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The Future of Saudi Arabia and Its Regional Role

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P R O C E E D I N G S

MR. FRIEDMAN: Welcome. Great to be here. Bruce and I will do a little duet. I'm going to start with jut some discussion of how I see things evolving inside Saudi Arabia now and then Bruce is going to talk about U.S.-Saudi policy. And we'll each take ten minutes and then open the floor.

So I was in Saudi Arabia two weeks ago to both sort of take the pulse of the country as best I could in a short time and to interview Crown Prince Mohammed bin Salman. Spent about four hours with him and came away with what were for me, you know, some really new and unexpected impressions. Let me start with what I think was for me the central most important impression I had, and it revolves around a year that I think is very important in the history of the Middle East, 1979. It was an important year for me personally because that's when I started as a reporter in Beirut. And the first story I covered in 1979 was the takeover of the Grand Mosque in Mecca by 500 radical puritanical Sunni Wahabi extremists. You may recall they came with coffins to parade around the Kaba in Mecca. They opened the coffins and there weren't bodies inside but submachine guns. They take over the Grand Mosque in Mecca for two weeks and the Saudis cannot get them out. They eventually have to bring in French Special Forces, which you can imagine how radical that was. And during those two weeks the Saudi ruling family is subjected to daily bombardments from the Grand Mosque of Mecca by these extremists that you are not Islamic, you are westernizers, you are secularizers, you have perverted the very soul of Islam

and lost your credibility as the protectors of the Two Holy Mosques.

That was a fundamental shock to the Saudi system. And in response to that shock they basically -- the Saudi ruling family took Islam on a right turn that we have been living with to today. They essentially banned fun in Saudi Arabia, banned music, and empowered the clerics to impose a strict puritanical religious regime on the country that at the time was actually on a liberalizing track. And as an Egyptian friend of mine, a scholar, said, Islam lost its brakes in 1979. And unfortunately the only thing that didn't happen in 1979 was the Mecca Mosque Affair, the Iranian revolution happened in 1979, the Soviet invasion of Afghanistan happened in 1979, and Three Mile Island melted down in 1979. And the result of all of those things is we became more dependent on oil, the price of oil went up because of the Iranian revolution, and the Iranian revolution spawned a Shia Islamic fundamentalist government that was then in competition with a Saudi fundamentalist government, and empowered by higher oil prices fundamentally changed the face of Islam. And it ended up in 9/11. You can draw a straight line back, okay, among other things. And, of course the Soviet invasion of Afghanistan, what did we do -- we then basically enlisted Islamic jihadists to fight against the Soviets. This was a terrible wrong turn.

So, anyway, what interested me most, as I said in my column in my interview with the Crown Prince, is that what I've been saying since 1979 is you guys, you Saudis, we come to you and you will arrest bad guys. When we tell you to arrest that

cleric, they'll arrest him, they'll jail this person. But we have never had a Saudi leader since 1979 who is ready to fight the war of ideas. We don't have a war with Islam, there is a war within Islam. And basically there was no one fighting on our side. They're either afraid to take on the clerics ideologically or just didn't want to for convenience. And to me the most interesting moment in the interview was when he said to me, Tom, I am not reforming Islam I am restoring Islam. And that began a long disquisition about how the prophet Muhammad dealt with Christians and Jews and women, and women were empowered, et cetera. And then one of his ministers went in the other room and got his cell phone and came back and started showing me on his cell phone pictures of Saudi Arabia circa 1950, 1960, 1970, women in dresses, women and men mixing. We forget what a turn that country took in 1979.

So to me the most important thing going on in Saudi Arabia today is that we have a leader who potentially -- and please underline that word three times -- but potentially is ready to reverse an incredibly toxic process around Islam and Islam and the world that began in 1979. The second most important thing going on there, which I really was blown away by, is that he is doing that as much as leading from the top as reflecting what is coming from the bottom. Because when you talk to Saudis -- and maybe I just only talk to the people who felt this way, but I don't think so -- you see how fed up they were with this whole clerical regime. And, again, he's not just talking about it, women will be allowed to drive in June, women

last week it was announced can attend any football or soccer game in a stadium now in a women's sections, they have concerts now. Toby Keith was there for National Day. A famous Lebanese soprano is coming there next week. This is not just talk. The character of the society is changing and it's coming form the bottom up as much as the top down. That to me is not only the most important story, it's the second most important story, it's the third most important story, and it's the fourth most important story. And why we have a fundamental interest in having a leader there who's ready to go down that path.

