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SAUDI ARABIA LOOKS FORWARD:
VISION 2030 AND MOHAMMED BIN SALMA

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P R O C E E D I N G S

MR. RIEDEL: Good afternoon. Let me welcome you to the Brookings Institution and to another of our series of conversations from the Brookings Institution Intelligence Project. I'm delighted today that Karen House is here. We were just discussing among ourselves the world of American Saudi watchers. There aren't a whole lot of American Saudi watchers, and Karen has been doing this for quite some time in a variety of places. And as you know, she's published a new report, which I think we have copies to distribute, "Saudi Arabia in Transition, to Defense to Offense but How to Score".

It's a great report. It deals with the subject of much interest to people around the world. Saudi Arabia has seen more change in the last three years than it saw in the previous 50 years. No one really knows what's going to happen next. There's all kinds of speculation that the king will abdicate. We'll talk about that, I'm sure. There is though, a vision of Saudi Arabia propagated by the young crown prince, a Saudi vision 2030, which is quite a break with Saudi policy over the years.

What we're going to do today is I'm going to have a conversation with Karen. We'll ask her questions about the report about what she thinks is going on in Saudi Arabia. I'll offer my own two cents from time to time, and after 45 or 50 minutes, we will open it up to you and ask for you to put questions to put forward. Let me begin by asking everybody to mute your cell phones, so we don't have an unnecessary interruption. I'm going to start actually by reading to you from the report because I thought the opening paragraph was so good it bears listening to, to start the conversation. It is like an --

MS. HOUSE: It is usually me that reads my stuff out loud, so I'm so honored.

MR. RIEDEL: It's fun. It's fun to read other people's stuff. Saudi Arabia is like an obese man, disfigured from decades of gluttony and idleness. Dieting is painful, given his body's cravings. Even the small exertion of walking is most unpleasant. And the inability to imagine that his sacrifice and suffering eventually will lead to good health makes it easy to revert to bad habits. If, however, he will just push through the pain, good health and a better life are attainable.

Are the Saudis serious about pushing through the pain, or is Saudi vision likely prove, like so many other previous Saudi five-year plans, something that was paid lip service but never really implemented?

MS. HOUSE: A mirage. I think the crown prince is serious. I think he does understand that the status quo is not sustainable, so the kingdom does have to do something different. And it's hard not to be skeptical, given the endless five-year plans that have promised to wean the kingdom from oil even as it got more and more dependent, more and more gluttonous. So I think two things are different this time, at least two things, one the necessity, I don't see oil prices recovering to the roughly \$84 a barrel they need to fund even this reduced budgeted spending, and there is this dynamic self-confident I'm-in-charge-here young man with a vision. And those two things have been absent in most of the previous five-year plans.

I mean yes, oil prices have been down before, but you know he's got the runway to be in charge for 50 years and it'll take that long for things to truly change, I think.

MR. RIEDEL: In the report, you paint a picture of the Saudi economy which is pretty damning. As Americans, we think of Saudi Arabia as this country full of wealthy people. But you point out that 60 percent of the population can't buy a house, that 40 percent of youth are unemployed and that growth this year is estimated to be I think .1 percent which is virtually no growth at all.

MS. HOUSE: No growth.

MR. RIEDEL: How did the kingdom go so quickly from a place where we thought they had all the money in the world, to this state? Is it just oil prices down, or is it bad management over the years that got them into this kind of fix?

MS. HOUSE: Well, the crown prince would say it is bad management over the last 40 years. Indeed, he did say that publicly last year that we have to stick with this because we've, you know, previous kings have done the wrong thing. I think the reason it was so precipitous was that, you know, oil prices went to \$20 a barrel and in a country where 80 percent of household income comes from government. Either you have a job with a government or education subsidies or some other kind of subsidy.

When the government can't spend at the level that it has for the certainly the ten years of King Abdullah which were the golden years of spending, there's no, there's no money. And things dry up quickly and the government as you know stopped a lot of big contracts until they could assess whether

these are necessary and legitimate, et cetera. So it was, you know, literally slam on the breaks.

MR. RIEDEL: And then the imposed reductions in salary, increased subsidies, but then they quickly flipped and reversed. Does that suggest to you that the tolerance for pain level here is pretty slight, or is there a timing question here that we, that perhaps involves the succession and other issues like that. In other words, your obese salary figure, is he really capable of dieting, or are they just, have they already come to the conclusion that it's too hard to do and that they are going to try to find easier things to get around?

MS. HOUSE: I think they clearly slowed down. When I, I was there in May right after the government made the decision to reverse the cut in government benefits which had amounted to a 30 or 40 percent take home pay reduction. And some Saudis said that's good, it shows the government is listening to us, and thus we can slow them down even more.

MR. RIEDEL: Right.

MS. HOUSE: And others that shows that the Vision 2030 wasn't well thought out to start with so we shouldn't do it. But both groups of negatives kind of came to the same conclusion. I think the Saudi tolerance for pain is obviously no better than anyone else's, you know. They don't really want it. But over time, you know, the energy subsidies they clearly paused on in July and didn't, but now, at least if you believe what is written out of there, they are going to resume the reduction in energy subsidies in November.

And you know, things like that do get people -- they do have to adjust. It doesn't make them happy. But I think they're slowly learning. I mean I know a family I mentioned in the report that, because water prices were higher, tried to drill a well in their yard, and wound up spending \$10,000 and didn't find any water. But it showed that people are beginning to think, you know, if you to the trouble to try to drill a well to save money, you're making an economic judgment. They probably made the wrong one, but I think for Saudis for so many people, you didn't have to make these kind of economic judgments.

And another young guy told me now his water bill had gone up and he was so proud that he had gotten it down from 300 riyals to 30 or something. I mean it didn't sound like much money, but he

was really pleased with his accomplishment. So you do get the sense that people are being forced to start to --

MR. RIEDEL: Adapt, yeah.

