to spur private investment, both domestic and foreign, in the Saudi economy. It required new government investment, both at home and abroad, in non-oil sectors. It meant increasing the power of the “religious police,” who enforced those strict rules of gender segregation and “proper” behavior in the public sphere. His appointments to the clerical establishment, particularly Sheikh Muhammad al-Issa, the new head of the Muslim World League, reflect a relative liberality in the interpretation of Islam (although from what is a very low bar).

Participants arrive to attend a session of the Future Investment Initiative conference in the Saudi capital of Riyadh on October 24, 2018. Source: Giuseppe Cacace/AFP/Getty Images
the non-oil sources of government revenue, including taxes
and subsidy reform. Success would require a much larger
share of the citizen workforce being employed in the private
sector, where foreign workers dominate, and a concomitant
reduction in the attractiveness of public sector jobs. The piece
of Vision 2030 to which the international media latched
on was the proposal to privatize five percent of the state oil
company, Saudi Aramco, to put a massive sovereign wealth
fund, the Public Investment Fund, at the state’s disposal. But,
the implementation plan of Vision 2030 was wide-ranging,
touching on every aspect of the Saudi economy.¹⁰

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The crown prince took some difficult and unpopular steps in
2016-17 to implement elements of Vision 2030. He imposed
a five percent value-added tax, decreased subsidies for
basic utilities (water, electricity) and gasoline at the pump,
and effectively cut the salaries of a broad range of state
employees by discontinuing “bonuses” that had come to be
considered part of annual compensation. The cost of foreign
labor in the private sector was increased, by implementing
quotas for the hiring of Saudis, better
enforcing existing labor and immigration
regulations, and upping the cost of labor
visas.¹¹ Tens of thousands of foreign
workers have left the country in the
last two years.¹² Government spending
was reduced in response to the oil price
spread of 2015-16.¹³

These steps had been advocated for
decades as necessary to rationalize the
Saudi economy, but they imposed real
costs on both the business community
and the general public. A backlash
developed in Saudi public opinion,
which was voiced mostly on Twitter
and other social media platforms.
Meanwhile, in part as the result of Saudi
oil diplomacy with Russia and in the
Organization of Petroleum Exporting
Countries (OPEC), oil prices in 2017 started to rise. The

The crisis atmosphere of $30 per barrel of oil in which the
crown prince developed and rolled out Vision 2030 abated
as prices climbed toward $70 per barrel and the Saudi fiscal
situation stabilized. The salary cuts to government workers
were largely restored.¹⁴ The Kingdom switched gears in
fiscal policy in 2017, adopting an expansionary budget.¹⁵
While the subsidy cuts and labor changes remained, the
government moved back from a vigorous implementation of
the Vision 2030 goals.

The symbolic centerpiece of the program, the partial
privatization of Saudi Aramco, failed to occur. The Kingdom’s

Posters of Jamal Khashoggi are displayed during a candle light vigil held outside the Saudi consulate in Istanbul, Turkey, October 25, 2018.  Source: Chris McGrath/Getty Images

Saudi woman Sabika Habib drives her car through the streets of Khobar City, June 24, 2018.  Source: Hussain Radwan/AFP/Getty Images
oil technocrats are past masters at slow-rolling political decisions they do not like, as King Abdullah found out in the late 1990s when he pushed for opening parts of the energy sector up to foreign investment. The requirements of transparency of company accounts for listing on major stock exchanges added to the impediments. In the summer of 2018, the privatization plan was put on hold.  

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Moreover, neither foreign investors nor domestic capitalists were investing in Saudi Arabia to the degree that Vision 2030 required. Despite the Saudis conducting investment roadshows around global capital markets and a very flashy investment conference in Riyadh in the fall of 2017, foreign investment in the kingdom declined markedly that year.

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**In the most modern of hotels, the crown prince practiced the most primitive form of taxation—the shakedown of the rich.**

Moreover, the Saudi government asserted that this process was fully in keeping with Saudi law: “The rights of the accused and the facts relating to the offenses are protected by law at all stages during the investigation and the judicial process.”

No one knows just how much money MBS extracted from the denizens of the Ritz. Negotiations were conducted in secret; agreements were not announced; there have been no public trials of anyone arrested (though some remain in custody). Moreover, the Saudi government asserted that this process was fully in keeping with Saudi law: “The rights of the accused and the facts relating to the offenses are protected by law at all stages during the investigation and the judicial process.”

