

**The Special Partnership: Considering U.S.-Saudi Relations Through the Alliance**

**Politics Literature**

**Mohammed Omar**

**4978965**

**July 19, 2017**

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**Abstract:**

U.S. –Saudi Arabia relations are the longest running U.S. partnership in the Middle East. As a relationship between states with considerably different political systems, world views, and cultures, its viability has been the subject of reoccurring debate. More recently apparent fissures in the partnership over the Iran nuclear accord and counter-extremism in the Middle East, have led to louder questions about its future viability. Nonetheless, as the May 2017 visit by U.S. President Donald Trump to Riyadh shows, the relationship appears to be as strong as ever. This paper examines the unique parameters of the U.S.-Saudi relationship that have ensured its stability, in the face of clear divisions and disagreements. It does this through reviewing the alliance politics literature and using its framework to better understand U.S.-Saudi relations. Second, it establishes the key drivers of the U.S.-Saudi partnership in their economic, military, and security realms. Finally, the paper considers the impact of both the Iran nuclear accord and the election of President Donald Trump on the relationship. This comprehensive approach helps establish how a relationship between partners with opposing values, remains drawn closely together through shared interests.

## Chapter 1- Introduction

Close relations between the U.S. and Saudi Arabia have remained a key feature of U.S. Middle East policy through different administrations and iterations of the Saudi royal family. While the relationship had modest beginnings, it has grown in complexity to incorporate major economic, military, and security links. Nonetheless, the U.S.-Saudi partnership has faced reoccurring scrutiny and criticism throughout its existence. Historical junctures, like the 1973 oil crisis and the September 11 attacks, challenged the partnership's cohesion and revealed its lack of resonance with both respective publics.<sup>1</sup>

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<sup>1</sup> Rachel Bronson, *Thicker than Oil: America's Uneasy Partnership with Saudi Arabia* (New York: Oxford University Press, 2008), 6.

Similarly, conflicting positions on the Palestinian-Israeli conflict and differences in domestic political systems have led to pointed censure of the relationship's structure.<sup>2</sup>

Today, U.S.-Saudi relations are facing renewed criticism in light of differences in Middle East regional policy. In an example of the new divide, a group of U.S. Senators led by Connecticut's Chris Murphy and Kentucky's Rand Paul, introduced legislation that would limit arms sales to Saudi Arabia.<sup>3</sup> The proponents of the legislation argue that Saudi Arabia's role in the spread of extremist religious ideology calls for a re-think of the close partnership. As well, the emergence of U.S. shale oil production, which has decreased U.S. dependence on imports, has also been highlighted as evidence of the relationship's weakening rationale.<sup>4</sup>

Most significantly, disagreements on the best way to confront Iran's fledgling nuclear program has led to a public airing of grievances from both partners. While the U.S. has preferred a diplomatic approach towards containing Iran's nuclear program, Saudi Arabia has publicly and privately advocated for a more aggressive position. The successful completion of the Iran nuclear accord led to an acrimonious reaction from the Saudi leadership, which suggested the U.S. had abandoned its traditional role as a security guarantor in the region. In response, U.S. President Barack Obama criticized

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<sup>2</sup> Ulrichsen, Kristian Coates. *Insecure gulf: the end of certainty and the transition to the post-oil era*. (New York: Oxford U Press, 2015), 46.

<sup>3</sup> "U.S.-Saudi Relations," Council on Foreign Relations, May 17, 2017, section goes here, accessed January 20, 2017, <https://www.cfr.org/backgrounder/us-saudi-relations>.

<sup>4</sup> Iii, F. Gregory Gause. "The Future of U.S.-Saudi Relations." *Foreign Affairs*. July 2016. Accessed July 17, 2017. <https://www.foreignaffairs.com/articles/united-states/2016-06-13/future-us-saudi-relations>.

Saudi's commitment to its own security and its role in exacerbating proxy regional conflict with Iran<sup>5</sup>.

Despite the public divisions between the U.S. and Saudi Arabia on the nuclear accord, the fundamental pillars of the relationship remain largely unchanged. This paper will argue that Saudi Arabia remains deeply interlinked with the U.S. in the economic, military, and security spheres. Record highs in weapons exports from the U.S. to Saudi Arabia, close cooperation on intelligence sharing, and U.S. logistical support for Saudi Arabia's ongoing military campaign in Yemen, all highlight the commitment of both partners to their long-established bonds.

This paper will seek to establish the key drivers of the U.S. - Saudi partnership. It will do so first through reviewing and applying alliance politics literature to better understand U.S.-Saudi relations. It will then seek to examine the foundations of the partnership in its key economic, military, and security dimensions. This analysis will highlight how these main drivers have kept the partnership intact, despite a lack of convergence on key values. Finally, the paper will explore the impact of the Iranian nuclear agreement on U.S. - Saudi relations, through analyzing both actors' respective positions towards the agreement and relations with Iran.

## **1.2 Methodological Approach**

This paper will employ a literature review approach to examine the applicability of an alliance politics framework to the U.S.-Saudi relationship. I will consider sources that examine various aspects of the relationship and help ground its historic trajectory. The

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<sup>5</sup> Jeffrey Goldberg, "The Obama Doctrine," *The Atlantic*, March 17, 2016, <https://www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525>.

majority of the sources this paper will examine will be secondary and qualitative. As this paper will rely on a literature review to analyze the main drivers of Saudi-U.S. relations, it will only consider existing research conducted on U.S-Saudi relations. Primary sources are not commonly used in this paper; except to note the opinions and thoughts of important policymakers and figures that play a role in the relationship.

The paper will use qualitative research from secondary sources focusing on multiple aspects of U.S-Saudi relations. While statistical data from Saudi sources is more difficult to encounter, it will be introduced in the paper when available. Official U.S. sources of data, which are more accessible, will be used extensively in the economic section. This will include sources such as the U.S. Department of Commerce, the U.S. Census Bureau, Office of the U.S. Trade Representative and the World Bank.

The bulk of data introduced on the Saudi-U.S. arms trade will rely on secondary research on the global arms trade. Non-governmental institutes such as the Stockholm International Peace Research Institute (SIPIRI) and IHS Jane's will be used for their data on the global arms trade and the bilateral arms trade between the U.S. and Saudi Arabia. Academic sources such as journal articles and books will be consulted for qualitative research and insight on the defence linkages between the two countries. Furthermore, where available, official governmental and defence industry sources will also be consulted for statistics and figures on arms transfers and purchases between the U.S. and Saudi Arabia.

This paper will also use secondary academic sources to analyze U.S. - Saudi political relations, and the impact of the Iran nuclear accord on U.S. policy towards Saudi Arabia. As the Iran nuclear deal is a relatively new development, I will also consider

briefings and articles written by think tanks examining the relationship, such as the Brookings Institute and the Council on Foreign Relations. I've also considered research from articles through regionally focused academic institutes such as George Washington's Project on Middle East Political Science. Finally, I have analyzed media sources such as newspaper articles to get a sense of how the main drivers of the U.S.-Saudi relationship have been framed historically, as well as how divisions have been publicly articulated in the lead-up and aftermath of the Iran nuclear deal. By relying on a diverse range of secondary resources, I hope to capture a holistic and far-reaching look of Saudi-U.S. relations in the political, economic, and security realms.

## **Chapter 2 Alliance Politics Literature Review**

A literature review of the alliance politics literature will set the theoretical framework required to analyze U.S.-Saudi relations. Alliance politics theory considers how relationships between allied states operate. The various theories of alliance politics display how perceptions and power differentials between states can influence their conduct in the international realm. Walt defines an alliance as either a “formal or informal relationship of security cooperation between two or more sovereign states.”<sup>6</sup> While the US-Saudi relationship does not represent a formal alliance, in either political or legal terms, the two states have enjoyed a close security relationship for many decades. This coordination can be best described as a partnership based on mutually beneficial interests. As the partners cooperate on matters of security and are aligned on regional policy, alliance politics theory can illuminate what brings them together.

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<sup>6</sup> Stephen M. Walt, *The Origins of Alliance* (Ithaca: Cornell University Press, 2013), 14.

The realist school of international relations shapes the dominant view of alliance politics theory. While there are other views of alliance politics, such as the constructivist alliance politics literature, this paper will focus on theories of scholars influenced by the realist school of thought<sup>7</sup>. The realist view of alliance politics reflects the key assumption that international relations take place in a state of anarchy and that power is the most important feature of international politics<sup>8</sup>. Similarly, the majority of alliance politics literature considers the natural state of international politics to be conflictual and best analyzed through the actions of states<sup>9</sup>.

## 2.1 Competing Views of Alliance Formation

Despite sharing central assumptions on political thought, realists diverge on what best describes alliance formation. Kenneth Waltz's *Theory of International Politics* argues that alliances are best understood through balances of power. In Waltz's view, alliances can be explained by the alignment of weaker states behind the dominant power in their geographic vicinity<sup>10</sup>. Stephen Walt sought to challenge Waltz's pioneering contribution through his study of alliances in the two World Wars and Southwest Asia. Walt contends that a desire to balance against threats provided a more accurate reflection of how alliances form in the international sphere. Walt argues states interpret threats

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<sup>7</sup> Brian Lai, "Democracy, Political Similarity, and International Alliances, 1816-1992," *The Journal of Conflict Resolution* 44, no. 2, accessed July 19, 2017, <http://www.jstor.org/stable/10.2307/174663?ref=search-gateway:88cecb0c5a69a7adda7afcb91367aaea>.

<sup>8</sup> Randall L. Schweller, "New Realist Research on Alliances: Refining, Not Refuting, Waltz's Balancing Proposition," *The American Political Science Review* 91, no. 4 (December 01, 1997): 927

<sup>9</sup> Schweller, "New Realist Research on Alliances: Refining, Not Refuting, Waltz's Balancing Proposition," 927.

<sup>10</sup> Waltz, *Origins*, 1.

through four major factors; aggregate power, proximity, offensive capability, and offensive intentions<sup>11</sup>.

Schweller identified a gap in Walt's theory of alliance politics in the form of unthreatened states. Although Schweller agrees with Walt's contention that states often balance against their biggest threats, he highlights that many do not face actual external pressures<sup>12</sup>. Schweller argues that states satisfied with the status quo are more likely to bandwagon with stronger states in order to materially or militarily benefit from their association<sup>13</sup>. Schweller's view of alliance politics also distinguishes between the motivations of states satisfied with the status-quo and those hoping to improve their position in the international system. Moreover, the national and domestic political and economic outlook of states is considered the most important factor in alliance selection.<sup>14</sup> Schweller also contends that states dissatisfied with the status quo in the international system are more likely to ally with revisionist powers that favour expansion. Similarly, states satisfied with the international status quo are more likely to ally as they share a commitment to securing their political gains<sup>15</sup>. Unlike the theories of alliance formation put forth by his predecessors, Schweller rejects a dichotomy between balancing and bandwagoning, rather arguing that both forms of alliance are dependent on systemic conditions in the international system.

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<sup>11</sup> Stephen M. Walt, "Alliance Formation and the Balance of World Power," *International Security* 9, no. 4 (April 01, 1985): 3

<sup>12</sup> Schweller, "New Realist Research on Alliances: Refining, Not Refuting, Waltz's Balancing Proposition," 928.

<sup>13</sup> Schweller, "New Realist Research on Alliances: Refining, Not Refuting, Waltz's Balancing Proposition," 927.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

## 2.2 Alliance Security Dilemma

Glenn Snyder's 1984 study considering the security dilemma in alliance politics adds clarity to how alliances manage internal differences. Snyder argues that the security dilemma facing alliances can be divided into a primary and secondary phase<sup>16</sup>. The primary phase of the alliance security dilemma revolves around the trade-offs states must make before joining alliances, while the secondary phase focuses on the security dilemma which confront state actors once they commit to an alliance<sup>17</sup>.

It is the latter phase of the alliance security dilemma that bears interest for this paper, as it can explain how the U.S.-Saudi relationship functions amidst substantial disagreements. States in an alliance must weigh between the choice to cooperate or defect throughout their partnership. Both choices can lead to positive or negative costs, with the negative characterized by entrapment and abandonment and the positive by the reduced risk of entrapment or abandonment by alliance partners<sup>18</sup>. Snyder defines abandonment as various forms of defection from an ally, either by a lack of commitment to a partner's defense or through realignment with an adversary<sup>19</sup>. As significantly, Snyder notes that allied states will engage in bargaining, or negotiations within their relationship, to achieve preferred outcomes. While the security dilemma can constraint state choices, alliance bargaining can reduce the risk of entrapment or defection and can shape alliance responses to external adversaries.<sup>20</sup>

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<sup>16</sup> Glenn H. Snyder, "The Security Dilemma in Alliance Politics," *World Politics* 36, no. 4 (July 01, 1984): pg. 463

<sup>17</sup> Ibid.

<sup>18</sup> Snyder, "The Security Dilemma in Alliance Politics," 464.

<sup>19</sup> Ibid, 466.

<sup>20</sup> Ibid.

Snyder also highlights relative dependence as a key variable in an alliance security dilemma. The degree of dependence a state has on its ally, will determine the cost and risks of abandonment or entrapment in an alliance. Snyder outlines four factors that determine the degree of dependence a state may have in an alliance. These factors include the degree of reliance on a partner's military assistance, the state of conflict between an ally and adversary, and potential realignment alternatives<sup>21</sup> Snyder's analysis of late 19<sup>th</sup> and 20<sup>th</sup> century European alliances show that a correlation can be drawn between levels of military assistance and the state of relations with an adversary.