MS. HOUSE: -- make more choices and adapt. So I think it's clearly likely to be a slow process, but the changing of mentality will take a long time, but I think you can see little signs that it's beginning to happen. And that's part of what his whole entertainment thing is about. I think making people instead of be forced to stay home, actually have to think do I want to go to this or that or, you know, because they're obviously, people have choices of entertainment. They can work at home, watch at home. But just giving people options is a -- makes the brain work.

MR. RIEDEL: You've been going to the kingdom for many years. What struck you on this latest visit as the biggest change, not in the economy but in the society that you hadn't predicted or didn't see coming. Is it the role of women, the role of youth? Both of those things?

MS. HOUSE: I felt like the greatest change had actually been on the social side, so on entertainment, opening up and especially on women. I mean there are more women working and most, not only women, but many male business owners acknowledge that women are better employees, that they work harder, that they -- one guy said he had a female employee and she came to him and said I want to be as good as any of the men, so tell me what I have to do, and he said what she did was invoices every day and that she was doing 200 a day, and the men that worked there were doing 50, so he couldn't say anything to her except you're doing a good job, doing a good job, just keep it up.

So I think, you know, women are motivated and are taking the opportunities that are being offered, and they -- a story this week, they're going to have female air traffic controllers, you know, they're supposedly training women for the (haya) so that if they let women drive, they have, you know, but all kinds of things do seem to be opening up to women. And they seem to be taking. And that I thought was the biggest change because in 2006, when King Abdullah tried, as you recall, to let women sell lingerie, the conservatives shut it down. And he retreated and then took another six years, I think 2012 women finally got back. But if you go to malls or shops, I mean there are women, you know, selling cosmetics and the line for men and the line for women gets very blurred, the family line and the female

line.

So I think that was the other big change. I think people are, there are clearly people who oppose the mixing of sexes, but there are many more people who take advantage now of the loosening, that you don't have to be so -- the religious police have been banned from arresting, so you don't have to be so careful about sitting here beside you.

MR. RIEDEL: Right. And all of you sitting in a mixed audience out there. It's blasphemy for me to even look at you. No, just kidding. The engineer of all of this is the 30 something crown prince. He's nothing Saudi watchers have seen in decades. I mean you have to go back to the young Faisal to see a figure cutting this much importance. Two questions, how do you think Saudi society in general is handling the elevation of such a young man, and then perhaps more importantly, what's your sense of how that is going down in the royal family? Now there has to be a lot of 40 and older princes who are saying what about my opportunity? I realize all these questions with very little (inaudible)

MS. HOUSE: As Bernie (inaudible) would say, if you -- no one knows what goes on in the royal family and if you say anything that proves you don't know what you're talking about and if you don't say anything, but I will do as he does. I will say something despite the fact that obviously, no one really -- I mean these people do talk. And, you know, there's clearly a lot of them who are very unhappy that a 32-year old that they regard as brash and too much of a risk taker is taking this role when there are so many princes in the 50, 60, 70 year range, which is more what a Saudi leader ought to be, that are eliminated. So, my impression is that the royal family has more trouble with it than the, the populace as a whole.

MR. RIEDEL: I agree with you. The reports we're getting of people being under house arrest including the former crown prince, if half of all those reports were true, it's a level of discontent in the family that we haven't seen since the 1960s. And it would -- if I were sitting in the shoes of the king and the crown prince, would encourage me to slow down a little bit, to not put too much pain in a system. The kingdom is not, there's no impeachment process, there's no way to remove a sitting king once he's there, but the process is not without ways of making life difficult for them, particularly if the royal family or significant elements of the royal family have come to the conclusion their interests aren't being protected.

And I think that if Mohammad bin Nayef is under house arrest, if some of these other people are being detained, if King Fahd's son is under house arrest, that would be a pretty serious sign of discontent. Whether it will manifest itself in something public, it certainly is a cautionary sign to the king to be careful about how fast to push things.

MS. HOUSE: I think the difference now and the Faisal - Saud controversy went on for ten years, is that then the family did eventually coalesce around Faisal. And they used the religious establishment to bless that decision. It could happen, but you don't see the family coalescing around anyone else, and I think that's one of the things Mohammad bin Salman has going for him is that there are, you read my obese man. My book, I closed with a 747 analogy, saying that the Saudi 747 was losing altitude and the cockpit was crowded with geriatric princes and first class had princes who would be king and economy was full of unhappy frustrated Saudis. What has changed is that cockpit now, you know, has one man and his son in it and the princes who would be king in first class still seem not to be able to coalesce any one of them to stop a young man.

MR. RIEDEL: At the same time though, it's not required but it's important for us stability that there be a deputy crown prince. There have been periods when the post was vacant but usually not very long periods. My assumption is if you're going to pick a deputy crown prince, it's got to be somebody younger than the crown prince and I can't see any figure that could possibly fill that role in the next five years. I'm not saying there aren't very smart 29-year old Saudi princes, but there isn't one who comes to mind as here's the guy who is ready for the role, which kind of freezes the system. The king can't abdicate. Mohammad bin Salman can't move up if you don't have a spare tire, and there's no spare tire out there.

MS. HOUSE: Well, they have named, you know, nine, ten young deputy governors who are all obviously all getting training so that Mohammad bin Salman doesn't look like some young freak. He's now part of a group of young people but I share your view that it's hard to have a 32-year old king and a 30-year old crown prince. That will make a lot of --

MR. RIEDEL: Forty-year olds unhappy.