One wonders if the benefits of the capital acquired and the political signals conveyed were worth the message sent to potential investors both domestic and foreign, that their capital could be confiscated in secret proceedings with no recourse to an independent court system. It is fair to ask the question, on the economic front, if the crown prince’s penchant for strong-arm tactics and willingness to ignore legal niceties is consistent with his hope for a stronger and more dynamic Saudi private sector.

In foreign policy, the crown prince has also suffered a number of setbacks. The Yemen intervention, which began in 2015 shortly after MBS became defense minister, has collapsed into a debilitating, unwinnable slog that is costing Saudi Arabia billions of dollars per month and losing it whatever modicum of goodwill existed in many Western countries toward it. Yemen has become a humanitarian disaster.
The Houthis are no closer to surrendering than they were in 2015, though they have been driven out of at least some of the territory they held. Saudi Arabia and its partner, the UAE, have demonstrated little diplomatic creativity in using their battlefield gains in seeking a negotiated solution, and might not even be on the same page regarding what they want.22 While the Yemen intervention has not been a success for Saudi Arabia, it is not hard to discern the strategic impetus behind it. Riyadh has seen Yemen for decades as its exclusive zone of influence and has worked to prevent either foreign powers or a strong, centralized Yemeni state from gaining influence there. While the Houthis are hardly Iranian clients on the level of Hezbollah, they are certainly sympathetic to the Islamic Republic and are supported by it. It is harder to discern the strategic impulse behind more recent Saudi foreign policy initiatives. The boycott of Qatar, initiated in 2017 with the UAE and supported by Bahrain and Egypt, was meant to force the Qataris to end their support for Islamist groups like the Muslim Brotherhood and take their distance from Saudi Arabia’s regional rivals, Iran and Turkey. It, too, has failed to this point. Qatar is the richest country in the world per capita; an economic boycott was likely to fail.23 It is home to the largest U.S. airbase in the Middle East, so it was highly unlikely that the United States would support stirring up problems there. Rather, the boycott has pushed Qatar closer to Ankara and Tehran, effectively splitting the Gulf Cooperation Council (GCC) and making it harder for the United States to organize a broad regional front against Iran.24

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The Saudi efforts to contain and roll back Iranian influence in the Arab world did not begin with MBS. Under King Abdullah, Saudi Arabia pursued the same goal, with similarly unsuccessful results. The Saudis are working under a number of handicaps in the contest for influence with Iran. While they have plenty of money, more than the Iranians, they lack two other assets that have allowed Tehran to intervene successfully in the civil wars in the Arab East. The Iranians have the Qods Force, their own special forces that can be interjected for training, fighting, and support for local clients. The Saudis have been unwilling to send their own ground forces into these fights, even in Yemen. The Iranians also have loyal allies, like Hezbollah and various Iraqi and Afghan militias that are tied to Tehran through ideology, money and organizational links. The natural ideological allies of the Saudis among the irregular forces fighting in the Arab world’s civil wars are the jihadi-salafist groups like al-Qaeda and the Islamic State group. But those groups hate the Al Saud regime and want to overthrow it. So, it is not surprising that Iran is getting the better of the contest for influence in the Arab world.

The lack of success MBS has experienced in confronting his regional rivals seems to have led in the last year to a new level of rashness in his foreign policy choices. The desire for quick fixes has blinded him to the second and third order consequences of his risky initiatives. In November 2017, Lebanese Prime Minister Saad al-Hariri, a Saudi client, was summoned to Riyadh. Shortly thereafter he announced his resignation in a speech from the Saudi capital, apparently under heavy pressure from the Saudis. If the crown prince hoped that an ensuing political crisis in Lebanon would weaken Hezbollah and highlight Riyadh’s central role in Lebanese politics, he was sorely mistaken. Lebanese across the political and sectarian spectrum rallied to Hariri’s support. After French mediation, Hariri returned to Beirut, rescinded his resignation, and Lebanese politics continued unchanged, with Hezbollah still acting as kingmaker.25

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This erratic streak in Saudi decisionmaking continued in a puzzling episode in the summer of 2018. The Canadian foreign ministry tweeted some mild criticism of Saudi Arabia for the arrests of women activists who had pressed for the right to drive. This was hardly the first time a Western country had criticized the Saudi human rights record. Riyadh’s reaction was completely out of proportion: withdrawing the Saudi ambassador from Canada; ordering Saudi students on government scholarships, about to begin their academic years in Canadian universities, to return home; cutting commercial ties with the country; and even withdrawing Saudi patients being treated in Canadian hospitals.26 One can hardly escape the conclusion that Saudi policy here was based more on personal pique than national interest, with little concern for the consequences of the action.
So, the killing of Jamal Khashoggi did not emerge from a vacuum. This decision, like the ones on Canada and Lebanon, is not characteristic of the caution and prudence in foreign policy that has helped the Saudi regime weather a century of regional crises. The crown prince seems to think that Saudi Arabia is a great power and can act with the kind of impunity that Putin’s Russia and Xi’s China do on the international stage. His uncles who ruled the Kingdom before him had a much better understanding of the limits of Saudi power.