Strategic interest is underlined as another important factor that informs alliance decision-making in a security dilemma. Snyder defines strategic interest as the significance a state attaches in an ally's resources<sup>22</sup>. Strategic interest can illustrate the commitment an ally has to the defense of its partner and at what cost. The value an ally attaches to its partners resources can also inform the nature of interactions in an alliance. Snyder argues that the strategic interests of powerful states are readily apparent, and as a result, reduce their bargaining power with less powerful allies. As the weaker partner in an alliance is aware its patron attaches great value to its resources, it can more confidently assume it will come to its defence in a conflict with an adversary. Smaller states can also have a decreased fear of abandonment if an ally's strategic interest is positioned towards its defence. This can allow less powerful partners to assert policy positions and requests that are not closely aligned with the more powerful partner's preferences.

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<sup>21</sup> Ibid, 471.

<sup>22</sup> Ibid.

Morrow builds on Snyder's analysis of the alliance security dilemma, through analyzing how alliances between states with power disparities operate. His study of asymmetric alliances argues that states reliant on security from stronger partners are likely to have longer-lasting relationships. Morrow contends that the trade-off for security in exchange for a weaker partner's autonomy provides enduring logic for a mutually beneficial alliance<sup>23</sup>. Weaker states can exchange their autonomy for security by granting access to military bases or by advancing the foreign policy of their stronger partner<sup>24</sup>. Morrow underlines that this exchange in an asymmetric relationship can only come through an increase of the weaker partners military capability

Gene Gerzhoy picks up on the theme of dependence in alliance politics, in his analysis of the U.S.'s successful efforts to curb West Germany's nuclear weapons program. Gerzhoy argues that a client state's threats of realignment or nuclear weapons development can only be credible in the face of alternatives. Moreover, Gerzhoy emphasizes that patron states can be able to temper threats of clients acquiring nuclear weapons, through employing the threat of abandonment<sup>25</sup>.

### **Chapter 3 Situating U.S.-Saudi Relations within the Alliance Politics Literature**

An analysis of the U.S.-Saudi partnership through the lens of alliance politics theory can explain its relative cohesion despite significant differences. Alliance politics

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<sup>23</sup> James D. Morrow, "Alliances and Asymmetry: An Alternative to the Capability Aggregation Model of Alliances," *American Journal of Political Science* 35, no. 4 (1991): 906

<sup>24</sup> Ibid.

<sup>25</sup> Gene Gerzhoy, "Alliance Coercion and Nuclear Restraint: How the United States Thwarted West Germany's Nuclear Ambitions," *International Security* 39, no. 4 (2015)

theory examines how states with political and military arrangements negotiate actions within a shared umbrella. While the U.S.-Saudi partnership does not enjoy the formal status of an alliance, its decision-making is informed by similar considerations related to mutual security and regional stability. As it stands the majority of alliance politics research is focused on Western alliance phenomenon, such as the U.S. - West German security partnership. The historic and long-standing nature of the U.S.-Saudi partnership makes it an appropriate case study for how alliance politics theory can apply to U.S. relations outside of the Western sphere.

The alliance politics literature highlights that alliances often form through balancing against threats. In particular, states may form alliances to ward off threats to their domestic security<sup>26</sup>. Walt argues that offensive capability, intention, and proximity are the key factors states used to evaluate threats. All three factors were important considerations in the establishment of closer relations between the U.S. and Saudi Arabia. Although the U.S. possessed offensive military capability when diplomatic relations were formed in 1933, Saudi Arabia's founding monarch King Abdulaziz Al-Saud evaluated its regional intention as relatively benign. This was because the U.S. did not display imperial ambitions in the region, unlike its colonial British competitors, which governed much of the surrounding territory in the Arabian Peninsula.<sup>27</sup> Similarly, geographic proximity influenced both the U.S and Saudi Arabia's decision to form a closer partnership. While the U.S. considered Saudi Arabia's geographic position as crucial for broader policy goals such as military logistical supply, its lack of a direct military footprint in the region posed less threat to Saudi Arabia's fledgling territorial integrity.

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<sup>26</sup> Walt, "Alliance Formation and the Balance of World Power,"6.

<sup>27</sup> Bronson, *Thicker than Oil*, 26.

### 3.1 U.S-Saudi Threat Perception

The US-Saudi partnership was also brought closer together by shared international threats. In the earliest stages of the relationship the Soviet Union posed the major threat that influenced co-operation between the two states. For Saudi Arabia, the Soviet Union met all the key factors used to evaluate an external threat. Its territorial expansion in the aftermath of the Second World War, its vast military capability, and its strategic objective to control a deep-water port in the Persian Gulf posed an imminent threat to Saudi Arabia which it could not seek defence from on its own.<sup>28</sup> While the Soviet Union was not geographically proximate to the United States, its military capability in the Cold War period meant it also could be considered a threat using Walt's criteria. In addition, the U.S. and Saudi Arabia found common ground in their shared opposition to the promotion of Communism abroad. Although Saudi Arabia's concerns regarding Communism were mainly framed as religious in nature, the United States welcomed its cooperation in combatting the spread of the ideology in the Middle East. Early correspondence between U.S. President Harry Truman and King Abdel-Aziz, highlighted "...Godless Communism" as a threat that the U.S. would provide Saudi Arabia support to combat<sup>29</sup>.

The U.S. and Saudi Arabia also held a shared threat perception against radical Arab nationalism. Egypt, led by President Gamal Abdel Nasser, promoted a vision of Pan-Arabism that positioned it as a proximate threat to Saudi Arabia with a military capability it could not match. From a U.S. perspective, Egypt's cooperation with the

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<sup>28</sup> Ibid

<sup>29</sup> Ibid, 80.

Soviet Union and its potential threat to the free flow of Saudi Arabia's oil pushed it towards a threat evaluation which viewed Egypt as an adversary. As a result, Egypt's influence in the Arab World and its military operations in Saudi Arabia's immediate southern neighbor, Yemen, were considered important to combat through the provision of U.S. financial and military support.<sup>30</sup>

More recently, post-revolutionary Iran has met Walt's criteria for an alliance security threat to the U.S.-Saudi partnership. While Iran had once served as part of the U.S.'s regional bulwark against Soviet influence in the Middle East alongside Saudi Arabia, in what was known as the Twin Pillar policy, its 1979 revolution shifted it from a security partner to an adversary of both the U.S. and Saudi Arabia. The revolutionary Iranian Government adopted a hostile posture to the U.S., most notably marked by the U.S. Embassy hostage crisis. Similarly, the Iranian leadership's call for Islamic uprisings was interpreted as threatening to the domestic stability of Saudi Arabia. In particular, Iran's influence on Saudi Arabia's minority Shia population was considered a critical security threat. Iran's proximity to Saudi Arabia across the Persian Gulf, as well as to the world's busiest oil shipping route on the Strait of Hormuz, also posed a mutual threat to both the U.S and Saudi Arabia.

Saddam Hussein's Iraq represented another threat to the U.S.-Saudi partnership following its unilateral invasion and occupation of Kuwait in 1990. While the U.S and Saudi Arabia supported Iraq in its regional war with Iran, its use of military force against Kuwait matched Walt's criteria for assessing alliance threats. Iraq's invasion of Kuwait helped spur the closest military cooperation between Saudi Arabia and the U.S in the

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<sup>30</sup> Ibid, 80.

history of their partnership.<sup>31</sup> In response to U.S. intelligence reports indicating that the Iraqi army was massing to invade Saudi Arabia, the Saudi Government requested a U.S. military intervention in its defence<sup>32</sup>. Saudi Arabia acted as the staging ground for an international coalition effort against Iraq's occupation of Kuwait. The U.S. initially deployed a limited force including two F-15 squadrons, two carrier battle groups, and the 82 airborne division brigade, for the immediate protection of Saudi Arabia and its oilfields from a potential Iraqi assault.<sup>33</sup> This was followed by a much larger deployment of over 425,000 U.S troops in support of the coalition's war effort.<sup>34</sup> For its part, Saudi Arabia financed over \$60 billion worth of in-country expenses incurred by coalition forces during Operation Desert Storm.<sup>35</sup> Saudi Arabia also provided a military contribution to the coalition, as its land forces and National Guard participated in combat operations against the Iraqi army in Kuwait.<sup>36</sup>

### **3.2 U.S.-Saudi Regional Stability**

A key feature of the U.S.-Saudi partnership has been its preference for regional order and international stability. Schweller notes that states satisfied with the international status quo are more likely to seek alliances that seek its preservation. For instance, in early correspondence between President Harry Truman and King Abdel Aziz in 1950, the former provided U.S. assurance for the "...preservation of the independence

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<sup>31</sup> Gause. "The Future of U.S.-Saudi Relations.",1.

<sup>32</sup> Bronson, *Thicker than Oil*, 26.

<sup>33</sup> "War in the Persian Gulf Operations Desert Shield and Desert Storm August 1990 - March 1991.," Center of Military History, 2010, [https://www.history.army.mil/html/books/070/70-117-1/CMH\\_70-117-1.pdf](https://www.history.army.mil/html/books/070/70-117-1/CMH_70-117-1.pdf).

<sup>34</sup> Ibid.

<sup>35</sup> Bronson, *Thicker than Oil*, 188.

<sup>36</sup> Council on Foreign Relations, "U.S.-Saudi Relations,"1.

and territorial integrity of Saudi Arabia.”<sup>37</sup>. This assurance for the protection of Saudi Arabia’s domestic status quo was backed by a pledge that any threat to Saudi Arabia would be interpreted as a threat to the United States as well<sup>38</sup>. Although the source of threats to the regional order has transformed over the span of the partnership, the U.S. security guarantee for Saudi Arabia’s protection has remained. In the first Gulf War, the U.S. directly intervened to defend Saudi Arabia from an external threat posed by Iraq’s invasion and has cooperated with it in non-military security realms, such as intelligence sharing. The exchange of information has become a key aspect of the relationship in the post 9/11-era, informed by closer counter-terrorism cooperation between the two partners.

Moreover, the U.S. has long considered the free flow of Saudi oil to global markets to be a key strategic interest of the international status quo it seeks to preserve. As Snyder notes, a state’s strategic interest can help assess its commitment to an ally or partners defence. The U.S.’s Middle East policy considers the protection of Saudi Arabia’s oil producing capacity as essential to the functions of the international economy. US naval resources have been deployed to secure shipping routes around the Arabian Peninsula, since Saudi Arabia began exporting its oil to international markets. . The U.S. Navy first established a presence in Arabian Peninsula in 1949 and has expanded its commitment to securing the region’s oil shipping routes since. More recently, the U.S. naval presence in the Red Sea has expanded in response to attacks by Yemen’s Houthi

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<sup>37</sup> Bronson, *Thicker than Oil*, 96.

<sup>38</sup> Ibid.

rebels on Saudi naval frigates<sup>39</sup>. Three U.S. naval destroyers and an assault ship are patrolling the Red Sea alone, in addition to the permanent U.S. Fifth Naval Fleet based out of neighbouring Bahrain.

A potential attack by Houthi-aligned forces in the Bab Al Mandeb strait located between the Arabian Peninsula and the Horn of Africa would have major implications for the international economy. Oil industry estimates show that approximately 4 million barrels of oil bound for Europe, Asia, and the United States pass through the strait potentially threatened by Houthi militants.<sup>40</sup> As concerning from a U.S. perspective is that a potential closure of the narrow strait would re-direct oil tankers headed from the Persian Gulf to the Mediterranean through the Suez Canal. This rerouting would lead to a much longer 40-day trip through the Southern coast of Africa.<sup>41</sup> A potential disruption of this nature would have major implications on international oil prices and the global economy, and has informed close U.S. defence of the shipping route.

U.S. policy has also identified Saudi Arabia's ruling royal family as a source of political stability for the Middle East. Despite occasional calls on Saudi Arabia to liberalize its political system, as had occurred under the Kennedy, Bush, and Obama administration, U.S. policy has not supported competitors to the monarchy<sup>42</sup>. While liberal domestic voices in Saudi Arabia are present, the most likely alternative to the

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<sup>39</sup> David Sanger, "U.S. in a Bind as Saudi Actions Test a Durable Alliance," *New York Times*, January 4, 2016, <https://www.nytimes.com/2016/01/05/us/politics/us-struggles-to-explain-alliance-with-saudis.html>.

<sup>40</sup> Jonathan Saul, "Yemen War Clouds Raise Dangers for Top Oil Shipping Route," Reuters, March 26, 2015, <http://www.reuters.com/article/us-mideast-crisis-yemen-shipping-idUSKBN0MM2JX20150326>.

<sup>41</sup> Ibid.

<sup>42</sup> Bronson, *Thicker than Oil*, 247.

royal family's rule has been associated with domestic religious-based opposition<sup>43</sup>. The most serious calls for domestic reform in Saudi Arabia from the United States were motivated by the September 11<sup>th</sup> attacks. Considerable pressure from the U.S. Government was placed on Saudi Arabia to curtail fundraising flows to terrorist groups and to increase counter-terrorism efforts combatting extremist groups at home.<sup>44</sup> Despite calling for Saudi Arabia to enact reforms to improve its counterterrorism capacity, the U.S. did not directly criticize the royal family's rule. This cautious approach is indicative of a shared outlook between U.S. administrations and pragmatic reformers in Saudi Arabia, that very gradual political liberalization is less likely to empower radical actors in the country<sup>45</sup>.