MS. HOUSE: -- Saudis nervous I think to have such youth. But then I still am one of

those who thinks at some point the king will abdicate because he wants this son to be king. And I think the only way you can absolutely guarantee that is if you preside over it. Because if you look at King Abdullah had hoped to set up Muqrin and some people say the purpose of that was to block somebody like (inaudible) and basically when King Abdullah died, they all went to the funeral and then Salman removed Muqrin and there's nothing that the dead king can do about it.

So I think he has probably learned from that experience that if you want your son to be king, you need to be alive and --

MR. RIEDEL: Do it on your own watch.

MS. HOUSE: We have a retired pope, so perhaps we could have a retired Saudi king.

MR. RIEDEL: You're absolutely right. The king, not once, but twice now, has established that the order of succession --

MS. HOUSE: Can be changed.

MR. RIEDEL: -- doesn't mean anything, can be changed at a whim. And that the allegiance counsel will go along. The only question about the vote in the last allegiance counsel is who are the brave people who voted now and what's happened to them since they voted no. The signature item of Saudi Vision 2030 is of course opening up Aramco and not, not very much of Aramco, but opening up Aramco. It seems to be taking a long time, although we're promised 2018 we will see it. Is this the get out jail card for the Saudi economy? Are they really going to make so much money that this means that they don't have to individually diet because the kingdom as a whole will now have this pot of money at the end of the rainbow. What are your thoughts on A, whether it will happen, and B, is this really the rainbow with the pot of gold?

MS. HOUSE: A lot of Saudis don't think it's the pot of gold at the end of the rainbow. They fear that once you sell five percent, I mean that's not going to be enough to fund them all so that they can continue the gluttonous life. So the fear is that more and more will get sold, and that eventually, it'll be -- and they fear that it will be a bit like the Russian privatization that a lot of individuals will wind up rich, but the country won't wind up wealthy.

I mean I've read the stories recently that they're planning to stretch that into 2019. I think

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he has to do it because it is the one -- it's like when, you know, the Americans when to the moon and planted the flag. When he had his original interview with The Economist in January of 2016, he planted the flag of we are going sell part of Aramco and it's going to be worth \$2 trillion, the valuation we're going to get for the whole company when we sell the five percent.

It's hard to believe that's actually going to happen. And there have been stories, which might be a way out, that the Chinese would buy some amount of Aramco that could be done, I assume, government to government and that money could go into the public investment fund without anybody having to say it's five percent and we got \$2 trillion. I mean the Chinese could pay, maybe they're willing to pay that much. They are the big consumer of Saudi oil. But also, they don't have to disclose what they pay for it, so government to government is not like an IPO. But that was in the Financial Times and it hasn't been, nothing has come of it.

But I think clearly things are, they're trying to square that circle. How do you get \$2 trillion valuation because not to do that I think is a loss of face for the crown prince. To delay it is the same, so this needs to come off --

MR. RIEDEL: Oh, very clever.

MS. HOUSE: -- I think as --

MR. RIEDEL: It also avoids all of those tricky questions about opening up the books of Saudi. I mean who's -- the average investor wants to know what's the profit margin and who's making the money. In most corporations, those questions are relatively straightforward. In an absolute monarchy, those questions potentially expose things that will be very unpleasant for the kingdom to have to explain. So if you could get the Chinese to do it, you don't have to go through that. You also don't have to go through the messy business of where to do this. As you point out in the paper, if they do it on the New York Stock Exchange, you can be sure before the gavel is struck that day there will be 100 lawsuits from the 9/11 people going after it. They may not win, but they're going to be vigorous, to put it mildly. London was an obvious choice, but maybe not so obvious after Brexit. And the British have strange rules that apply here.

MS. HOUSE: Supposedly on their exchange to get premium, I'm not an expert on IPOs,

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but to get premium treatment you have to float 20 percent. And the Saudis don't want to do that, but they obviously want the best of IPOs, so there clearly are a lot of issues. But I'm assuming that Mohammad bin Salman is by far the most confident, driven, determined Saudi I have ever met in 40 years of going there and meeting all kinds of people. So I'm assuming, given what he has riding on it, he will find some way to get it done. Maybe people in the audience know more. That'll be interesting to hear.

MR. RIEDEL: Well, let's go to his signature foreign policy initiative, the war in Yemen, costing \$200 million a day and the obvious thing to say, if you want to eliminate some of the -- if you want to do some dieting in a painless way, stop the war. But there's no sign that the Saudis are prepared to stop the war. What does this war tell us about the young prince's judgment on foreign policy issues and the efficacy of his strategic thinking? I know I've kind of loaded the question.

MS. HOUSE: Well, I think what the government and certainly I assume his view too is that as I quote some Saudi in that report saying this isn't our Vietnam. Vietnam was far away for you. You could decide to leave. We can't decide to leave without a solution because what they've said from the beginning is we can't have a regime in Yemen that invites the Iranians in, because the world will say like they did with Assad when he invited the Russians in, well he invited them, that's fine, break out the banquet, you know. And they don't want to have the world saying, oh then, the Iranians are invited in by a legitimate government. And then you have them right next door.

I mean they don't seem to be able to win it or get out of it. And the PR cost of it are obviously probably as significant as the financial costs of it. So I don't know, he seems to have almost moved on from it, you know, to be focusing on Qatar on Vision 2030, on becoming crown prince, on any number of things other than the one so far that he hasn't been able to win at, or even progress at.

MR. RIEDEL: In going a year ago, and then going in May, does this subject come very often with Saudis or is it kind of not the subject they want to know.

MS. HOUSE: If you ask them, I mean it didn't, with normal people, I don't remember anybody who brought it up. I brought it up, and you know, people would mostly say, but some people do say it's an unnecessary war, but most of the just normal people that I talk to say it's, you've got to stick with it. And the Saudi casualties obviously haven't been so great as to, you know, cause the kind of

Vietnam backlash we had. Although the border, the Yemen's Saudi border and down in the Najran area, people, I have not been to Najran since this war started, I should make clear. But there are things happening down there that Saudis talk about.