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**THE FALLOUT IN SAUDI ARABIA**

The killing of Jamal Khashoggi is an international crisis, not a domestic one for Saudi Arabia. While a respected journalist and member of the Saudi elite, Khashoggi did not have a political following or head a movement. Even granting that “public opinion” is a hard thing to discern in an authoritarian country, it does not seem that Khashoggi’s death has resonated broadly in the country.

But within the Saudi elite, the international outcry has had important effects. King Salman removed some of the crown prince’s aides who were implicated in the killing. He sent a senior member of the ruling family, Prince Khalid al-Faisal, governor of Mecca and son of King Faisal, to Ankara for talks with the president of Turkey, Recep Tayyip Erdogan. Prince Ahmad, a full brother of the king, who in past patterns of Saudi succession might have been a candidate for the top job, returned to the Kingdom from self-imposed exile in London. The Al Saud are notoriously opaque when it comes to family business, but there are credible reports of meetings among family members about how to react to the crisis. The crown prince, who sidelined a number of his older cousins in his meteoric rise to power and locked up others in the Ritz Carlton, has few friends among the senior ranks of the family.

This ferment in the family should not be taken as evidence that MBS is about to be removed from his position or the line of succession. He is reportedly unpopular among his uncles and older cousins exactly because he has consolidated power in his own hands in a way unparalleled in the recent history of the family. “They hate him, but what can they do?” asked one family...
member quoted in the New York Times. That is why MBS was able to end the ban on women driving and implement the economic changes that he has, and why he has been able to engage in risky behavior in foreign policy. For decades, the Kingdom was governed by a committee of senior princes, with the king as first among equals. Strong kings had more clout; weaker, older, or sicker ones had less. But major decisions were the product of a rough consensus among the family’s leading members. It was a cumbersome and conservative system—slow to react and favoring inaction—but it prevented impulsive acts and harebrained schemes.

King Salman and MBS upended that system. There are now fewer members of the ruling family in the cabinet than at any time in modern Saudi history. MBS himself or his appointees head up all the ministries controlling the means of coercion (the Ministry of Defense, the National Guard, and the Ministry of the Interior). He has cultivated support among the next generation of the family, princes close to his own age who are often from the family’s fourth generation, the great-grandsons of the founding king. He has appointed them to governorships and deputy governorships in the provinces and to sub-cabinet positions in Riyadh. Any attempt to remove him from power could elicit the most serious intra-family fight since the prolonged succession struggle between King Saud and Crown Prince Faisal in the late 1950s and early 1960s.

Ferment within the family is thus more likely to clip the crown prince’s wings than to turf him out. There could be moves to recreate, in a partial way, the committee system that constrained Saudi decision-makers in the past. The signal that is happening would be the appointment of senior members of the family to cabinet positions in the near future.

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King Salman is the key player here. He has turned day-to-day decisionmaking over to MBS but on major issues has exhibited a willingness to overrule his son’s wishes. It is reported that the king overruled MBS recently both on the Saudi Aramco privatization scheme and on MBS’s muted reaction to the move of the U.S. embassy in Israel to Jerusalem. He has reasserted himself in the wake of the Khashoggi killing but at the same time appointed MBS to oversee the “reform” of the intelligence services announced in the wake of the killing. He is both the crown prince’s protector and the one person who can limit the crown prince’s power. It is appeals to the king, from senior members of the Al Saud family, important constituencies in the country, and international actors that could lead to greater constraints on the crown prince’s authority.

U.S. POLICY AND THE FUTURE OF U.S.-SAUDI RELATIONS

The Trump administration made a serious error when it inserted itself into Al Saud family politics by openly favoring the rise of Mohammed bin Salman and practically taking credit for his appointment as crown prince. The United States has been able to deal with all of the leaders of the country in the past, even the ones, like King Abdullah, who were thought to be “anti-American” before they assumed kingship. Picking favorites runs the risk of alienating others in the family and of tying U.S. fortunes too tightly to one person. It would have been more prudent for Washington to deal with whomever the system generated at the top and stay out of the complicated politics of the Al Saud
family. Undoubtedly, President Trump and senior adviser Jared Kushner are recognizing that now.