The alliance politics literature can also explain how differences in domestic politics systems can be considered a source of strength. Snyder notes that monarchical states and democracies can act as natural allies, as a result of their domestic political features<sup>46</sup>. He argues democracies and monarchies are less likely to seek territorial expansion, as they are more concerned about preserving domestic legitimacy<sup>47</sup>. Similarly, both democracies and monarchies generally favour status quos that leave their domestic legitimacy unaffected. It is in this view, that the Soviet Union's support for Communist expansion represented a shared threat to both U.S. democracy and Saudi monarchy, as a result of its direct challenge to prevailing systems. Contemporarily, both states have interpreted Iran's support for Shia political parties and armed groups in the region as a

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<sup>43</sup> Ibid, 243.

<sup>44</sup> Gause. "The Future of U.S.-Saudi Relations.",1.

<sup>45</sup> Bronson, *Thicker than Oil*, 259.

<sup>46</sup> Snyder, "The Security Dilemma in Alliance Politics," 472.

<sup>47</sup> Ibid.

threat to regional order. The shared threat perception between monarchies and democracies, as well as their reticence to overturning political order can bridge cultural and social differences within an alliance.

### **3.3 U.S.-Saudi Dependency Linkages**

The U.S.'s long history of arms transfers to Saudi Arabia highlights the latter's dependence on the U.S. as a security patron. The nature of the dependency, characterized by a Saudi military primarily equipped and trained by U.S. expertise, underscores an unbalanced relationship in which the patron benefits from extensive security links which cannot be easily replaced. Although Saudi Arabia engages a variety of states for its arms procurement, the U.S. has consistently remained at the top of its preferred partners. Both the United Kingdom and France have long supplied Saudi Arabia with arms, however as U.S. allies, their role can be better understood as a supplementary one. As early as 1973, the U.S. and the U.K. collaborated on arms deals with Saudi Arabia to reach deals that benefit both states interests.<sup>48</sup> More significantly both France and the U.K do not possess the ability or the political will to project their power in the Middle East, in a manner that would present a legitimate alternative to the U.S.'s current role.

Saudi Arabia has also engaged international actors outside of the Western sphere for the purchase of military armaments. Saudi Arabia's defence ties with China are the most significant in this arena. Saudi Arabia's secret purchase of intercontinental ballistic missiles from China, following a Congressional rejection of a similar deal, lead to U.S. concern that it would seek an arms patron outside of the existing partnership.<sup>49</sup> Saudi

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<sup>48</sup> Bronson, *Thicker than Oil*, 259.

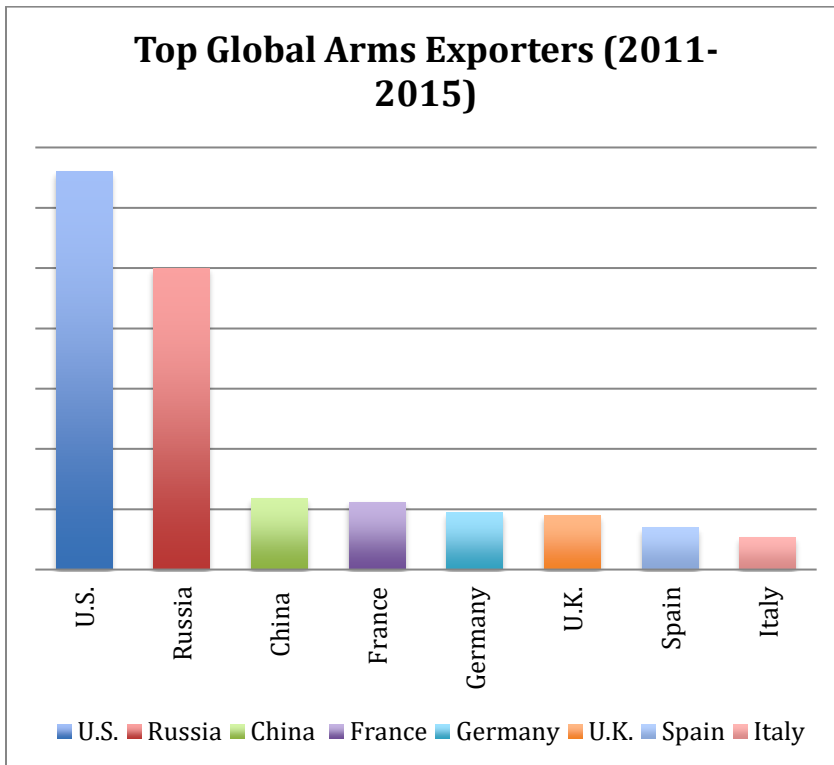
<sup>49</sup> Bronson, *Thicker than Oil*, 188.

Arabia's arms acquisitions from China have continued in recent years with a purchase of an upgraded version of the Chinese ballistic missile in 2013. Nonetheless, despite Saudi Arabia's willingness to diversify its arms expenditure, its ties with China do not pose a serious abandonment threat as described Snyder. While China has increased its share of the global arms export market in recent years, it continues to lag significantly behind the U.S (see Figure 1). The wide gap in military spending between Saudi Arabia and the U.S., estimated to have reached \$50 billion in arms purchase in 2015, and Saudi Arabia and China, where total spending reached an estimated \$700 million dollars illustrates the former's extensive reliance on U.S arms.<sup>50</sup>

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<sup>50</sup> Van Der Berg, Willem. "Broadening the Horizons of the Saudi-China Partnership." English.alarabiya.net. September 4, 2016, <http://english.alarabiya.net/en/business/economy/2016/08/31/Broadening-the-horizons-of-Saudi-China-partnership.html>.

Figure 1<sup>51</sup>



As a result, Saudi Arabia's negotiating power within the frame of the partnership is significantly constrained. Alliance politics literature posits that clients must be able to credibly threaten alternatives to influence patron behaviour. In Saudi Arabia's case public displays to indicate its ability to seek alternative partners such as visits by Crown Prince Mohamed Bin Salman to China and Russia, carry less credible weight. While Saudi Arabia possesses the purchasing power to acquire military armament from any international suitor, its military is heavily integrated into American security systems, training, and upkeep. Gene Gerzhoy underscores this dependence by noting that Saudi

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<sup>51</sup>Sam Perlo Freeman et al., "TRENDS IN WORLD MILITARY EXPENDITURE, 2015," Stockholm International Peace Research Institute, April 2016, accessed January 12, 2017, <http://books.sipri.org/files/FS/SIPRIFS1604.pdf>.

Arabia's existing U.S. military stock is largely not interoperable with other weapons systems and requires U.S. technical expertise to remain operational<sup>52</sup>. Furthermore, Gerzhoy argues that Saudi Arabia's military dependency on U.S. arms and expertise is so extensive, that a break in U.S. military assistance would cripple the capabilities of the Saudi armed forces<sup>53</sup>. This highlights the imbalance between the credibility of political threats made by the two partners. Although Saudi Arabia has been vocal in threatening the possibility of seeking alternatives to its U.S. partnership, through media interlocutors and diplomatic actions, its ability to do so limited by existing military realities.

Saudi Arabia's ability to seek an alternative security guarantee is also limited by the U.S.'s ongoing military presence throughout the Gulf region. As it stands, no international state actor possesses the ability to replace the U.S.'s military presence in the region. While U.S. troops have not maintained a physical presence in Saudi Arabia since their post-Gulf War withdrawal in 1997, they continue to maintain a significant presence in neighbouring Gulf countries where the U.S. has negotiated bilateral military cooperation agreements. For example, Bahrain hosts the U.S. Navy's Fifth Fleet while Qatar is the forward headquarters of the U.S. Central Command (CENTCOM) as well as the U.S.'s Al-Udeid airbase (see Figure 2). There are an estimated 35,000 active duty U.S. troops stationed at bases in Kuwait, Qatar, Bahrain, and the U.A.E. Although the U.S. has withdrawn its active military presence from Saudi Arabia, it continues to receive security benefits from each of the surrounding U.S. military installations. In addition, U.S. naval patrol of the waters surrounding Saudi Arabia, including the Red Sea and

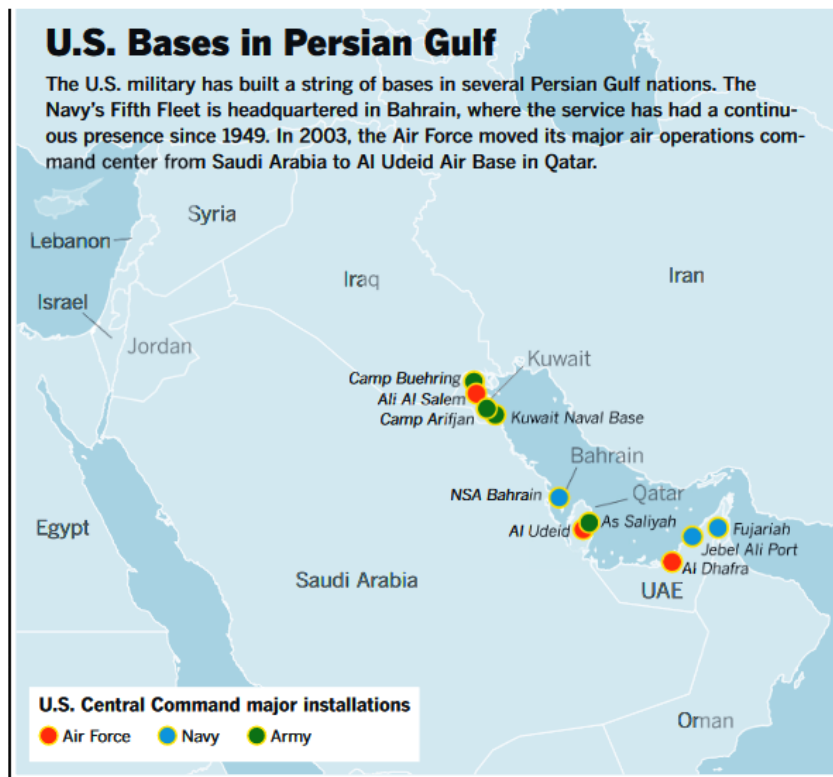
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<sup>52</sup> Gerzhoy, "Alliance Coercion and Nuclear Restraint: How the United States Thwarted West Germany's Nuclear Ambitions," 1.

<sup>53</sup> Ibid.

Persian Gulf, help protect Saudi maritime interests from potential Iranian naval aggression.

Figure 2<sup>54</sup>



Source: <http://library.cqpress.com>

### 3.4 Economic Dependency and Abandonment

The economic aspect of the U.S.-Saudi relationships also weighs on the prospect of alliance abandonment. The U.S. has become increasingly self-reliant for its oil consumption needs, as net imports of crude oil from foreign countries equated to only

<sup>54</sup> FDI Team, "US to Increase Military Deployment in Persian Gulf," Future Directions International, November 2, 2011, section accessed December 10, 2016, <http://www.futuredirections.org.au/publication/us-to-increase-military-deployment-in-persian-gulf/>.

24% of domestic oil consumption in 2015.<sup>55</sup> While Saudi Arabia is the US's second highest source of crude oil imports, the 1 million barrels per day it supplies amounts to 5% of daily U.S. oil consumption.<sup>56</sup> Nonetheless, the U.S. continues to view the free flow of Saudi oil to international markets as essential to the U.S's long-term interests. As Saudi Arabia possesses the world's largest oil reserves, with an estimated 1/5<sup>th</sup> of proven world reserves, its ability to export has a major influence on the global oil market. Steep production cuts by policy or through military means, can destabilize oil prices worldwide creating knock-off effects throughout the global economy.

Similarly, the loss of access to Saudi oil exports would adversely impact states important to U.S. interests, including the European Union, which imports 7% of its total oil exports from Saudi Arabia.<sup>57</sup> Moreover, Saudi Arabia is a major investor in the U.S. economy with cash flows from oil revenues directed towards many American sectors and enterprises<sup>58</sup>. An economically weakened Saudi Arabia would also adversely impact U.S. arms producers, as the top foreign importer of U.S. arms. The economic interdependencies that have been established throughout the U.S-Saudi partnership have helped decrease the prospect of ally abandonment, by exacting a financial cost for both partners.

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<sup>55</sup> "U.S. Energy Information Administration - EIA - Independent Statistics and Analysis," How Much Oil Consumed by the United States Comes from Foreign Countries? - FAQ - U.S. Energy Information Administration (EIA), April 4, 2017, <https://www.eia.gov/tools/faqs/faq.php?id=32&t=6>.

<sup>56</sup> Ibid.

<sup>57</sup> "Supplier Countries - Energy - European Commission," European Commission, July 13, 2016, accessed July 18, 2017, <https://ec.europa.eu/energy/en/topics/imports-and-secure-supplies/supplier-countries>.

<sup>58</sup> Bronson, *Thicker than Oil*, 126.