MR. RIEDEL: Do you, I agree with you. My suspicion is when we go back to the royal family in the closed conclaves, there's probably more grumbling about an endless quagmire.

MS. HOUSE: In the family than in the public.

MR. RIEDEL: Right, than in the public. People in the family, particularly people in the family who think about Saudi strategic positions must see this as a mistake that is costing them not just money, but isolation in the world community. I mean the Congress of the United States almost voted against an arms sale to Saudi Arabia, the government of Canada is investigating arms sales. You know, traditional arms sales to Saudi Arabia have been for legislatures in the west, the most the merrier, you know. We'll milk them for every penny they have. And yet, I think because of Yemen, that is changing. And if I were a Saudi, I'd be worried about that.

You mentioned in passing Qatar we can't ignore the spat. I said to you beforehand, I sometimes find it hard to take this seriously. And when I see on MSNBC at night ads attacking Qatar as the root of all evil, I'm not sure --

MS. HOUSE: Or in The New York Times.

MR. RIEDEL: -- or The New York Times, I'm not sure I'm on the comedy channel or not, because I can't particularly take it seriously, but it is a serious thing. Is this another example of rash, reckless behavior? What do you think the Saudis really want from the (Gottes)?

MS. HOUSE: I freely confess I haven't the vaguest idea. I cannot really understand how a little country that can upset you so much.

MR. RIEDEL: Right, that's my problem too.

MS. HOUSE: And that, you know, I mean I understand they think the royal family there is out to get them, and you know, various. But it just seems like, as my mother would say, it's cutting off your nose to spite your face. So that at some point you would try to stick your nose back on. You, you

know, you'd just kind of -- but it's another one where like with Yemen, once you're into it, you know, there are costs to getting out, but there should be some way and someone, and even the U.S., I mean Donald Trump is going to fix this I read. If he decides to fix it, I think there will be more pressure on Mohammad bin Salman to agree to something, if Trump really says, you know, this is the way it's got to be, and et cetera. I think it's harder, but so far, I don't think we've put our foot down on enough is enough.

And you know, Qatar gives everybody a chance to talk about financial support in both Saudi Arabia and Qatar for Islamists and, you know. So who's worse, and so I think it, you know, if we, if the U.S. makes up its mind that this is really enough is enough. And Tillerson wasn't able to do it and if Trump focused on it, and actually said I'm going to do it, maybe it would happen, I don't know. Because I really can't understand what they want, either side.

MR. RIEDEL: And I'm in the same boat. I think the best outcome would be a thorough public exploration of all of the Gulf States financing of extremism. The reason I say that is that as a researcher, I would love to see the data that would produce from that, and I have no illusions that that's actually going to happen at the end of the day. Before we go to audience questions, we mentioned Donald Trump. It was extraordinary the president of the United States would pick the kingdom of Saudi Arabia for his first foreign trip. The, I think the eternal image of the Saudi Trump era will be that photograph of the king around the orb. We're putting it in my new book, so I have a vested interest in it becoming the eternal image.

My question to you have the Saudis put too many of their cards down on Donald Trump, is there likely to be failure to meet expectations, perhaps on both sides over time? Qatar is obviously now an irritant in this relationship. How much of an irritant, we don't know. But have, do you think there's any second thoughts, probably not by the crown prince, but by others in the kingdom that the embrace of a very controversial American president could have ramifications that they didn't predict.

MS. HOUSE: A lot of the religious conservatives that talk about this do feel that Mohammad bin Salman is much too in the thrall of America, not just Donald Trump, that you know, the whole even Obama, you know that you cannot trust the Americans. I think they are happy to pocket Trump's enmity for Iran because that's what bothered them most about President Obama. I mean he

sold them all the weapons they wanted too. But he was always trying to, you know, in the dark, you know, hold hands with the Ayatollah and it wasn't about nuclear weapons. It was about allowing the Ayatollah to do all of these things to his trouble making all over the region. That really bothered the Saudis.

So I think they are extraordinarily happy that Trump has completely switched that. A lot of weapons sales got talked about there, and a lot of investment and other things. I think there's much more understanding that again, to quote my mother, there's likely to be slip between cup and lip, you know, on getting all of those things done, so there's not -- I think there's less naïveté on the Saudi part about, you know, because they wanted us to do more about Yemen right off the bat and we didn't really do that.

So that had to be something of a wakeup call about the -- but I think they were, he, they were absolutely, you know, beside themselves with the president of the United States coming there on his first foreign trip. And I think the crown prince is a very good marketer. I mean he's very good at exploiting. The Saudis spend a lot of money on PR firms, but I think he understands that he's more effective than a lot of PR firms. They do the other too, but he knows how to kind of orchestrate the photos to make the most out of the American marriage and then go right on and (lick off) Qatar and Islamic unity within a week's time.

MR. RIEDEL: He is a remarkably good salesman for himself. But it was a remarkably short lived Islamic unity. After all that effort to get all those people there, get the president of the United States and then to squander it.

MS. HOUSE: But see, I think he was, he had the U.S. audience in mind. All these people are there, all the American press is there with Donald Trump. They're going to see this unity. All of these Muslim, all of these Islamic leaders and Donald Trump were all, you know, one big happy family. And most Americans don't know where Qatar is, you know, so you can go on and do what you want without messing up the image you created. I mean they are dents. I don't want to exaggerate, but I think most of that Trump visit was aimed at the U.S. audience.

MR. RIEDEL: For the record, we will delete the line about most Americans don't know where Qatar is, otherwise the Brookings Doha Center will be very unhappy with us. (Laughter) On that

point, let's take some questions. Let's get two or three questions to start. We have a mic coming. Please ask questions, not statements, and please identify yourself.