By that same token, it would be a mistake to follow the advice of those who now call for the United States to punish the crown prince by making his ouster from power a condition for future cooperation with the Kingdom. This is a bipartisan stance. Senator Graham’s call that MBS has “got to go,” quoted at the outset of this paper, is similar to that of former national security adviser Susan Rice, a veteran of Democratic administrations, who wrote that the crown prince “is not and can no longer be viewed as a reliable or rational partner of the United States.”

This desire to solve difficult foreign policy issues by trying to manage the domestic politics of foreign countries is the kind of thinking that got us into the Iraq War. It animated U.S. Middle East interventions, both covert and overt, from Iran in 1953 through Libya in 2011. These efforts rarely turn out well in the long term. In this particular case, ham-handed U.S. efforts to unseat the crown prince could produce exactly the opposite of the intended result, consolidating his power in the face of foreign pressures, or encourage an intra-family struggle that could add Saudi Arabia to the already over-long list of unstable Arab states.

What the United States needs from Saudi Arabia is a change of behavior, not a change of personnel. The Trump administration seems to have realized this, with recent calls for a ceasefire in the Yemen civil war and for an end to the stand-off between Qatar and the Saudi-Emirati axis. Both of those initiatives will require more concerted U.S. diplomacy than we have seen thus far. Only an active and sustained role by top figures in the administration—secretaries Pompeo and Mattis—with full public support from the president can get movement on these issues. Mr. Kushner must end his backchannel with the crown prince, which frustrated earlier diplomatic efforts by secretaries Tillerson and Mattis to nip the Qatar boycott in the bud. A presidential statement and efforts by secretaries Tillerson and Mattis to overrode President Obama’s veto of it.

The legislation allows the victims of the 9/11 attacks to sue the government of Saudi Arabia for damages, regardless of the fact that there is no credible evidence of any Saudi government involvement in the attacks. Overwhelming majorities passed the JASTA legislation in 2016 and overrode President Obama’s veto of it. It is the White House, across Democratic and Republican administrations, which has sustained the relationship for good strategic reasons. Riyadh has to realize that it needs to help the administration to continue to support the relationship in the face of consistently questioning, if not hostile, Washington elite opinion.

That realization needs to include an acknowledgment that the United States needs another interlocutor, besides the crown prince, with whom to engage on foreign policy issues for the foreseeable future. This should not be an effort to change the succession or force MBS from power, for the reasons discussed above. Rather, it is advice from one friend to another that new faces are needed to reassure Saudi Arabia’s international partners about Saudi reliability going forward. There are plenty of senior figures in the ruling family who can credibly represent the country’s interests in foreign policy and provide a needed balance in the country’s decision-making. The United States does not have to identify...
a particular person; that is best left up to King Salman. But
the message has to be conveyed that the way business has
been conducted over the past few years has to change.

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That is a difficult message to convey, and one that needs
to be placed in the larger context of the region’s future
as a whole. It needs to be conveyed not only by officials
of the administration but also by the president himself.
Finally, appointing an ambassador in Riyadh is a good
start here, and General Abizaid comes into his job with
a strong knowledge of the region and the country. But
the best vehicle for that conversation might be a special
representative, someone who is known and respected in
Saudi Arabia, who has dealt with the king in the past and
who inspires confidence in Washington more generally.
Former secretary of state and treasury James A. Baker III
would be an ideal candidate. His recent New York Times
editorial on the Saudi-U.S. relationship is an indication
that he has been thinking about the topic.38 Someone of
his stature is needed to get the Saudis to take seriously the
need for a change of course in their regional policies.

F. Gregory Gause, III is professor of international affairs and
John H. Lindsey ’44 Chair at the Bush School of Government and
Public Service, Texas A&M University and a faculty affiliate of the
school’s Albritton Center for Grand Strategy.

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29 Only King Salman, who serves as prime minister, the crown prince as defense minister, Prince Abd al-Aziz bin Saud bin Nayif as interior minister and Prince Abd al-Aziz bin Salman, another of the king’s sons, who serves as minister without portfolio, are currently in the cabinet. In contrast, in 2014, the last year of King Abdallah’s rule, eight family members held seats, including in the foreign ministry, the education ministry, the Ministry of the National Guard and the Ministry of Municipal and Local Affairs. Central Intelligence Agency, “Chiefs of State and Cabinet Members of Foreign Governments,” https://www.cia.gov/library/publications/world-leaders-1/SA.html.