The explicit nature of alliances can play a role in shaping alliance expectations and functions. States that are party to alliances with explicit agreements and roles often have a decreased fear of abandonment.<sup>59</sup> While U.S.- Saudi relations have nearly spanned 75 years, they are not signatories to an explicit alliance agreement. Unlike the U.S. membership in NATO for instance, a treaty obligation to defend Saudi Arabia from military aggression does not exist. Snyder argues explicit alliance defence obligations can constraint state's choices in a security dilemma, and embolden an ally's interactions with an adversary. As the United States is not legally obligated to defend Saudi Arabia, this may have provided leeway for policy objectives that do not align with its preferences. For example, the U.S.'s preference to negotiate with Iran to restrain its nuclear ability may have been more difficult to pursue under an explicit agreement with Saudi Arabia. Similarly, Saudi Arabia's ability to engage with competing powers like China may also have been constrained under an official alliance. Nonetheless, the U.S. defence of Saudi Arabia's territorial integrity in the First Gulf War and its ongoing support of its war against Yemen's Houthi rebels, displays that an informal alliance motivated by strategic interests may share features with formal alliances.

### **3.5 Alliance Reassurance in U.S.-Saudi Relations**

The alliance politics literature argues clients must be able to reassure patrons in order to maintain partnerships. While Saudi Arabia's displeasure with U.S. policy towards Iran has not influenced the U.S.'s approach, it has secured acknowledgement of its concerns. The U.S. has attempted to reassure its Saudi partner through various means,

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<sup>59</sup> Snyder, "The Security Dilemma in Alliance Politics," 471.

including increasing the scale of its arms transfers. As statistics by the Stockholm International Peace Research Institute (SIPIRI) show, Saudi arms purchases from the U.S. have risen considerably since 2012, reaching an all-time high in 2016<sup>60</sup>. This timeline coincides with increased U.S. diplomatic engagement with Iran on the issue of nuclear weapons, indicating its attempts to balance its foreign policy commitments. Similarly, the U.S. has publicly reasserted its commitment to its partnership with Saudi Arabia and Gulf Cooperation Council (GCC) members in general through various initiatives that coincided with Iranian nuclear negotiations. For example, the 2015 Camp David Summit between President Obama and GCC leaders, announced in the aftermath of the initial JCPOA agreement, was intended to reassure the U.S.'s Gulf partners of its ongoing commitment. President Obama's attendance at the annual GCC leaders' summit in 2016 was carried out in a similar vein, following the implementation of the Iranian agreement. Messages articulated by President Obama at the GCC Summit were reflective of a patron seeking to reassure anxious clients of its commitment to a partnership.

More broadly, official U.S. foreign and defense policy in the Middle East continued to emphasize co-operation with Saudi Arabia and other Gulf partners as a strategic priority. This policy commitment, included in successive budget requests, could be viewed as a form of reassurance to Saudi Arabia of its privileged position as a U.S. partner. As Cordesman notes, while the U.S. engaged in domestic debate over the size and nature of its national security commitment its policies towards the Gulf were largely

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<sup>60</sup> "TRENDS IN WORLD MILITARY EXPENDITURE, 2015.", Stockholm International Peace Research Institute,1.

unaffected<sup>61</sup>. The Obama Administration's Department of Defense (DoD) strategic guidance, issued in February 2012, indicated that strengthening Gulf deterrence and defense capabilities were considered a key priority. The strategic guidance states that:

“Our (U.S.) defense efforts in the Middle East will be aimed at countering violent extremists and destabilizing threats, as well as upholding our commitments to allies and partners states. U.S. policy will emphasize gulf security to prevent Iran's development of a nuclear weapon capability and counter its destabilizing policies.<sup>62</sup>”

Applying the concepts of alliance politics theory to the U.S.-Saudi relationship can help explain its ebbs and flows. As this section illustrates, both historic and contemporary dealings between the U.S and Saudi Arabia can be understood within the alliance politics framework that describes how states with power differentials operate in the international system. Considering the U.S.-Saudi partnership through alliance politics also helps explain the historic continuity of the relationship, despite public differences. To be able to gain a deeper understanding of the partnership it will be important to further consider its key pillars. By analyzing the commercial, defence, and security interests that drive the relationship, the fundamental stability of the partnership can be further illustrated.

## **Chapter 4 Key Drivers**

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<sup>61</sup> Anthony H. Cordesman, Robert M. Shelala, and Omar Mohamed, *The Gulf Military Balance* (Washington, D.C.: Center for Strategic and International Studies, 2014), xv, [https://csis-prod.s3.amazonaws.com/s3fs-public/legacy\\_files/files/publication/140407\\_Cordesman\\_GulfMilitaryBalance\\_VolumeII\\_I\\_Web.pdf](https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/140407_Cordesman_GulfMilitaryBalance_VolumeII_I_Web.pdf).

<sup>62</sup>Ibid.

A closer analysis of the key drivers of the U.S.-Saudi relationship can help illustrate the shared linkages that make the partnership tick. Relations between the two partners have exponentially grown since relations were first established in the early 20<sup>th</sup> century. While the nature of shared interests in the political and economic spheres has transformed over time, a larger degree of activity has moved the partnership closer together than has pushed it apart. By providing an overview of the U.S.-Saudi relationship in the commercial, military, and intelligence fields in particular, a better understanding of the costs facing an alliance security dilemma can also be ascertained.

#### **4.1 U.S.-Saudi Trade Ties**

Examining the U.S.-Saudi trade relationship can highlight the costs that each partner faces in an alliance security dilemma. For the U.S., a withdrawal from the partnership would have to consider the cost of having less influence on a significant source of U.S. oil imports and the most important actor in the international oil market. Although the rise of U.S. shale oil production has placed it into competition with Saudi Arabia, both partners continue to have an interest in moderately stable oil markets. While Saudi Arabia has attempted to counter shale production through initiating oil price decreases, it must balance this desire against a need to attract investment from U.S. capital markets.<sup>63</sup> Maintaining the optimistic outlook of U.S. capital markets for the future of the oil industry has become essential for Saudi Arabia, as it plans to place its national oil company ARAMCO in an initial stock market public offering.<sup>64</sup> Similarly,

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<sup>63</sup> Liam Denning, "Shale's Mister Fix-It: Saudi Arabia," Bloomberg, March 17, 2017, <https://www.bloomberg.com/gadfly/articles/2017-03-17/u-s-shale-companies-should-thank-saudi-arabia>.

<sup>64</sup> Ibid.

large Saudi investment in the U.S. economy, including through treasury holdings, means a mutual interest in long-term economic viability continues to be calculated in an alliance security dilemma. A closer analysis of the shared trade and commercial interests in the U.S.-Saudi partnership will paint a better picture of those costs.

Saudi Arabia's vast oil resources primarily characterize U.S.-Saudi trade relations, with over \$20.9 billion in exports on annual basis.<sup>65</sup> While Saudi Arabia is not the U.S.'s primary source of crude oil imports, the latter's oil industry has been crucial in both the discovery and development of Saudi Arabia's oil industry. The importance of global oil flows to U.S. strategic interest has meant that Saudi Arabia, as the owner of the world's largest oil reserves, has remained a U.S. foreign policy priority. As significantly, U.S.-Saudi historic dealings in the oil industry have helped both direct and inform the nature of relations between the two states.

The first link between the U.S. and Saudi Arabia was established by an oil concession awarded to Standard Oil of California (SOCAL) in 1933, by Saudi Arabia's founding monarch King Abdel Aziz<sup>66</sup>. While diplomatic relations between the U.S. and Saudi Arabia were established shortly following SOCAL's engagement in 1933, they took off in earnest following the discovery of massive oil reserves by a consortium of American oil companies which would become the Arab American Oil Company (ARAMCO) and Saudi Arabia's sole national oil producer<sup>67</sup>.

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<sup>65</sup> "U.S.-Saudi Arabia Trade Facts." Office of the United States Trade Representative. May 6, 2014. <https://ustr.gov/countries-regions/europe-middle-east/middle-east/north-africa/saudi-arabia>.

<sup>66</sup> "U.S.-Saudi Arabia Trade Facts." Office of the United States Trade Representative. [africa/saudi-arabia](https://ustr.gov/countries-regions/europe-middle-east/middle-east/north-africa/saudi-arabia), 1

<sup>67</sup> Bronson, *Thicker than Oil*, 188.

The Second World War underscored the significance of hydrocarbons to the global economy through their role in fuelling the war effort. Consequently, Saudi Arabia's possession of the world's largest oil reserves greatly raised its profile in U.S. foreign policy. In particular, Saudi Arabia's vast oil resources were considered a key element of the U.S.'s post-war strategy to reconstruct Europe and Japan<sup>68</sup>. While the U.S. only imported 8 percent of its oil from Saudi Arabia in 1948, Western Europe was almost entirely dependent on Saudi imports in the same time period<sup>69</sup>. This strategy helped spur a massive increase of Saudi oil production between 1944 and 1960 from 21,000 barrels per day to 548,000 barrels per day<sup>70</sup>.

As Saudi Arabia settled in to its role as one of the world's largest oil producers, its influence in the global economy also increased. Its production and capacity allowed it to play an outsized role on both supply and price in international energy markets. As part of its close relations with the U.S., an informal understanding was developed for Saudi Arabia to keep oil prices fair and oil supplies steady and accessible for consumers around the world<sup>71</sup>. In exchange for Saudi Arabia's cooperation on price and production rates, the U.S. helped develop its production capacity and domestic development at large.

While the U.S. imported moderate supplies of Saudi oil to meet domestic demand, its interest in keeping international prices low would affect its imports from all partners. Successive Saudi oil embargos in the mid-70s created knock-off effects for U.S. consumers, with scarce supply coinciding with skyrocketing prices at home<sup>72</sup>. Although

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<sup>68</sup> Gause. "The Future of U.S.-Saudi Relations.",1.

<sup>69</sup> Bronson, *Thicker than Oil*, 21.

<sup>70</sup> Bronson, *Thicker than Oil*, 20.

<sup>71</sup> "U.S.-Saudi Relations," Council on Foreign Relations, 1.

<sup>72</sup> Bronson, *Thicker than Oil*, 59.

the Saudi oil embargo was resolved diplomatically, the focus of U.S. policymakers was re-directed towards the importance of stable oil prices and supply for the U.S.'s global outlook. In a mid-1970s discussion between U.S. Secretary of State Henry A. Kissinger and Secretary of Defense James R. Schlesinger the potential for military options were explored if escalating oil prices were not controlled<sup>73</sup>.

The U.S. continues to prioritize the flow of Saudi oil to the international market, viewing it as crucial to the stability of the global economy. Since Saudi Arabia formed the Organization of Petroleum Exporting Countries (OPEC) in the early 1970's, it has attempted to increase its control and management of oil markets by often cooperating on setting prices and adjusting supply<sup>74</sup>. Saudi Arabia's cooperation with other major oil exporting countries through OPEC, has sometimes run counter to U.S. interests in opportune moments such as the 1975 oil embargo. Nonetheless, it has generally prioritized cooperation with the United States on oil prices and supply that can be favourable to both partners. For instance, despite the imposition of an Arab League-wide oil embargo in the aftermath of the Yom Kippur War, the U.S. and Saudi Arabia cooperated on secret oil supplies for U.S. naval forces stationed around the Persian Gulf<sup>75</sup>.

More recently, U.S.-Saudi cooperation on the energy market has been challenged by developments in American domestic oil production. The early 2000's coincided with steady increases in global oil prices, which had reverberations on the U.S. economy. In 2007, following a new peak in prices, U.S. President George W. Bush raised the issue

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<sup>73</sup> Ibid.

<sup>74</sup> "U.S.-Saudi Relations," Council on Foreign Relations, 1.

<sup>75</sup> Bronson, *Thicker than Oil*, 121.

with his Saudi counterpart King Abdullah urging him for cooperation that can restrain the global market<sup>76</sup>. Incidentally, record oil prices helped spur investment in U.S. shale oil production, helping to increase its energy independence while leading to a global supply glut. In response to losses in global market share to U.S. shale producers, Saudi Arabia resisted calls to reduce oil production to stabilize prices. Sharp falls in price coincided with global surplus in oil supply, which forced U.S. shale producers to cut production by 75 percent since September 2014<sup>77</sup>. However in 2016, U.S. shale production experienced a revival, with new innovations helping to make shale production lucrative at lower oil prices. Data from the Energy Information Administration (EIA) shows the revival in shale oil production has raised U.S. oil production to a record 9 million barrels per day.<sup>78</sup>

These developments have placed the U.S. and Saudi Arabia into closer competition in the oil market than in years past. However, despite conflicting desires for global market share, both partners share an interest in moderately stable oil prices. In November 2016, OPEC members led by Saudi Arabia and non-OPEC member Russia agreed to a collective supply cut to address global supply gluts in the oil market.<sup>79</sup> Global oil prices increased in response to the deal, incentivizing greater U.S. shale production. In February 2017, Saudi Arabia was reported to have communicated to U.S. oil firms that they should not assume OPEC would continue supply cuts to offset

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<sup>76</sup> Bronson, *Thicker than Oil*, 210.

<sup>77</sup> "U.S.-Saudi Relations," Council on Foreign Relations, 1.

<sup>78</sup> Grant Smith, Javier Blas, and Margot Habiby, "OPEC's Houston Huddle Deepens Oil Cuts Dilemma," Bloomberg, March 08, 2017, <https://www.bloomberg.com/news/articles/2017-03-09/opec-s-houston-huddle-only-deepens-dilemma-of-extending-oil-cuts>.

<sup>79</sup> Nayla Razzouk, Angelina Rascouet, and Golnar Motevalli, "OPEC Confounds Skeptics, Agrees to First Oil Cuts in 8 Years," Bloomberg, November 30, 2016, <https://www.bloomberg.com/news/articles/2016-11-30/opec-said-to-agree-oil-production-cuts-as-saudis-soften-on-iran>.

increased shale production.<sup>80</sup> This announcement indicates a balance Saudi Arabia has attempted to reach between pricing-out shale producers and maintaining oil revenues that meet domestic needs.