Unfortunately, he has other things on his plate at the same time. He has a domestic reform, economic, educational, infrastructural, and he has a foreign policy that are quite -- they're not only controversial but they're enormously difficult. You know, the thing that I said about Mohammed bin Salman -- this is my third time talking to him -- is that there's two things you need to know about him, he's more McKinsey than Wahabi, number one, and if he didn't exist the system would have had to invent him, okay. If he didn't exist this country was going down. So don't think he just came out of nowhere. This country was going down. The system had to throw someone like this up. Nevertheless, he has his weaknesses. At one point in the interview, I was telling Bruce, I said to him who is your coach in life, I believe everybody needs a coach. I was blessed with a wonderful father in law, he was my coach. I said, who is your coach? And he said, well, my father, my mother, and my wife. We actually had an interesting conversation about that. The impact

his wife and mother had on him. He was basically homeschooled because his mother didn't believe in the Saudi school system. But unfortunately he doesn't have a coach. And right now domestically he's taking on an initiative to broadly reform the Saudi economy and I really worry he does not have enough of a depth of a team of really capable and talented people to handle the amount of deferred reform he's trying to overcome. And at the same time in foreign policy he basically is trying to take the Iranians on regionally. And in our conversation on that I quoted a line from Hamilton to him, or a variation on it, which is you don't have the troops, you do not have the troops. I get where you're coming from but you don't have the troops. And as a result -- you know, the Iranians over 40 years of being a prize state have developed the muscle of building underground networks, using proxies, and they are the world Olympic champions of this. And they have built it up over 40 years, they know how to assassinate a Lebanese Prime Minister and not get caught, they know how to blow up an American embassy and not get caught, they know how to blow up a Jewish community center in Israel. They are the world champions and they have developed that muscle. In those 40 years the only muscle the Saudis have developed is to write a check. It's the muscle between your thumb and your forefinger, okay. They cannot play this game. And when they try to play it they play it with disastrous humanitarian results, as we've seen in Yemen, or with just overplaying their hand, as we've seen in Qatar and in Lebanon. And so I get where they're coming from. Iran today indirectly controls four Arab capitals,

they feel surrounded. He doesn't say this, but I know what they feel, they feel their parents' generation completely the Iranians run roughshod over them and now they're encircled. But what I fear is they don't have the ability to project power in this game the way the Iranians can. And I fear those two weaknesses, the weakness of a weak team at home and the weakness of a weak team abroad, basically, can undermine and be used by his opponents, both at home and abroad. And he's made a lot of enemies at home. There are a lot of people under house arrest. And that will undermine this central project of turning Islam away from 1979 in the only place that could turn it way, the place where that wrong turn started, the home of the Two Holy Mosques.

So my last line is that this guy needs a coach. Oh, if only Jim Baker were Secretary of State today, someone who could say to him what he used to say to Bandar, which is sit your royal ass down here and I'm going to have a talk with you. He needs a coach and he does not have a coach I believe in the region. I wouldn't trust Rex Tillerson. I wouldn't trust Rex Tillerson to coach my pee wee football team, playing softball or baseball, I would certainly not trust him to coach hardball in the Middle East. And unfortunately I don't think the President has any of the sophisticated kind of nuance view of this part of the world to coach the Saudis through this process.

So, bottom line, this guy's for real in my view, because he's not only leading he's actually reflecting. He's embarked on a project that has vast strategic implications. Think how much money and time and energy we've spent countering

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Islamic extremism. And now we have a partner ready to do it from the very core of the Arabian Peninsula, and doing it for his own reasons. But he's fighting 18 different battles at once and he needs a coach, and his coach is Donald Trump. (Laughter)

(Applause) What can I say?

Bruce?

MR. REIDEL: It's pretty hard to top that. Like Tom I also began my career at the CIA back in the late 1970s. I was the Saudi desk officer in 1979 --

MR. FREIDMAN: It's Iran.

MR. REIDEL: -- during the Mosque takeover. The Saudis actually provided us with an enormous amount of information. They were much more transparent about this incident than one would think. Normally the Saudis don't want to talk about what goes on at home. In this case they very much wanted to talk to us. It was kind of a compliment that they thought we could actually tell them something about what was going on in the Kingdom. We couldn't, but it was very useful.