MR. EMBRY: Thanks Bruce, I'm Will Embry from (inaudible) International. A couple of years ago, actually it was shortly after the U.S. slipped Mubarak under the bus, I was in a private meeting with the then ambassador, now foreign minister, and asked him about how afraid he was of potential opposition to the Saudi regime, and he said not a worry, he said we'll manage it and then went on to talk about exactly how much money they were going to manage it with. With the current financial situation, are they going to be able to manage this in the future?

MR. RIEDEL: Okay, another question.

MS. LAWRENCE: Bill Lawrence, George Washington University. My question is about top-down versus bottom-up change in Saudi Arabia. So, on the one hand, you said in the conclusion that the U.S. should use its influence to keep Saudi Arabia focused on economic and social reform. And help the (inaudible) achieve his reforms because it has a chance of moderating extremist Islam. But I would posit that top-down, nonconsensual social reform can act as much as an aggravator, given the social conflicts in Saudi Arabia as a palliative or something that reduces extremist Islam. That's the top down side. On the bottom-up side, I know from my trips to Saudi Arabia, the thing that most struck me --

MS. HOUSE: Can you all hear him?

MR. LAWRENCE: -- the thing that most struck me was the dynamism of the young woman entrepreneurs. I've had several meetings in several cities. And the mentalities of Saudis in their 20s and 30s is radically different from the older generation. And so I imagine by 2030, or maybe it will be 2040, but that there's a kind of social revolution coming. Now that's bottom-up change without the top down that I was talking about. So I'd be curious how you answer that, that image of top-down versus bottom-up change.

MS. HOUSE: I think, you know, as I'm sure most of you know, 70 percent of the population of Saudi Arabia is under 30. So the great bulk of Saudis are I think much more willing to change than the, which is one of the reasons, as Bruce said, there's been more change in the last few years. I don't think Mohammad bin Salman has been totally rolling a rock up a hill, you know. There is

some willingness, which he recognizes and exploits. I also think top down, I mean he clearly is more interested in changing the economy and social policy than political liberation. But I do think there will be over time, if people, if he achieves his vision, or even a portion of it, of Saudis must be self-reliant and not rely on the government for their income, their job, their livelihood, their cradle to grave life, then I think inevitably a Saudi who has to rely on himself or herself says what do I need, what do I need all this guidance for? You know, and I think he's a smart guy. I think he will, assuming that any of the, that the economic changes actually occur, and that's going to be extremely hard. I think he's going to have to figure out how to allow somewhat more political openness than is currently the state of affairs.

And on, you know, how do you -- do they have enough money to manage this, I don't know. They are not broke and I say this in that report, but I will repeat it here. I think one of the big things that the country has going for it despite all the issues we've talked about here is that by and large Saudis understand that they are better off than Bahrain and Iraq and Syria and Yemen and as they will say, at least we're not killing each other.

So the fact that the whole region is a disaster I think actually helps buy the royal family time because you know, Saudis are fairly passive as a people I think, but because they've had someone guide their lives by and large, and they also can just look around and you may not have what you want, but at least you don't have what everyone else has, literally chaos in the streets of your town.

MR. RIEDEL: Right up here.

MS. LOPOUR: Hi. Jacqueline Lopour from Google. Saudi Arabia has some of the highest rates of social media usage among the young and also some of the strongest Internet censorship. Do you see this changing under the new crown prince and what impact this could have if it is changing?

MR. RIEDEL: Let's take another question, also in the back there.

MR. AFTANDILIAN: Greg Aftandilian with American University. My question deals with youth unemployment. And in the past, the Saudi's government would create X number of civil service jobs, but of course that's not feasible anymore. So do young people believe that Mohammad bin Salman is really going to sort of restart the whole private sector to employ some of these young people, or how do they see their future in terms of job prospects. Thank you.

MR. RIEDEL: Let's take one more.

MR. BASK: Hi, my name is Mark Bask, I'm a student over at Georgetown. I was just curious about some of the challenges Mohammad bin Salman faces from the religious establishment in Saudi Arabia. And that's a ruling bargain between the Ulema and the House of Saud that goes back centuries. Can he succeed with these social reforms in light of what I assume to be relatively conservative opposition?

MS. HOUSE: I'll go in reverse order. So far, he does seem to be -- there are complaints and the general entertainment authority, the religious conservatives refer to as the general evil authority, but nothing has stopped what, what he started on allowing more entertainment and engagement of people.

What was the other? Oh, yeah, young people and jobs. They hope, they very much hope, you know, more young Saudis say we want to be entrepreneurial, we want to -- like Americans, they don't really want to work in a company or a government where you have to inch your way up. They want to do big things and have big influence. So they hope there's going to be more private sector opportunity and I think that's one of the problems right now of having literally no economic growth is that it's very hard for companies to be hiring, you know, the position the government is in. You know, ultimately most business people say, you know, thing will change, it will, people will get used to the higher energy prices and learn to save money, and growth will return. But if you have, last year, I think economic growth was less than, was one and 1.2 or something like that, and this year almost no growth. It's probably not going to be much better next year, so people are going to have to adjust their expectations, but the young people definitely hope there are going to be private sector jobs.

And on the Internet and social media usage, it is, it's phenomenal. You know, everybody asks you, are you on WhatsApp? I didn't even know what it was it was a few years ago, and some conservative imam's daughter asked can I reach you on WhatsApp, you know, everybody is using this stuff and I think at some level the government is about to read and monitor and that's good. I'm not an expert on how much suppression goes on, on social media. I really don't know, but most of the Saudis I know don't seem to be, they do think you have to curb what you're saying. You have to say it intelligently

and you have to be careful. But they're still communicating with each other in way that I think has also very much changed the society.