Additionally, U.S. oil services companies play a major role in Saudi Arabia's domestic oil production. The relationship was first established when U.S. oil services firm Baker Hughes provided drilling equipment for Saudi Arabia's first oil producing well in 1938.<sup>81</sup> Although Saudi Arabia nationalized the American percentage of ARAMCO's concession, American oil services companies continue to be awarded downstream oil production contracts. In 2013 Houston-based oil services firms Schlumberger and Halliburton, increased their stake in Saudi Arabia by increasing personnel and project loads in the country<sup>82</sup>. Both companies identified Saudi Arabia's unique spare capacity to produce far more oil than required, as an attractive feature that attracts investment from oil services firms targeting long-term growth.<sup>83</sup>

The U.S.-Saudi economic relationship has also developed interdependencies created by the windfall of Saudi Arabia's oil revenues. U.S.-Saudi financial ties were first expanded in the aftermath of the 1973 oil crisis. Saudi Arabia's decision to engage in a boycott of U.S. oil exports, alongside its OPEC counterparts pushed global oil prices to

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<sup>80</sup> Ron Bousso, "Exclusive - Saudis Tell U.S. Oil: OPEC Won't Extend Cuts to Offset Shale - Sources," Reuters, March 09, 2017, <http://www.reuters.com/article/us-ceraweek-saudi-shale-idUSKBN16G2TJ>.

<sup>81</sup> Daniel Canty, "Baker Hughes Opens Saudi Arabian Superbase," Arabian Oil and Gas, April 22, 2010, <http://www.arabianoilandgas.com/article-7247-baker-hughes-opens-saudi-arabian-superbase/>.

<sup>82</sup> Reem Shamseddine, "Oil Service Firms Rush to Saudi for Busy Drilling Year Ahead," Reuters, October 27, 2013, <http://www.reuters.com/article/aramco-rigs-idUSL5N0IF0VT20131027>.

<sup>83</sup> Ibid

record highs. A combination of high demand and scarce supply, courtesy of the oil boycott, had large repercussions for the U.S. economy. On the other hand, the rise in oil price also resulted in financial windfalls for Saudi Arabia at the expense of fracturing its U.S. ties. Mutually shared security threats posed by the Soviet Union and radical Arab nationalism, helped inform a desire to construct closer economic ties<sup>84</sup>. In 1974, in the immediate aftermath of the OPEC boycott, the U.S. and Saudi Arabia signed multiple agreements that established a Joint Commission on Economic Cooperation and a Joint Security Cooperation Commission.<sup>85</sup> The two commissions set the ground for a framework that amounted to huge amounts of Saudi investment in the U.S. economy, both through capital investment and a large expansion in defence ties. In 1974, the same year the dual commissions were signed, an estimated \$5 billion of a total \$26 billion in Saudi Arabia's oil revenue was spent in the United States.<sup>86</sup>

Saudi crude oil remains the largest determinant factor on the annual value of Saudi exports to the United States as its largest good for export. In recent years the value of Saudi exports to the United States has decreased, as a result of declines in global oil prices and increases in U.S. domestic oil production. In 2015, Saudi exports to the United States were valued at \$22 billion, displaying a decline compared to a high of \$54.8 billion in exports in 2008<sup>87</sup>. On the other hand, U.S. exports to Saudi Arabia have displayed annual increases, with a value of \$19 billion of U.S. exports to Saudi Arabia in 2015, compared to \$9 Billion worth of U.S. exports in 2009<sup>88</sup>. This increase is reflective of a

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<sup>84</sup> Bronson, *Thicker than Oil*, 126.

<sup>85</sup> Bronson, *Thicker than Oil*, 127.

<sup>86</sup> Bronson, *Thicker than Oil*, 127.

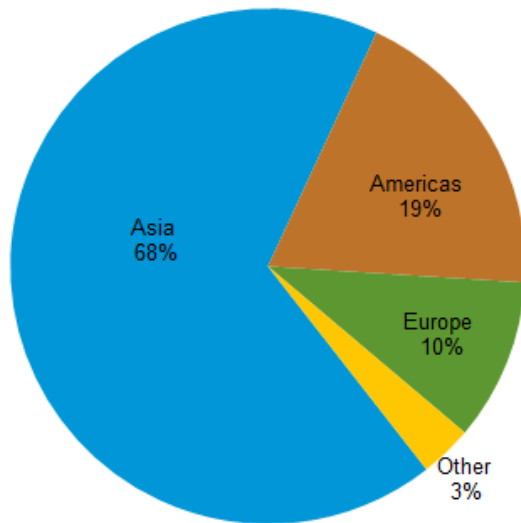
<sup>87</sup> Ibid.


<sup>88</sup> Christopher M. Blanchard, "Saudi Arabia: Background and U.S. Relations," Congressional Research Service, June 13, 2017, <https://fas.org/sgp/crs/mideast/RL33533.pdf>.

marked increase in Saudi defence spending, correlated to its coalition war effort in Yemen first declared in 2015<sup>89</sup>

**Figure 3<sup>90</sup>**

**Saudi Arabia crude oil exports by destination, 2013**



 Source: Global Trade Information Services

## 4.2 Saudi-U.S. Investment Ties

Saudi Arabia's extensive investment in the U.S was first formalized with its signature of the Joint Commission on Economic Co-operation in 1974.<sup>91</sup> Envisioned as a political arrangement as much as an economic one, the joint commission was structured to make Saudi Arabia a direct stakeholder in the U.S's future economic success.<sup>92</sup> By

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<sup>89</sup> Ibid

<sup>90</sup> U.S. Energy Information Administration - EIA - Independent Statistics and Analysis, 1.

<sup>91</sup> Bronson, *Thicker than Oil*, 126.

<sup>92</sup> Ibid.

directing Saudi Arabia's growing oil revenues into U.S. investments, U.S. Secretary of State Henry Kissinger sought to limit Saudi Arabia's ability to engage in a successive oil boycott, while also ensuring its oil revenue was not invested in adversarial states. Saudi Arabia's commitment to greater U.S. investments also highlighted its desire to more closely tie its fortunes with its U.S. partner.

Recent activity underscores that the U.S. and Saudi Arabia have deepened investment ties in spite of periods of political disagreement. While Saudi Arabia has not traditionally been a major recipient of global foreign direct investment (FDI) flows, it has sought to attract greater investment as part of its economic diversification plans.<sup>93</sup> The U.S. has traditionally ranked among the highest foreign investors in Saudi Arabia, with recently registered increases as it moves to liberalize its economy.<sup>94</sup> The latest available trade data shows U.S. FDI in Saudi Arabia was \$9.7 billion in 2012, marking a 17.5 percent increase from total U.S. FDI in 2011.<sup>95</sup> Saudi Arabia's 2016 decision to make its \$560 billion stock market available to foreign investors is expected to attract further interest from major institutions that meet its \$5 billion dollar asset benchmark.<sup>96</sup> Saudi

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<sup>93</sup> Hankir, Zahra. "Why Mideast Stock Markets Will Never Be the Same after Monday." Live Mint. June 15, 2015. <http://www.livemint.com/Money/RLsVHP1TG2AegsoBHKZBFM/Why-Mideast-stock-markets-will-never-be-the-same-after-Monda.html>.

<sup>94</sup> "Investment Country Profile: Saudi Arabia." United Nations Conference on Trade and Development. February 2013. [http://unctad.org/en/PublicationsLibrary/webdiaeia2012d17\\_en.pdf](http://unctad.org/en/PublicationsLibrary/webdiaeia2012d17_en.pdf).

<sup>95</sup> "U.S.-Saudi Arabia Trade Facts." Office of the United States Trade Representative.1.

<sup>96</sup> Ahmed Al Omran and Rory Jones, "Saudi Stocks Slip as Foreigners Gain Access," The Wall Street Journal, June 15, 2015, <https://www.wsj.com/articles/saudi-arabias-590-billion-stock-market-opens-to-foreign-investors-1434352287>.

Arabia has also lobbied for large-scale U.S. investment in its mining, education, health-care, and infrastructure sectors in bilateral meetings with U.S. counterparts.<sup>97</sup>

Saudi Arabia's investment in the U.S. has also displayed marked increases in recent years. As of 2016, Saudi Arabia was thought to possess up to \$760 billion in U.S. treasury holdings ranking it among the highest holders of U.S. debt in the world.<sup>98</sup> While exact data on Saudi FDI in the U.S. is not publicly available, recent financial activity shows that it remains committed to closely linking its economic future to the U.S. economy. In 2012, ARAMCO acquired the U.S.'s largest oil refinery in Port Arthur, Texas for \$10 billion and has expressed interest in a similar bid for an oil refinery located in Houston, Texas.<sup>99</sup> In the non-oil sector, Saudi Arabia's Public Investment Fund made a record \$3.5 billion investment in the Silicon Valley-based ride-sharing company Uber. The investment fund will likely continue to target U.S. investments, as it seeks to grow its portfolio as part of Saudi Arabia's economic diversification plans.<sup>100</sup> Saudi officials have also indicated that they prefer to list the planned public offering of ARAMCO shares at the New York Stock Exchange, in what is expected to be a record-breaking flotation.<sup>101</sup> Most recently, Saudi Arabia announced plans to invest up to \$200 billion in U.S.

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<sup>97</sup> Simeon Kerr, "Saudi Arabia Seeks US Investment to Diversify Economy," *Financial Times*, September 5, 2015, <https://www.ft.com/content/98fd8ff0-53cc-11e5-8642-453585f2cfd>.

<sup>98</sup> Andrea Wong, "U.S. Discloses Saudi Arabia's Treasuries Holdings for First Time," *Chicago Tribune*, May 17, 2016, <http://www.chicagotribune.com/business/ct-saudi-arabia-us-treasury-bonds-20160517-story.html>.

<sup>99</sup> Clifford Krauss, "Saudi Bid on a Houston Oil Refinery Is a Big Strategic Bet," *The New York Times*, September 12, 2016, <https://www.nytimes.com/2016/09/13/business/energy-environment/saudi-bid-on-a-houston-oil-refinery-is-a-big-strategic-bet.html>.

<sup>100</sup> Mike Isaac and Michael J. De La Merced, "Uber Turns to Saudi Arabia for \$3.5 Billion Cash Infusion," *The New York Times*, June 01, 2016, <https://www.nytimes.com/2016/06/02/technology/uber-investment-saudi-arabia.html>.

<sup>101</sup> *Ibid.*

infrastructure, energy, industry, and technology initiatives following a meeting with new U.S. President Donald Trump.

## **Chapter 5 Security Section**

Saudi Arabia and the U.S. have maintained a security partnership dating to the earliest years of their relationship in the mid-20<sup>th</sup> century.<sup>102</sup> Alliance politics literature has shown that states reliant on security from stronger partners are likely to have longer-lasting relationships.<sup>103</sup> The exchange for autonomy for security, can lead to mutually beneficial goals of defence and foreign policy in a close partnership.<sup>104</sup> A closer analysis of the U.S.-Saudi security partnership in the arenas of defence and counter-terrorism helps illustrate how the security trade-off between the two states has added to the complexity of their relations. As cooperation and mutual commitments between the two partners continue to intensify, the costs of abandoning the partnership increase and make a near-term break in the partnership unlikely.

### **5.1 U.S.-Saudi Defence Partnership**

Saudi Arabia's vast oil resources and strategic geographic position have informed a long-term U.S. commitment to a security partnership. In addition to verbal commitments to Saudi Arabia's defence from external aggression, the U.S. has also played a leading role in the development of its indigenous military capability. The United States Military Training Mission (USMTM) established in 1953 was the first formal

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<sup>102</sup> Thomas W. Lippman, *Saudi Arabia on the Edge the Uncertain Future of an American Ally* (Washington, D.C.: Potomac Books, 2012).

<sup>103</sup> Morrow, "Alliances and Asymmetry: An Alternative to the Capability Aggregation Model of Alliances", 2.

<sup>104</sup> Ibid.

military cooperation agreement between the U.S. and Saudi Arabia. USMTM was designed as the primary framework through which U.S. military assistance to Saudi Arabia would be administered. USMTM's responsibilities at the time of the original agreement included assistance in equipping, planning, organization, and training methods through the coordination of Saudi Arabia's Minister of Defense and the Chief of USMTM, a U.S. Army General. In 1977, a renewed USMTM agreement with Saudi Arabia extended its oversight over all training instruction and positioned it as the lead administrator for all U.S.-Saudi military cooperation.<sup>105</sup> Over 140 U.S. military advisors carry out the core functions of the USMTM, supported by temporary technical and training teams as directed by agreement between the Chief of USMTM and Saudi Chief of General Staff.<sup>106</sup>

U.S. - Saudi military cooperation took on a more specialized form as the Saudi Armed Forces improved their capabilities. A parallel military training agreement signed in 1973 between the U.S. and Saudi Arabia saw the transfer of training responsibility of the Saudi National Guard (SANG) shift from the U.K. to the U.S.<sup>107</sup> The SANG represents one of the three branches of the Royal Saudi Armed Forces and is considered primarily responsible for internal security within the monarchy. While the U.S.'s replacement of the UK training mission was in immediate response to the British withdrawal from the Gulf, it also indicated mutual interest in strengthening U.S.-Saudi defense ties.