What I focus on in the book, though, is the U.S.-Saudi relationship, and particularly the relationship between American Presidents and Saudi Kings. This relationship next year will be 75 years old. It goes back to 1943 when Franklin Delano Roosevelt invited King Abdul Aziz Al Saud, better known as Ibn Saud, to send a delegation to Washington. He sent Princes Faisal and Khalid, two future Kings. They said at Blair House, they were I would say wined and dined, but they obviously weren't wined, they were dined in the White House --

MR. FRIEDMAN: Juiced.

MR. RIEDEL: Juiced. (Laughter) They then had extensive meetings on the Hill, they traveled across the country to Texas and California and back, and really set the basis for the relationship. The more famous meeting that follows two years later with FDR and Ibn Saud was actually the sealing touch. The real relationship began between Faisal and FDR.

If you look at those 75 years, one thing that is very striking is the volatility of this relationship. It has enormous highs, for example, the liberation of Kuwait, the defeat of the Soviet Union in Afghanistan, but it also has a lot of really low, low moments -- of course, most importantly, the 1973 oil embargo. No country has ever done as much economic damage to the United States as Saudi Arabia has. Not the Soviets, not the Nazis, nobody. Saudi Arabia has done more economic damage to us than any other country. And there have been other very low moments. I call them near death experiences in the book. There was a near death experience in the Obama Administration over the Arab Spring, particularly over the Arab Spring in Bahrain where the Saudis came close to the point of saying we're going to use oil as a weapon again. If you look at the relationship today, I think there's a paradox. Superficially it's better than ever. Donald Trump famously made Riyadh his first visit. He was dined, he wasn't wined but he was definitely dined, he was flattered. I would say the Saudis understood their man, their coach, and they played him like a fiddle. They promised a lot, including \$110 billion arms deal, which is fake news, there is no \$110 billion

arms deal. If you ask the Department of Defense what's in it they can't answer the question. But they promised him a lot and he gave them a very blank check endorsing their policies, particularly their policies vis a vis Iran and their policies in Iran. And he followed up on that blank check with a series of tweeted blank checks since then supporting everything that the Crown Prince and his father is doing.

In that sense the relationship looks really good, but if you look a little bit more closely the relationship has got some serious problems. Number one, it's in the judicial branch. The Justice Against Sponsors of Terrorism Act, passed last year in a veto override by the Senate 98-0, allows plaintiffs to sue Saudi Arabia for its involvement, alleged or real, in the 9/11 conspiracy. There are now seven major court cases underway. What's interesting in these court cases is as the gutter dispute developed the plaintiffs began to realize that the UAE could also be sued and in fact the case can be made better against the UAE than it can against the Kingdom of Saudi Arabia. So now both of them are being sued in these court cases. I don't know how these court cases are going to turn out; they'll probably take years, but I think there's a reasonable chance that a Judge will find against the Saudis, in which case there will be a massive economic penalty against Saudi Arabia. One of the reasons why the Saudis don't want to put Aramco on the New York Stock Exchange is because they could lose Aramco if they put it on the New York Stock Exchange.

The other thing to look at is the legislative side. Ninety-eight to zero. Two senators didn't vote because they weren't there, Tim Kane and Bernie Sanders. Both would have voted for it. Hillary Clinton and Donald Trump both endorsed the JASTA Bill. There has been one arms sale that has come up since the President's trip to Saudi Arabia. It was a half a billion dollar arms sales for weapons to Yemen. It passed by two votes. The next one probably won't even pass by two votes, if there is one. In fact the administration is holding back on even the most routine kind of arms sales to Saudi Arabia right now because the odds that they can get it through the senate are not very good. And there reason they can't get it through the senate, a combination of 9/11 and Yemen, the Yemen war. The Yemen war has become a quagmire and a fiasco.

Let me just finish by saying a word or two about the Crown Prince and how he's doing. I completely agree with Tom, the strikingly new interesting thing about Saudi Arabia is that there is a consensus for the first time that the status quo is unsustainable. There is no argument over that. Everyone agrees the status quo is unsustainable as long as oil prices are in the \$50-60 per barrel a day. For a simple reason, Saudi Arabia for the last three years has been paying down its reserves. Saudi Arabia spent down one-third of its reserves since King Salman ascended to the throne. And you don't have to go to the Wharton School to figure out if they spent one-third in three years, six years from now there's a moment of reckoning, a terrible moment of reckoning. And they've got to do something about that. But