You know, years, when I started going to Saudi Arabia in 1978, you know, there was a newspaper, and the news was organized by what the king did, what the crown prince did, what the, you know, on down. And even if the king did nothing and the defense minister declared war, the defense minister was still at the bottom of the page, you know, and people didn't really have much awareness. Now satellite TV is everywhere, and everyone is communicating and learning that I'm not the only one who thinks this. You know, so its people really do have a much greater sense of what other Saudis think.

MR. RIEDEL: Again, I'll make two quick comments, one on the old Saudi media. One of the great fun aspects of going to the kingdom in the Fahd era and others was that every night on the TV, they would show the king meeting with his foreign guests and there would be this long period in which the camera moved slowly, slowly, slowly so that every prince in the meeting there, it could be 50 of them each got their moment on time, and then they did the same thing for the American delegation. So even if you were a junior person like me, you ended up being on Saudi TV, not that that's worth that much, but you know it's kind of fun at the end of the day to see yourself. Why they thought that was newsworthy is a little bit harder to discern.

I also want to say a comment about the clerical establishment, because if the royal family is a black hole about which we know virtually nothing, it's a transparent fishbowl compared to the clerical establishment. And the clerical establish is not a monolith. There are a few well known dissenters, some of whom appear to have been arrested now. There is the official establishment. The king is very close to that official establishment. As Governor of Riyadh, he took a town of 100,000 and turned it into a city of seven million. And he did so with the Wahhabi establishment, arm and arm with him on everything which is why most people found it to be the most boring place they ever went in their whole life because you couldn't do anything.

I have to assume that the kind has imputed how to do this to his son and is coaching him on this and he's trying very hard to make sure that the upper levels of the Al Sheikh family are buying in to what he's doing and understanding, even if they're reluctant, that they're being persuaded that this is

the right thing to do. I don't think the king would let his son make that mistake. So I think there's probably more room for assurance there. Now the dissidents will speak up for sure, and they already are.

MS. HOUSE: Now, I'm told that, I don't know if it's true, but that, you know, the crown prince does have meetings with tribal leaders, with religious leaders and that he actually goes to the homes of some of the senior religious leaders to give them, show them respect which is probably greatly appreciated if you're a 32-year old man and they're in their 70s and 80s.

MR. RIEDEL: Right. More questions? Let's go to the back here.

MR. WEMPLE: Hi, Brian Wemple, School of International Service, American University. I'm just wondering your perspective on the current situation in (Esharkeya) given it's been about a year and a half since Sheikh Nimr was executed and then vis-à-vis Iran as well.

MR. RIEDEL: Let's take one over there.

MR. CADELL: Mark (Cadell) with Chevron. I'm wondering if you've heard anything about Mutaib bin Abdullah being rumored to be a rival to the crown prince. He apparently--

MS. HOUSE: Who?

MR. CADELL: Mutaib bin Abdullah. A press report came out stating that he had not yet pledged allegiance, and of course, as head of National Guard, he's a figure to be contended with.

MR. RIEDEL: On more, right in front.

SPEAKER: I'm (Taz Wassef) retired biomedical research at NIH. My question, well, it probably shows my naïveté, we usually look at patients as a holistic approach so that we can treat the patients from various ailments at various stages. For the Saudi Arabia, maybe other Arab countries in the area, are there concerted effort for experts to be advising the government as far as the economy of the country, how do you go about it, about the military, about the education, about various departments within the actual kingdom and whether any of this could be implemented in the next 20, 30 years.

MS. HOUSE: Are there Saudi experts?

MR. RIEDEL: Yeah, are you talking about Saudi government or our government?

SPEAKER: Saudi government.

MR. RIEDEL: Saudi government.

MS. HOUSE: Whether Saudi government experts believe it can be done?

MR. RIEDEL: Whether the Saudi government is tapping the expertise of the county.

SPEAKER: Expertise to work for the Saudi.

MS. HOUSE: Not surprisingly there are some Saudis who complain that all the money spent on McKenzie and consultants and that, and some young Saudis say this, you know, we have all this knowledge, we should be tapped more. But, you know, the government clearly is hiring as far as I can tell, you know, anyone they think has knowledge. So I'm sure there are some people who think they should have been hired that haven't been hired. But I think they're making an effort to get the best and the brightest and actually try to get help moving things along. I do not know what's going on in Qatif because I haven't been there in two years, so I can't actually shed any light on that question and what was the third?

MR. RIEDEL: Minister of National Guard Affairs, Prince Mutaib and what his status is.

MS. HOUSE: He's still got the job as the head of the National Guard. From what I wrote in this report, his family is one of the three that voted against the removal of Mohammad bin Nayef and it was not Mutaib who cast the vote, but one of his brothers. So presumably, they, he accurately presented his family. But his brother Mutaib still has his job.

There are constantly rumors that that may change, but I heard (inaudible) that last October and I heard it in May when I was there and he's still there.

MR. RIEDEL: Removing an Abdullah from the National Guard would be a politically, I think fraught with danger. That would be attacking maybe the biggest institutional power base in the kingdom. It does strike me, as you were mentioning earlier who is the figure that opposition could coalesce around, if I was to speculate who that figure is, I'd say it's probably Prince Mutaib, whether he wants that or not -- I also hear that he doesn't really like working hard. I have to admit that a lot of Saudis say that about a lot of other Saudis, so it's a pretty common way of denigrating your enemies. I have no idea whether it's true or not.

MS. HOUSE: Would you have said the same thing about the interior ministry?

MR. RIEDEL: Yes.

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MS. HOUSE: And that ministry has been quite significantly changed.

MR. RIEDEL: Absolutely.