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<sup>105</sup>"About Us," USMTM, United States Military Training Mission Official Website - About Us, accessed March 18, 2017, <http://usmtm.org>.

<sup>106</sup> Ibid.

<sup>107</sup> Lippman, *Saudi Arabia on the Edge the Uncertain Future of an American Ally*, 287.

U.S. training of SANG is delivered through the Office of the Program Manager-Saudi National Guard (OPM-SANG). OPM-SANG is considered a branch of the U.S. Army Material Command, whose mandate includes the implementation and assistance of foreign U.S. military support. While the head of OPM-SANG is a U.S. Army Brigadier-General, SANG training is carried out by a subsidiary of U.S. defense contractor Northern Grunman known as Vinnell Arabia. The training concession for OPM-SANG was initially awarded to Vinnell Arabia in 1975 and has been renewed since. In 2015, a new 5 year commitment worth \$500 million dollars was reached between Saudi Arabia and North Grunman, which will see Vinnell Arabia oversee SANG's planned modernization..<sup>108</sup> This unique public-private nature of U.S.-Saudi military cooperation has been partly designed to account for Saudi Arabia's capacity to pay for U.S. military training, unlike many other recipients of U.S. military assistance.

Arms transfers between the U.S. and Saudi Arabia represent a major component of the security partnership. U.S. arms sales to Saudi Arabia touch on both the economic and security dimensions of the bilateral partnership. Alliance politics literature highlights that partners whose strategic interest revolve around the areas of defence and security are more likely to have enduring relationships. To help secure U.S. defence assurances, Saudi Arabia has pursued complex and lucrative arms deals, which have cemented long-term commitment to the security partnership. For the United States, arms transfers to Saudi

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<sup>108</sup> "Northrop Grumman Wins Saudi Arabian National Guard Contract With a Potential Value of \$550 Million," Northrop Grumman Newsroom, January 10, 2010, <http://news.northropgrumman.com/news/releases/northrop-grumman-wins-saudi-arabian-national-guard-contract-with-a-potential-value-of-550-million>.

Arabia help shore up Saudi Arabia's defensive capabilities, while providing a reliable market for defence exports.

The Joint Security Cooperation Commission signed between the U.S. and Saudi Arabia in 1972, helped set a long-term framework for arms transfers between the two partners. As early as 1975, the value of U.S. arms sale had risen to an annual \$5 billion, as contracts with Saudi operated as an economic stimulus for the domestic U.S. arms industry. The growing security ties between the two partners allowed the U.S. arms industry to provide new jobs, increase production and reduce per-unit costs for domestic arms supply deals for the U.S. military.<sup>109</sup> As Bronson notes this trend made the Saudi market indispensable for the U.S. arms industry, further raising the cost associated with alliance abandonment.

The U.S. has been Saudi Arabia's number 1 arms supplier for the duration of their diplomatic relationship. Between 1950 and 2004 the U.S. delivered over \$67.1 billion worth of arms to Saudi Arabia under various agreements.<sup>110</sup> This figure has continued to grow, as a growing Iranian threat to U.S. and Saudi strategic interests has prompted an expansion of defence capability in the region. From 2011 up till 2016, Saudi Arabia was the top destination for U.S. arms exports overall, acquiring 9.7% of total U.S. arms exports worldwide.<sup>111</sup> This figure includes the biggest military sale in U.S. history reached with Saudi Arabia in December 2011, for over \$60 billion worth of airpower technology to modernize the Saudi Arabian Royal Air Force.<sup>112</sup> This deal included 84

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<sup>109</sup> Bronson, *Thicker than Oil*, 127.

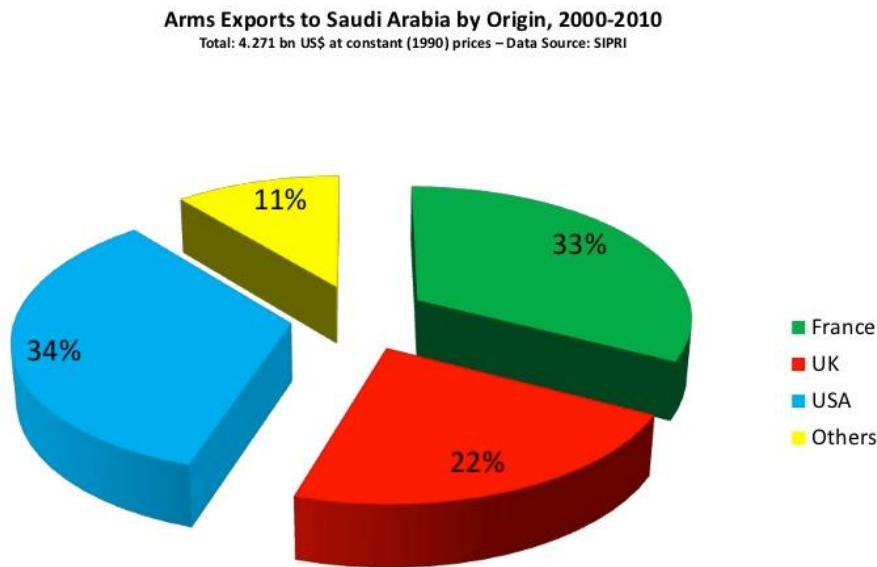
<sup>110</sup> Anthony Cordesman, Robert M. Shelala, and Omar Mohamed, *The Gulf Military Balance*, 146.

<sup>111</sup> "U.S.-Saudi Relations," Council on Foreign Relations, 1.

<sup>112</sup> Anthony Cordesman, Robert M. Shelala, and Omar Mohamed, *The Gulf Military Balance*, 146.

new F-15 U.S. jet fighters, 70 refurbished F-15 jets, 70 Apache and 36 AH-6M helicopters.<sup>113</sup> The U.S. and Saudi Arabia have also reached a successive number of deals intended to strengthen Saudi Arabia's missile and maritime capabilities. In September 2014, the Obama Administration submitted for a \$22 billion dollar sale for Congressional approval that would equip Saudi Arabia with Mission Surface Combatant Ships and M1A2 tanks.<sup>114</sup> Although Saudi Arabia also purchases a substantial amount of weapons from U.S. allies such as France, the U.K., and Canada, the U.S. remains its leading arms supplier (see Figure 4).

**Figure 4**<sup>115</sup>



<sup>113</sup> Ibid.

<sup>114</sup> Blanchard, "Saudi Arabia: Background and U.S. Relations,"20.

<sup>115</sup> "TRENDS IN WORLD MILITARY EXPENDITURE, 2015.", Stockholm International Peace Research Institute,1.

## 5.2 Counter-Terrorism Cooperation

U.S.-Saudi cooperation on counter-terrorism represents another driver of the relationship that helps ensure its long-term continuity. The benefits and costs of cooperation on counter-terrorism should also be considered through an alliance security dilemma lens, in which the benefits of cooperation are weighed against the costs of alliance abandonment. While Saudi Arabia's state-promotion of a literalist interpretation of Islam has complicated its role in counter-terrorism, the cost of abandoning Saudi Arabia's role in the fight far exceed the value the U.S. gains from its cooperation. U.S. counter-terrorism policy in the region considers an active Saudi role against extremism to be essential towards combatting the proliferation of Salafi-jihadi groups such as Al-Qaeda and ISIS through the Middle East and North Africa and the Muslim world more generally. As the host of the holiest sites in Islam and a major Sunni Arab power, Saudi Arabia's co-operation can pay dividends in terms of soft power and intelligence value.

U.S.-Saudi counter-terrorism cooperation has been active in both formal and informal arenas. Despite opposition from domestic conservative quarters to Saudi Arabia's counter-terrorism cooperation with the U.S., its royal family views this partnership as vital to its survival.<sup>116</sup> Similarly while the U.S. has faced domestic criticism for security cooperation with Saudi Arabia, in light of its role in the early emergence of the global jihad movement, its role in counter-terrorism operations could

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<sup>116</sup> Ian A. Merritt, "No Better Alternative: The U.S.-Saudi Counterterrorism Relationship," Brookings, July 29, 2016, <https://www.brookings.edu/blog/order-from-chaos/2016/06/03/no-better-alternative-the-u-s-saudi-counterterrorism-relationship/>.

not be credibly replaced. As a major Arab and Sunni Muslim power with vital intelligence on extremist operations, Saudi Arabia has been considered as a key U.S. regional ally in the battle against extremist organizations. This role has expanded, as Saudi Arabia became a prominent target of Al-Qaeda and affiliated terror groups.

Following an Al-Qaeda bombing of residential compounds housing expatriates in Riyadh, a spate of measures were introduced to increase U.S.-Saudi counter-terrorism cooperation. U.S. Central Intelligence Agency (CIA) Director of Intelligence George Tenet testified that the Saudi Government had displayed an important commitment to combatting terrorism following the May bombings, including through the lives of Saudi intelligence officers.<sup>117</sup> A bilateral US-Saudi task force was established which allowed U.S. security and intelligence officials to cooperate with Saudi counterparts on intelligence sharing on terror suspects and to combat terror financing. U.S. pressure to improve its efforts to counter terror financing resulted in range of measures that sought to limit a permissive fundraising environment for terrorist organizations.<sup>118</sup> This included a new Anti-Money-Laundering Statute introduced in 2003 by the Saudi Shura Council, which criminalized terror financing and money laundering.<sup>119</sup> In addition, Saudi Arabia established a Financial Intelligence Unit to coordinate its counter-terrorist financing policy with the help of the U.S. Treasury Department in 2005.<sup>120</sup> U.S.-Saudi cooperation in combatting terror financing has also included jointly designating individuals as

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<sup>117</sup> Christopher M. Blanchard, "Saudi Arabia: Terrorist Financing Issues," Congressional Research Service, September 14, 2007, <https://fas.org/sgp/crs/terror/RL32499.pdf>.

<sup>118</sup> Bruce Riedel, "The Prince of Counterterrorism: The Story of Washington's Favorite Saudi, Muhammad Bin Nayef," The Brookings Institution, September 29, 2015, <https://www.brookings.edu/essay/the-prince-of-counterterrorism-the-story-of-washingtons-favorite-saudi-muhammad-bin-nayef/>.

<sup>119</sup> Blanchard, "Saudi Arabia: Terrorist Financing Issues," 2.

<sup>120</sup> Ibid, 11.

Specifically Designated Global Terrorists alongside U.S. authorities, and engaging in joint enforcement activities including freezing suspect accounts.<sup>121</sup> While the U.S. has expressed disappointment with Saudi Arabia's enforcement measures for private fundraisers, it has acknowledged its much-improved efforts have helped limit and disable the influence of Al-Qaeda chapters in the Kingdom. Saudi Arabia has also supported multilateral counter-terrorism efforts, alongside the U.S., as a founding member Global Counter-Terrorism Forum (GCTF) in September 2011 designed to create a platform to strengthen international coordination on the issue.

Intelligence sharing comprises a major component of counter-terrorism cooperation between the U.S. and Saudi Arabia. While the U.S. had previously experienced Saudi reticence to sharing intelligence on counter-terror operations, intelligence sharing capacity between the partners has greatly developed over the past decade. For the U.S., Saudi Arabia is considered a valuable source of human intelligence on Salafi-Jihadi extremist organizations, which cannot be replicated by allied Western agencies.<sup>122</sup> For example, Saudi intelligence was considered vital in foiling an Al Qaeda in the Arabian Peninsula (AQAP) cargo plane bomb plot targeting the United States. Information shared by Saudi intelligence with the U.S. helped locate and disable concealed bombs en-route to Chicago and Detroit.<sup>123</sup> U.S. officials have also credited Saudi efforts to infiltrate AQAP for intelligence that has helped combat the organization and provided key information on its capabilities and intentions.<sup>124</sup>

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<sup>121</sup> Ibid

<sup>122</sup> Daniel L. Byman, "The U.S.-Saudi Arabia Counterterrorism Relationship," Brookings, May 10, 2017, <https://www.brookings.edu/testimonies/the-u-s-saudi-arabia-counterterrorism-relationship/>.

<sup>123</sup> Ibid, 3.

<sup>124</sup> Ibid.

The U.S. and Saudi Arabia have also co-operated in counter-terrorism enforcement actions. In 2008, the U.S. and Saudi Arabia signed a bilateral agreement on technical counter-terrorism cooperation that would see U.S. security advisors directly assist on counter-terrorism measures within the Kingdom, under Saudi funding.<sup>125</sup> The U.S and Saudi Arabia closely coordinated security campaigns against Al-Qaeda suspects in the Kingdom following the spate of 2003 attacks, with U.S. advisors assisting on identifying and planning responses. In 2013, media reports revealed that Saudi Arabia has been hosting a U.S. drone-operating base, from which it has staged attacks against AQAP targets in neighbouring Yemen. While the base was not publicly acknowledged, it displayed continued senior-level coordination between the partners in counter-terrorism enforcement, as highlighted by close engagements between then-Saudi Minister of Interior Mohamed Bin Nayef and U.S. National Security Adviser John Brennan.<sup>126</sup>

## **Chapter 6 Iran Nuclear Deal's Impact on U.S.-Saudi Relations**

The Joint Comprehensive Plan of Action (JCPOA) or Iran nuclear accord, reached between the five permanent members of the United Nations Security Council and the European Union (P5+1) has dominated analysis of the U.S.-Saudi relations in recent years<sup>127</sup>. The agreement, which seeks to limit Iran's nuclear weapons capability, was finalized in July 2015 after years of multilateral diplomacy. Proponents of the Iran nuclear accord have promoted the agreement as the most effective way to limit Iran's

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<sup>125</sup> Ibid.