there's a contradiction between the Crown Prince's commitment to reform and change and his foreign policy. His foreign policy is very un-Saudi. He doesn't write checks, he intervenes, he tries to use Saudi military force to affect change, most notably in Yemen. And it's not working. Again, as Tom said, they don't have the instruments to do it. The Royal Saudi Air Force can deliver a lot of ordinance but it can't really change the dynamics of the war in Yemen. Now, those dynamics are very much in flux today. Literally as we meet there's now a new civil war within the civil war. We'll see whether that plays out to the Saudi's benefit or not. We can talk about that in questions. But what it comes down to is a country that desperately needs to be spending its money on economic reforms at home is spending an enormous amount of money on its defense budget. The Yemen war by one conservative estimate costs Saudi Arabia \$200 million a day. Saudi Arabia in 2015, the last year we have good numbers for, had the third largest defense budget in the world. Only the United States and China spent more money on defense in 2015. Now, for Americans, when you do that on a per capita basis it's not that much of a hit. For Saudis it's \$7000 per person per year on military expenditures, with very, very little proof that they're getting anything from it. What they urgently need to do is get out of these quagmires and concentrate on domestic reform at home. That's where Mohammad bin Salman can actually make his mark.

Last thing I would say, if you look at the rivalry between the Iranians and the Saudis today across the region

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there's one clear winner. The Iranians are cleaning their clock. Now, give that a little help from us, we open the door for their potential to get into Iraq, arguably we open the door for their potential, or we facilitated the door in Syria. But objectively, across the region, it is the Saudis who are losing in all of these conflicts, with the possible exception of Bahrain. And that's one of the reasons why the Saudis are increasingly desperate in looking for some kind of outside assistance, because they know their clock is being cleaned. (Applause)

MR. FRIEDMAN: So I'm going to start with Dan Shapiro and then Joe Lieberman. Dan, where are you?

MR. SHAPIRO: Right here. Thanks, Tom. Terrific presentations by both. Neither of you mentioned Israel, neither of you mentioned the Palestinians. That's quite telling in and of itself about what's on their minds. But, of course, there's great I think consensus probably in this room, certainly the Prime Minister referenced it, that the relationship between Israel and Saudi Arabia is of a different character than it once was, certainly an alignment of interests, that's very clear.

So I'll go in a couple of different directions. One is what is realistic about what Saudi Arabia can contribute to what we would all like to see, which is an improved prospect of Israeli-Palestinian peace, and in light of its rivalries with Iran, in light of the domestic burdens that MbS is taking on, as he does it. And on the other side, to your last point, Bruce, what is Saudi Arabia's expectation of Israel to help it confront Iran as some, including me, understood the Hariri episode it was

to try to find a way to provoke tension on the Hezbollah-Israel border, not that Israel necessarily initiate it, but that Israel eventually would come in and bloody Hezbollah's nose, bloody Iran's nose in that setting.

So what can Saudi contribute, what are Saudi's expectations from Israel.

MR. FRIEDMAN: You know, I would just say -- and I'm anxious to see what Bruce says too -- when I first started going to Saudi Arabia in the '90s, you know, you couldn't go to a private home. And the first thing on the table was, you know, Israelis and Palestinians, first question. And today you can't go to a private home and the first question isn't red wine or white wine. I was there for -- I just didn't hear the Israel-Palestinian thing come up at all. And I tried to engage him on that, he wouldn't bite. There is one question though I would have for my Israeli friends, and that is I saw Steinitz last week talking about oh, we're talking to Saudi Arabia. And that is just really stupid, okay, I have to tell you. For any Israel minister to talk publicly about Israel's relations with Saudi Arabia is just bloody stupid because all Hezbollah needs is to take that and Iran to take that and to say all that Muhammad bin Salman is doing by the way of domestic reform and regional policy is at the behest of the (inaudible) and then you just pound that and pound that and pound that. So if Israelis have any interest in seeing his reforms succeed, how about shutting up? I know that's hard, but I think that that would be my best advice. You're not doing him any favor to get a headline out on that.

But I think more broadly I think there is an illusion -- I've been to this illusion before, I did their peace initiative with King Abdullah. And that is that Saudi Arabia is going to do things for Israel for less than the price of real progress on the ground with Palestinians. That is a carpet I have seen sold so many times. And trust me, it's not going to happen. In fact, at a time when he's exposed domestically and taking on the clerics the last he's going to do is get out ahead of anything that Palestinians are satisfied with vis a vis Israel on the ground. And I think to think that they're going to lead that parade when he's juggling all these other balls at home and take risks that go beyond the actual substance of progress identified by Palestinians is another big illusion.