MS. HOUSE: So, it's not impossible. As you said at the outset, I mean in most of one's - my 39 years, to be precise, of going there, everything was pretty predictable, and now, basically, I think you predict at your peril, you know, because things do change fairly quickly. The king could abdicate this afternoon. So it's well worth bearing in mind. Right here.

SPEAKER: Sandy Apgar, CSIS and Brookings Metro. I spent five years in the '70s in Saudi Arabia developing a national urbanization plan before the economic boom at the time. And in reading the new policy, all of the demographic changes you highlight have been described, there's no specific policy for urbanization as a government initiative or in response as a public private partnership. Do you sense that there is both a vision and a way of managing their growth in cities and in rural areas for that matter?

MR. RIEDEL: And can we take a question over here?

SPEAKER: Hi. My name is Sarah (inaudible) and I'm interning here in the Brookings. I found it a little bit contradictory regarding the freedom in the United States, sorry, in Saudi Arabia because lately, they are arresting many religious people and that doesn't give like a positive indication about future, like freedom, aspirations and promises. Why do you think this is happening, and do you think it's going to improve freedom of speech in Saudi Arabia?

MR. RIEDEL: And let's take one more.

SPEAKER: Thank you very much, Alexander Kravitz from Insight. I wanted to pick up on your answer to one of the first questions where you know, I once heard Vision 2030 presented as seeking a new compact if you will, you know, between kind of the state and society and they were going to be asked to be more reliant, like you said. But the question in my mind is so what do they get in return? You talked about well, they might have to do a political opening, and here what I keep thinking of is, you know, Gorbachev and glasnost and perestroika and that didn't end up very well, and I'm wondering if you could perhaps comments from that perspective.

And the second quick question is (inaudible) between Saudi Arabia and Iraq and I

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wonder if you could shed some light into how that might be shifting, what Saudi Arabia might be looking in terms of getting closer to Baghdad. Thank you.

MS. HOUSE: Saudi Arabia seems to be at last working on trying to have more influence in Iraq and obviously diminish the Iranian influence there. I personally think that's in our interests so I wish them luck. On the social compact, I don't think Vision 2030 rewrites the social compact. I think it, the social compact has basically been stability slash prosperity for loyalty. And now I guess we're back to stability without prosperity for loyalty. But, as I said earlier, I think if you have to manage your own livelihood, you have a different view about loyalty, or you may have. So I don't think there is a new social contract is what I'm saying, is that that one is fraying because of the lack of money to maintain it. But there is not some new understanding, at least that I see or hear about what do the people owe the kingdom and what do the rulers owe the people. And I didn't hear your question, I'm sorry.

SPEAKER: It was about the latest, you know, arresting many religious people and prominent figures in Saudi Arabia. So does that go along with the aspirations of freedom of speech that Mohammad is promising his kingdom with?

MR. RIEDEL: My take on it is that this really unprecedented level of arrests, and I suspect not all of these stories are true, but there's so many of them, we haven't seen anything like this in a long time. 1991 is the closest thing to it. What it says to me I think, and I mentioned this to you before outside. There's more discontent in the elite with the changes in the line of succession that the kingdom wants us to believe. There is more anger at probably the Yemen War, maybe even the Qatar thing, and that therefore they're having to use extreme measures, which with the exception of (Shias) were generally not used in the past. It's always been a police state, but for many years the police intimidated everyone, so they didn't actually have to arrest that many people and put them in jail. (Shia) radicals never fell into that category. They were always in a different category.

So I think there is a little bit more trouble here. How much of it is, you know, goes back to the lack of transparency. Are any of these figures sufficiently galvanizing to worry the king? I don't know. I am impressed that neither the king nor the crown prince came to the UNGA. I've been wondering why is that the case. Are they, do they not want to have to deal with these kinds of questions? Not that the

media is all that aggressive in forcing the king to answer questions. I've never seen the media press very hard on those things. But it's much easier to hide in Riyadh than it is in New York.

I don't have an answer to the question about urbanization. I don't know whether you have any thoughts on whether there's an urbanization master plan.

MS. HOUSE: I don't. I mean 80 percent of Saudis already live in three urban cities and they are planning, as you probably know, to one of the reasons that so few people can afford a house is that land prices are so high. And they are planning to tax the so-called white land that where it just sits there and you wait for it to become more and more valuable. You're going to have to pay tax on it. So again, forcing an economic decision about do I want to pay the tax or do I want to get something now and move on.

It is impossible, obviously, to know, as you say about these arrests, et cetera. But, and I ask myself why is nobody at the, why is the foreign minister representing them. I think Saudi Arabia in my mind is an authoritarian state, but not a real police state, because they don't have to be. They've had the money to buy people's happiness and cooperation, and if they can't, they certainly will put you in prison, or worse. But that doesn't, things don't ever get that far for most people. So I think that is one of the questions about the kingdom, is as the money shrinks and as people are asked to do painful things, will it become more repressive and my other question is are they, is there something that's going to happen, that this is an inoculation against. In other words, it's not for anything we know, it is something that we are going to find out that is prompting the reason that they're home preparing for something, they're preparing by doing some things we see, rumors of arrests, and things we don't see, but we'll ultimately hear. So I kind of assume that something important is going to happen in the foreseeable future.

MR. RIEDEL: We'll do one more round of questions. This lady right here.

MS. SANGER: Hi, Jodi Sanger with IIE. I have a question about the role of education. It's kind of two part. The first is regarding all of the subsidies and grants that the government gives to Saudis to study both internally and externally, are there feelings about the worth of continuing those subsidies, perhaps in specific sectors where there is a knowledge gap? And the second part is about the role, this kind of follows on Sarah's question, the role of liberalization and if they are looking to kind of be

able to bolster their population from within, are they looking at reform within education in Saudi Arabia or perhaps in the gulf in general, specifically in regards to the critique of some of the branch campuses in the gulf currently with, you know, do you have a high quality of education if you are suppressing freedom of thought and expression.