<sup>126</sup> "Iran Deal," National Archives and Records Administration, January 16, 2016, <https://obamawhitehouse.archives.gov/node/328996>.

<sup>127</sup> William J. Broad and Sergio Peçanha, "The Iran Nuclear Deal – A Simple Guide," The New York Times, March 31, 2015, <https://www.nytimes.com/interactive/2015/03/31/world/middleeast/simple-guide-nuclear-talks-iran-us.html>.

ability to acquire nuclear weapons, through largely peaceful means<sup>128</sup>. The deal broadly allows for a lift of international sanctions on Iran, in exchange for assurances that Iran's nuclear program remains limited to civilian purposes<sup>129</sup>. To ensure Iran's compliance the agreement also allows for regular inspections by international bodies<sup>130</sup>. Additionally, the agreement includes "snap-back" provisions that allow for the resumption of international sanctions, if Iran is found to be in violation of the agreement's parameters<sup>131</sup>. From the perspective of the Obama administration the Iran nuclear deal placed powerful constraints on Iran's ability to develop nuclear weapons, while imposing tight mandatory inspection requirement.

As an international agreement negotiated with the support of the United States, the nuclear accord has had direct implications on the U.S's broader Middle East foreign policy. A division emerged between the U.S. and Saudi Arabia over the best way to counteract Iran's nuclear capability. For Saudi Arabia, the deal temporarily averted Iran's nuclear capability, while emboldening its efforts at overturning regional stability by removing international sanctions. In this view Iran's reintegration into the global economy will provide it with additional resources to increase support for non-state actors in Saudi Arabia, Bahrain, and Lebanon, and reinforce its intervention in Syria's civil war. In addition to its public criticism of the deal, Saudi Arabia has also voiced its displeasure through diplomatic channels. For example in April 2016, President Obama was welcomed by the Governor of Riyadh upon arrival to the Saudi capital in what was

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<sup>128</sup> Ibid.

<sup>129</sup> Ibid.

<sup>130</sup> Ibid.

<sup>131</sup> Ibid.

widely perceived to be an intentional diplomatic snub<sup>132</sup>. Similarly, President Obama voiced displeasure with Saudi “free-riding” and its lack of responsibility for its own domestic security<sup>133</sup>.

Opponents of the Iran Deal have warned of its potential to set off a nuclear proliferation race in the Middle East. This view contends the deal’s terms are unlikely to be observed by an Iranian leadership that has often failed to comply with inspections of its nuclear activity. Critics argue the lack of confidence in Iran’s compliance with the agreement; will incentivize regional rivals like Saudi Arabia to develop their own nuclear capability<sup>134</sup>. While pursuing nuclear capability would go against the parameters of the U.S.-Saudi partnership, proponents of the proliferation theory note that Saudi Arabia has acquired ballistic missiles in the past without U.S. approval<sup>135</sup>. In 1987, Saudi Arabia secretly purchased China’s D-3 ballistic missiles following a Congressional rejection of an equivalent arms purchase from the U.S. In 2007 Saudi Arabia acquired a newer version of the Chinese ballistic missiles after providing the U.S. with assurances that they would not be nuclear-armed.<sup>136</sup> Nonetheless, it is emphasized that the perceived abandonment by the U.S. may push Saudi towards unilaterally seeking its own security guarantee. Saudi officials have not categorically rejected the pursuit of nuclear weapons when prompted following the Iran Nuclear deal’s conclusion. For example, Saudi

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<sup>132</sup> David E. Sanger and Michael R. Gordon, "Future Risks of an Iran Nuclear Deal," *The New York Times*, August 23, 2015, <https://www.nytimes.com/2015/08/24/world/middleeast/in-pushing-for-the-iran-nuclear-deal-obamas-rationale-shows-flaws.html>.

<sup>133</sup> Goldberg, "The Obama Doctrine," 1.

<sup>134</sup> Farhad Rezaei et al., "How Iran's Revolutionary Guards Learned to Love the Nuclear Deal," *The National Interest*, August 28, 2016, <http://nationalinterest.org/feature/how-irans-revolutionary-guards-learned-love-the-nuclear-deal-17479>.

<sup>135</sup> *Ibid.*

<sup>136</sup> Van Der Berg, "Broadening the Horizons of the Saudi-China Partnership." 1.

Arabia's then Ambassador to the U.S., Adel Al-Jubeir, was quoted as stating that any option for Saudi's defense is both valid and possible<sup>137</sup>. Similarly, Saudi Arabia's former intelligence chief Prince Faisal Al-Turki reiterated that all options including nuclear weapons would be on the table if Iran violates the terms of the agreement<sup>138</sup>.

Despite contentious language revolving around U.S.-Saudi relations and the Iran deal, its conclusion will not significantly alter the fundamental drivers of the partnership. While Saudi officials and commentators have criticized the Obama Administration's approach towards Iran, the criticism can be better understood as bargaining within an alliance framework. Gerzhoy highlights that weaker states with an alliance may threaten the relationship's status quo to improve their bargaining power with patrons. In an analogous scenario, the U.S.'s close West German allies threatened to pursue an indigenous nuclear capability in response to perceived U.S. weakness towards the Soviet Union<sup>139</sup>. Much like Saudi Arabia, West Germany possessed few international alternatives for protection from the Soviet threat highlighting a limit to their choices. However, as alliance politics security dilemma theory shows, while patrons may have strength without plausible alternatives they must also reassure clients by improving their security capabilities.

In the U.S.-Saudi context, criticism of the former's diplomatic outreach to Iran has coincided with increased U.S. arms sales to Saudi Arabia. In recent years, the U.S. has committed to improving Saudi Arabia's missile defence capability, and has provided

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<sup>137</sup> Jaffe, Alexandra. "Saudi Ambassador to U.S. Won't Rule out Building Nukes." CNN. March 27, 2015. <http://www.cnn.com/2015/03/26/politics/saudi-open-to-nuclear-bomb/index.html>.

<sup>138</sup> Barbara Plett Usher, "Iran Deal Could Start Nuclear Fuel Race - Saudi Arabia," BBC News, March 16, 2015, <http://www.bbc.com/news/world-middle-east-31901961>.

logistical and intelligence-sharing support to Saudi Arabia's campaign in Yemen.

<sup>140</sup>President Obama attended a Gulf Cooperation Council (GCC) summit on his final visit to the Middle East as President, where he provided vocal U.S. assurances for the Gulf region's protection. Moreover, while Saudi Arabia has been outspoken in its skepticism of the Iran deal, it officially accepted the agreement and pledged to cooperate with its implementation.

Finally, while the United States has preferred a diplomatic engagement to address the issue of Iran's nuclear program it continues to view it as a hostile state. The alliance politics literature underlines how a partner's view of an adversary can shape alliance decision-making. Although the U.S. and Saudi Arabia have disagreed on how to best address the security threat posed by Iran, both states continue to view it as an adversary. The shared outlook on Iran's hostile position to the U.S. and Saudi Arabia helps maintain a foundation for negotiating a response that will not threaten the fundamental basis of the partnership. More importantly, the costs for the abandonment of the U.S. relationship with Saudi Arabia continue to outweigh the benefits of re-establishing ties with Iran. Unlike the latter, Saudi Arabia has continuously expressed a desire for closer ties with the U.S., despite voicing disagreement with the U.S. response to Iran's regional behaviour and nuclear program. From the U.S. perspective a balance reached between maintaining its Saudi relationship, and avoiding entrapment in conflicts Saudi Arabia alleges Iran has played a major role in, including in Bahrain and Syria. Despite the Obama Administration's reticence towards employing U.S. force in direct alignment with Saudi

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<sup>140</sup> Matt Purple et al., "Why Saudi Arabia Is Hammering Yemen," *The National Interest*, April 12, 2016, <http://nationalinterest.org/feature/why-saudi-arabia-hammering-yemen-15748>.

preferences in the region, the majority of its actions have been positioned towards reassuring its Saudi partners that it views Iran as an adversary.

For instance, while the terms of the Iran deal have removed international sanctions related to its nuclear program, U.S. sanctions related to Iran's sponsorship of terrorism remain. Iran's Republican Guards have also been designated as a terror organization by the U.S. State Department, while many Iranian Government connected figures remain sanctioned by the U.S. Treasury Department. Official diplomatic relations between the U.S. and Iran have not been restored and diplomatic contact between representatives of the respective countries has been limited to nuclear deal negotiations. Moreover the U.S. Congress has expressed direct opposition to the nuclear arrangement's completion. Although President Obama was able to employ his executive power to ratify the arrangement, it was rejected in Congress. To underscore their opposition to the deal, the U.S. Congress recommended newer sanctions on regime-connected figures in response to the Iran accord. The domestic political reaction highlights the major gap between the U.S.'s limited diplomatic outreach to Iran and its existing relations with Saudi Arabia. The Iran deal's success, as a result, has not signified a major shift in the U.S.'s regional policy, as its linkages with Saudi Arabia continue to greatly overshadow its limited ties with Iran both in complexity and depth.

## **Chapter 7 U.S.-Saudi Relations under the Trump Administration**

The outcome of the 2016 U.S. Presidential election has underlined the limited impact of the Iran nuclear accord on U.S.-Saudi relations. Although President Donald Trump had vigorously campaigned against the Iran Deal's efficacy, Saudi Arabia has been less enthusiastic in supporting his pledge to cancel the deal. On November 13, 2016,

days after the election triumph of President Trump, Saudi Prince Turki Al-Faisal expressed that the Iran deal should be left intact by the incoming U.S. administration<sup>141</sup>. In particular, Prince Turki warned against a haphazard dismantlement of the deal that would leave Iran's nuclear programs unhampered. Saudi Arabia's apparent hesitance towards President Trump's campaign position highlights its ultimate preference for stability and order in the regional order. Despite its criticism of Obama's Middle East policy, the potential for regional instability through haphazard U.S. policy superseded its preference for an aggressive position vis-à-vis Iran.

The 2016 U.S. election outcome has been mostly met with positive public reactions from Saudi Arabia and its Gulf counterparts. The change in U.S. government has provided Saudi Arabia with the opportunity to bargain within an alliance politics framework, to improve its relative position within the partnership. In this case, Saudi Arabia's emphasis that President Trump's election could mark a historic re-start for bilateral relations, can be interpreted as an attempt to reconfigure the Trump Administration's security dilemma calculations closer towards its own. In particular, this has alliance bargaining has been pursued by Saudi Arabia through welcoming the Trump Administration's proclamations on Iran's regional meddling.<sup>142</sup> Public statements by President Trump during the election campaign that criticized what he described as Iran's growing regional power as a result of the Iran deal have been characterized as evidence

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<sup>141</sup> Yeganeh Torbati, "Trump Election Puts Iran Nuclear Deal on Shaky Ground," Reuters, November 09, 2016, <http://www.reuters.com/article/us-usa-election-trump-iran-idUSKBN13427E>.

<sup>142</sup> Elizabeth Dickinson, "His Excellency, Sheikh Donald of the House of Trump," Foreign Policy, December 18, 2016, <http://foreignpolicy.com/2016/12/16/his-excellency-sheikh-donald-of-the-house-of-trump/>.

of an overlap between the views of Gulf states and the new Administration.<sup>143</sup> Advisors linked to the Saudi government have also indicated that the transactional relationship described by President Trump in the campaign trail, in which the U.S. would provide security for the Gulf against Iranian regional advances, would be considered an amenable exchange.<sup>144</sup> The disregard of President Trump's negative utterances regarding Saudi Arabia's regional role, underscore the tactical nature of the positive welcome from Saudi Arabia's perspective.

The February 2017 visit by Saudi Deputy Crown Prince Mohamed Bin Salman to Washington D.C. to meet with the new Trump Administration provided more insight on how the election result may impact bilateral ties. Despite sharp criticism of Saudi Arabia's role in the partnership during the 2016 election campaign, President Trump welcomed the Saudi Deputy Crown Prince enthusiastically. A statement released by a senior adviser to the Saudi Deputy Crown prince claimed that the meeting marked "...a significant shift in relations, across all political, military, security, and economic fields."<sup>145</sup> The Saudi summary of the meeting also highlighted that President Trump and the Deputy Crown Prince had shared views on the threat posed by Iran's regional expansion.<sup>146</sup> The White House's public statements on the bilateral meeting echoed much of the Saudi Arabia's perspective on the challenges facing the region. This outcome

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<sup>143</sup> Ibid.

<sup>144</sup> Ibid.

<sup>145</sup> Bloomberg News, "Saudi Prince Sees Trump as 'True Friend' to Muslims (Full Text)," Bloomberg, March 14, 2017, section goes here, <https://www.bloomberg.com/news/articles/2017-03-15/saudi-prince-sees-trump-as-true-friend-to-muslims-full-text>.