SPEAKER: Thank you very much. Benjamin (Tooah) no current affiliation. My question is about the significance of the employment of women. Can you give us some percentages? What socioeconomic strata do they come from? Does it include significant numbers of relatively poor Saudis with less education? And on a related matter, can you say something about the prospects realistically for import substitution, which could give a boost to the economy. Thank you.

MS. HOUSE: Can I answer? The women who are working I think do come from a wide variety. I mean there are obviously female doctors and teachers and all that, but I visited a perfume factory outside of Riyadh in April, and you know, these women are, they're in a room the size of this, with a line, and doing different things to produce a bottle of Oud and they are mostly not, you know, educated women. They are bused out in the mornings, and bused back. And they just, you know, were working. And I think there are women who need to work. I mean this is one of the interesting things about Mohammad bin Salman is not, he's using the economy as a reason for any number of changes. The changes for women are not because women's lib is a great idea. He doesn't say that. He talks about the economic need for women to have opportunity, so I think, I personally think women will have a significant impact. Because if you look at what happened, I am of an age when basically women my age who graduated from university in 1970, you know, you were supposed to be a teacher or a nurse or a wife. And a few of us got off the reservation and as more women became lawyers or journalists or this and that and the other, it has changed, some people would say for the worst, American society, but people are much, I think they're much more open and tolerant in this country than we were in '50s and '60s and that's partly a product of women having opportunity and having to cope with reality of all sorts.

And on education, education I think is clearly a big subject for the kingdom, and when I was doing my book, they were supposed to be undergoing a big education reform, changing textbooks, et cetera, and everyone still says the education isn't where it need to be and King Abdullah has spent nearly

ten years sending hundreds of thousands of Saudis abroad. They have now changed that program. Under King Abdullah, basically you could get a scholarship and study anything you wanted. And what started as scholarships for the best and the brightest soon became scholarships almost for anybody. Now the government is saying you need, if you're going to go abroad for education, it has to be something that's useful to the country. So you're supposed to have a, in essence a tie to a job back home, I'm going to come back and do X or Y when I get educated and you have to go study a subject that the country needs. And I do not know how many Saudis are abroad now. I'm going to look. I'm going back in October. I'm planning to look at education again. But that's a really important subject. I read today that they, Imam Saud University is removing the Muslim Brotherhood professors from there. One of the things I was told when I was working on my book about education and all the attempts they were making to change it, the man who was in charge of this said, you know, we can change the books, but when you shut the door, the teacher is in charge, and we don't know what he or she says.

You know, and numerous parents said their kids come home and berate them because they have a male Arabic teacher and the girl is 13, she shouldn't be alone with a male. So a lot of stuff clearly does go on in the classrooms. But I think there's pretty general consensus that the kingdom still has a ways to go to educate the kinds of people it needs to produce this private sector economy that the prince has outlined.

MR. RIEDEL: We have time for two final questions. Over here.

MR. CUSIK: Thank you, William Cusik, student at American University. I'm wondering if you could touch more on how the Saudi government plans to gain influence in Baghdad and on that note, do you expect them to respond in any significant manner to the Kurdish referendum on the 25th?

MR. DRUCKER: Hi, Adam Drucker, Ankura Consulting, so my questions are about Saudization of the private sector. First, do you think that they're going to be successful in replacing all the foreign nationals working in Saudi Arabia with residents of Saudi Arabia and if they do, will that cause greater economic growth or will it end up resulting in reduced economic growth because the foreign nationals were better at those jobs?

MS. HOUSE: The government is planning to put a tax on foreign workers and their family

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members who are there. I mean many of the more blue collar workers obviously don't have families in the kingdom. But the assumption is that that will help drive out some of the foreigners because unless you're making, have a pretty good job making pretty good money, you can't afford the tax or it again goes into your economic thinking.

What is interesting to me is that all kinds of ways people in Saudi Arabia are having to think economically, and I don't think they've thought economically in the 40 years that I've been going there. So I think that's a positive change. I don't think they can ever get rid of all the foreign employees any more than we're going to get rid all of our immigrant labor. It's a nice talking point in both countries, but not particularly achievable.

So on the Iraq question, I really do not know. I'm not, I mean I know they want to improve their relationship with Iraq, but exactly what they're doing, I can't tell you, but I tried to, it's a good thing for me to ask about, but I don't know the answer now.

MR. RIEDEL: It's, in a foreign policy which has had some significant setbacks, to put it mildly, it's one of the more clever things. And if we're dealing with the learning curve here on the young crown prince, it's a reason for optimism, and it really is a reversal because they bowed out 25 years ago, and just stayed out completely. I'm glad to hear you are going back in October. I think this afternoon has been a rare opportunity to hear from an observer whose been doing this long enough to see the trend lines, and I thank you very much for coming, and I urge all of you, it's a great paper, and it has some great lines, and think about that obese person when you think about Saudi Arabia from now on and it will help shape your view of the kingdom. Thank you very much.

MS. HOUSE: I should just say that one has to be extremely humble. I always feel, you know, going to Saudi Arabia, the whole point is to look at, touch, you know, get close. But in a way, it's like those impressionist paintings of the cathedral. If you stand way back, you can see that it is a cathedral and when you get right up close, it looks like a lot of gray paint, so you never know exactly, you know, whether you're getting wisdom, but it's better to look than to not look I think, because you do wind up getting different points to compare to previous ones, et cetera. It's like putting together a 10,000 piece

jigsaw puzzle and you never can get even the border put down.

MR. RIEDEL: That's right. The Saudi Arabia jigsaw puzzle only comes with half the pieces. Thank you again.

(Applause)

MS. HOUSE: Thank you very much.

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