<sup>146</sup> Ibid.

indicated Saudi Arabia had seized on the new administration's public declaration of its strategic interest in Saudi Arabia. As Snyder underlines, weaker states stand to reap greater benefits when the importance its stronger partner attaches to its resources is readily apparent.<sup>147</sup>

Early indications also suggest that the new U.S. administration is willing to adopt Middle East policy positions that are closely aligned with Saudi Arabia's. In the ongoing Saudi-led military campaign in Yemen against former Yemeni President Ali Abdullah Saleh and the Houthi rebel group, the new administration is reported to have increased support for the Saudi-led coalition through greater intelligence and logistical support.<sup>148</sup> Saudi Arabia's military engagement in Yemen, now entering its second year, has seen its logistical and intelligence support curtailed, following allegations of its indiscriminate targeting that were also raised in the U.S. Congress. Similarly, the Trump Administration reversed a late 2016 decision by the previous administration to suspend the sale of precision-guided munitions to Saudi Arabia in light of concerns regarding the civilian toll of the air campaign.<sup>149</sup> More recently, current U.S. Defense Secretary James Mattis is reported to have submitted a proposal to the White House to provide support to Saudi Arabia and the United Arab Emirates' plans to launch a military operation to push the

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<sup>147</sup> Snyder, "The Security Dilemma in Alliance Politics," 472.

<sup>148</sup> Gordon Lubold and Jay Solomon, "U.S. Boosts Military Backing for Saudi-Led Coalition in Yemen," *The Wall Street Journal*, March 27, 2017, <https://www.wsj.com/articles/u-s-boosts-military-backing-for-saudi-led-coalition-in-yemen-1490651993>.

<sup>149</sup> Missy Ryan and Anne Gearan, "Trump Administration Looks to Resume Saudi Arms Sale Criticized as Endangering Civilians in Yemen," *The Washington Post*, March 08, 2017, [https://www.washingtonpost.com/world/national-security/trump-administration-looks-to-resume-saudi-arms-sale-criticized-as-endangering-civilians-in-yemen/2017/03/08/a259090a-040e-11e7-b1e9-a05d3c21f7cf\\_story.html](https://www.washingtonpost.com/world/national-security/trump-administration-looks-to-resume-saudi-arms-sale-criticized-as-endangering-civilians-in-yemen/2017/03/08/a259090a-040e-11e7-b1e9-a05d3c21f7cf_story.html).

Houthi rebels out of the Yemeni port city of Hodeidah.<sup>150</sup> The new U.S. administration's public rationale explaining its increased involvement in the Yemeni conflict has cited threats posed by Houthi forces to commercial traffic traversing the Bab-el-Mandeb waterway.<sup>151</sup> U.S. military concerns regarding disruption to maritime traffic in the busy waterway, underline how this common U.S.-Saudi interest continues to influence regional policy decisions under the new administration. Commack and Perry argue that while the Trump Administration's new commitments in Yemen are unlikely to shift the trajectory of the conflict, they are in line with three broad policy priorities in the Middle East articulated by the Trump Administration which included increasing support to regional partners and combatting Sunni extremist non-state actors<sup>152</sup>.

President Trump's May 2017 visit to Saudi Arabia provided more clarity to the new Administration's position on the bilateral relationship. The high-profile trip to the Saudi capital Riyadh, included a meeting with King Salman, a joint meet with the GCC member states, and a final meeting and address to leaders from throughout the Muslim world.<sup>153</sup> President Trump was welcomed enthusiastically by the Saudi Government, through a series of engagements intended to underscore the historic nature of his visit. As

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<sup>150</sup> Gordon Lubold and Jay Solomon, "U.S. Boosts Military Backing for Saudi-Led Coalition in Yemen," 1.

<sup>151</sup> Ibid.

<sup>152</sup> Ben Hubbard and Thomas Erdbrink, "In Saudi Arabia, Trump Reaches Out to Sunni Nations, at Iran's Expense," The New York Times, May 21, 2017, <https://www.nytimes.com/2017/05/21/world/middleeast/saudi-arabia-iran-donald-trump.html>.

<sup>153</sup> Kevin Sullivan, "Royal Welcome Expected for Trump in Saudi Arabia," The Washington Post, May 18, 2017, section goes here, [https://www.washingtonpost.com/world/national-security/royal-welcome-expected-for-trump-in-saudi-arabia/2017/05/18/a5b42602-3be0-11e7-8854-21f359183e8c\\_story.html](https://www.washingtonpost.com/world/national-security/royal-welcome-expected-for-trump-in-saudi-arabia/2017/05/18/a5b42602-3be0-11e7-8854-21f359183e8c_story.html).

significantly, a flurry of agreements were reached between Saudi and U.S. partners in the defence, investment, and counter-extremism fields with an estimated overall value between \$280-\$380 billion dollars. While the arms deal were positioned as an entirely new development, much of the announced \$100 billion arms package was first negotiated under the Obama Administration. However, the new agreement included sophisticated weapons systems, which had previously been put on hold as a result of the Saudi-led coalition's targeting practice in Yemen. This includes the sale of Lockheed Martin's Terminal High Altitude Area Defense (THAAD) missile defence system, which would provide Saudi Arabia with a defence capability against Iran's ballistic missile threat. The inclusion of the THAAD system in the deal, signaled that a security assurance against Iran remains a top priority of the U.S.-Saudi security partnership under the Trump Administration.

Lucrative agreements between the U.S. and Saudi Arabia were also announced in the investment and commercial fields. As was the case with the new arms deals, many of the investment agreements were the culmination of negotiations that preceded the 2016 U.S. election. An example of this included the \$20 billion pledge by Saudi Arabia's Public Investment Fund in the U.S.-based private asset manager Blackstock's U.S. infrastructure fund. While reports indicated that Saudi interest in the investment vehicle was first expressed over a year ago, the announcement positioned it as supportive of the President Trump's platform commitment to revamp aging domestic infrastructure. In the same vein, ARAMCO announced over \$50 billion dollars in joint ventures with U.S. firms during President Trump's visit. Despite the declared value of the agreements, many were Memorandums of Understanding that would require much further development to

take root. Other agreements represented new additions to existing ventures between ARAMCO and its U.S. partners. For example, a commitment by U.S. engineering firm McDermott to move a shipbuilding facility from Dubai to Saudi Arabia, represented a new facet of its 50 yearlong engagement in the country.

As a result, while President Trump's visit to Saudi Arabia was projected as a new reset from the Saudi-U.S. relations under President Obama, it remained closely aligned with the historic pillars of the relationship. Saudi Arabia's courting of the Trump Administration can similarly be explained through the alliance security dilemma that has framed much of the interactions between the two partners. In particular, Saudi Arabia publicly supported key facets of the Trump Administration's agenda, including investment in infrastructure, in exchange for a renewed commitment to its defense from the threat posed by Iran. For its part the Trump Administration was able to reassure its partner of its defense commitment both through arms deals and through publicly censuring Iran's regional activity. President Trump made direct reference to Iran's destabilizing role in the region in his address to gathered leaders, while delivering several similar remarks indicating a greater willingness to adopt a confrontational position vis-à-vis the Obama Administration. Nonetheless, despite the difference in public rhetoric between the Trump and Obama Administrations, both have displayed a shared commitment to preserving the U.S.-Saudi partnership along its historic parameters.

## **Chapter 8 Conclusion and Recommendations**

Since its modest early 20<sup>th</sup> century beginnings, the U.S.-Saudi relationship has continued to expand to new heights. While the partnership between the two countries, with starkly different political systems and worldviews was once considered a Cold War

anachronism, it has managed to survive successive U.S. administrations and Saudi monarchs to remain the most enduring U.S. partnership in the Arab world. The two states have managed to circumvent substantial differences on political questions such as the Israeli-Palestinian conflict, and remain drawn together by a shared strategic interest that was first established at the start of their diplomatic relationship. The partnership has faced renewed scrutiny in an era in which a clear state adversary for both partners no longer exists. More significantly, the rise of Salafi-jihadi extremism has led to some criticism of the partnership's efficacy from U.S. politicians and the general public. As well, the successful conclusion of the Iran nuclear accord has led to questions about the U.S.'s long-term regional policy orientation, from both sides of the partnership.

As this paper has shown, the drivers that inform the U.S.-Saudi partnership remain intact despite occasional disagreements between the two states. By evaluating the partnership's drivers, the reader can also consider the potential costs associated with abandoning the partnership for each side. From a U.S. perspective, Saudi Arabia's geographic position, natural, and financial resources have made its protection a key U.S. Middle East policy imperative. For Saudi Arabia, the security and long-term stability the U.S. partnership has provided its royal family has continued to inform its long-term commitment to the relationship, despite domestic opposition. While the Iran nuclear accord had served as a polarizing subject for the U.S.-Saudi partnership, it did little to effect its key parameters. As the paper has shown, U.S.-Saudi arms sales and commercial linkages have continued to flourish amidst vocal disagreement on the Iran accord. More recently, U.S.-Saudi relations appear to have reached diplomatic peaks, following the election of U.S. President Donald Trump, despite his vociferous criticism of Saudi Arabia

during the Presidential campaign.

The alliance politics literature helps explain why the U.S.-Saudi partnership appears to peak, following periods of public disagreements. The alliance security dilemma, as described by alliance politics literature, provides a framework understanding how both partners navigate the relationship. For the U.S.-Saudi partnership the costs for abandonment in the alliance security dilemma, displayed in tangible terms through its key drivers, continue to far outweigh its benefits. This is particularly underlined when considering the U.S.'s alternatives in the region, which are limited. Saudi Arabia's soft power in the Arab and Muslim world, and its economic power globally, accrue benefits for the partnership, which cannot be easily replaced. Until the alliance security dilemma calculation significantly is altered for either partner, the close partnership will continue. As a result the most contentious disagreements between the U.S. and Saudi Arabia, including the fall-out following the Iran accord, can be understood as bargaining for a better position within the partnership. Areas of disagreement can present an opportunity for both states to leverage a better deal within the partnership. Nonetheless, as this paper has shown, the U.S.-Saudi partnership remains on solid footing amidst a changing region.

## **8.1 Recommendations**

**Recommendation 1: Continue engagement with Saudi Arabia on defense but use it as leverage to avoid entrapment in conflicts that are not central to U.S. regional interest. Use diplomacy to end the Saudi military operation in Yemen.**

While the U.S.-Saudi partnership's key drivers provide the basis for ongoing partnership, it will be important for U.S. administrations to avoid entrapment in conflicts that may be damaging to U.S. interest. The Saudi Arabia-led coalition's war in Yemen against the

Houthi rebel group and forces aligned with ex-Yemeni President Ali Abdullah Saleh have inspired vocal criticism from U.S. politicians like Senator Chris Murphy and human rights organizations for its large civilian cost. Saudi Arabia's intervention in Yemen is motivated by its foreign policy objective to avoid encirclement by hostile political forces to its southern border and northern borders. Possible linkages between the Houthi-rebel group and Iran have further provided Saudi Arabia with incentive to prevent their ascension to power by military force. While the U.S. and Saudi Arabia share an adversarial relationship with Iran, the slow pace in achieving military objectives, coupled with its civilian toll, has the potential to wed U.S. support to a conflict that will weaken the partnership's long-term viability. As importantly, continued instability and widespread conflict in Yemen has strengthened the presence of Salafi-jihadi groups like al-Qaeda. As Saudi Arabia has thus far remained committed to the war, the U.S. would be well positioned to use its political and military leverage to push for a diplomatic resolution.

**Recommendation 2: Promote closer economic ties between the U.S. and Saudi Arabia outside of the defence and oil sectors.**

Although both countries have substantial economic ties, there continues to be potential for greater bilateral trade and investment. As the figures in the essay show, the current trade relationship revolves primarily around the trade of oil and related goods to the United States, in exchange for weapons and other security related products. Foreign investment flows from the United States to Saudi Arabia remain relatively modest, while Saudi Arabia has expressed interest in increasing its financial portfolio in the United States. Increasing bilateral investment flows would meet key economic goals of the new

U.S. administration and the Saudi government. Saudi Arabia's Vision 2030 framework, introduced by Deputy Crown Prince Mohamed Bin Salman, aims to attract foreign investment flows to Saudi Arabia as part of a bid to diversify its resource dependent economy. The public offering of Saudi's national oil company ARAMCO, will likely draw significant interest of many U.S. financial institutions and corporations. Saudi Arabia has also solicited U.S. investment for opportunities in its retail, healthcare, infrastructure, and mining sectors, among other areas, to help support its wider diversification plans. On the other hand the new U.S. administration would welcome new foreign investment flows to help finance plans for a major domestic infrastructure overhaul. Saudi Arabia and its Gulf partner Qatar have already publicly committed to investing in U.S. infrastructure-related projects. The new U.S. administration should formalize Saudi pledges, while also engaging Saudi counterparts for greater investment in priority areas such as the manufacturing sector and technology. This would help reassure both partners of their commitment to areas of strategic interest in the face of economic uncertainty, and will encourage greater collaboration within the political arena.

**Recommendation 3: The U.S. should encourage Saudi Arabia to make a commitment to increase its involvement and support for the Gulf Cooperation Council (GCC).**

The Gulf Cooperation Council remains an effective regional body for the United States and its regional partners to counter the mutual security threat posed by Iran. By encouraging Saudi Arabia to increase its financial and political support for the GCC, the United States can better establish a stronger deterrent to the relatively larger Iranian state.

It would also allow the United States to more effectively direct its military assistance to the region, and help better manage its military footprint. A multilateral approach to region-wide issues of counter-terrorism and terrorism financing would also better align U.S. responses to an extremist threat that is not confined within state lines. From the Saudi perspective, a more effective GCC could better assure its domestic stability and deepen cooperation with its Gulf counterparts that could help strengthen bilateral ties.

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