MR. REIDEL: I share the skepticism that you just heard, but I want to also put this in a little historical perspective. Collusion between Israel and Saudi Arabia is not a 21st century development. It goes back to the 1960s. In fact, I would say in the 1960s, again in a Yemen war -- it all comes back to Yemen -- there was more cooperation between Israel and the Saudis than anything we're seeing on the ground today. Concrete cooperation in supporting the royalist faction, which has evolved over time and are now the Houthis -- I mean in the Middle East everything changes, usually for the worst. That cooperation included air drops by the Israeli air force to royalist camps along the Saudi border. Like today, there was very little public manifestation of it and like today it was usually done through cutouts not directly. But concrete examples of this before --

and King Faisal was if anything the most passionate Saudi leader when it came to the question of Palestine and Jerusalem.

The only other thing I would say on that is that if you want to derail the Israeli Sunni, especially Saudi, rapprochement, raise Jerusalem, because that immediately is going to cause a problem for the custodian of the Two Holy Mosques. And that's a problem that is very difficult. If he wants to reform the Kingdom he needs the clerical establishment to be on side. And this issue will immediately put them off sides. So that's a very foolish thing. Talking about it is foolish as well, but Jerusalem is pushing the red button that is most likely to cause problems here.

You mentioned Lebanon, and like everyone else I'm a little uncertain what the Saudi objective was with Saad Hariri, if there was an objective. But the one thing that the Saudis very much want is for somebody to take on Hezbollah, for many reasons, not the least of which is the missiles that the Houthis are now firing to Abu Dhabi and Riyadh are being worked on by Hezbollah technicians. Not Iranians, Hezbollah technicians. And Hezbollah-Houthi relationship is very, very close, much closer than the Houthi-Iranian relationship. So they desperately need someone to take on Hezbollah. Who in the world says that the next time there's a war we're going to annihilate Hezbollah? Well, if you're a Saudi, great, good. What could be more favorable for a Wahabi dream come true than a war between the Israelis and Hezbollah? It would be a lot like the Iran-Iraq war for us. Hopefully it never ends. But the Saudis know that it

would end and it would end probably in a Hezbollah defeat. Lebanon could be destroyed in the process. So I would also caution Israel to be very careful about the Saudis leading you into a trap with the Iranians and Hezbollah.

MR. FRIEDMAN: I want to go to David Makofsky.

MR. MAKOFSKY: Tom, in your talks, when you talk about the issue of the coach, we in Washington sometimes hear that his coach is MbZ, Mohammed bin Zayed in the Emirates, on the issue of Qatar and Yemen. And I was just wondering to what extent does his name come up as a coach?

And on the second point you say well Israel-Palestinian did not come up, and we assume there's been some security exchanges, intel, on Iran. And we assume that (inaudible) is a couple of bridges too far. Is there a middle tier here of policy coordination on third countries that's not military? I'm not talking about an Israeli strike on Lebanon, but it could be issues on banking sanctions on Iran, on Lebanon and other countries where there's a convergence.

And, by the way, on your point about the Iranians are going to use whatever Israeli's say publicly, Rouhani has started I understand, in sermons, and has already talked about a Saudi-Zionist alliance.

MR. FRIEDMAN: That was as predictable as tomorrow's dawn. David, I don't know enough about the second. I just don't know. We don't even have an ambassador in Saudi Arabia. Not much going on there, so. (Laughter) And we don't even have an

ambassador, you know, who has a relationship with these people, and it's not going to happen at the DCM level.

But to your point about this is -- and I don't want to say anything negative about MbZ, I don't know what he's coaching there or not, but this is really inside baseball, but if I were giving him a regional coach, it would be MbR, Mohammed Bin Rashid, the Ruler of Dubai. Much more subtle, knows how to balance different forces, doesn't put the edge on things, very quiet in how he moves. That would be my advice if he were looking for a coach, more MbR than any other three initials I could think of. That's very inside baseball, but there's a few people in the room who get the point.

Haim, it's your show.

MR. SABAN: Thank you. Why didn't you offer to be his coach? You could do a great job helping?

MR. FRIEDMAN: Who me?

MR. SABAN: Yeah, you, you.

MR. FRIEDMAN: I get my aggravation playing golf, Haim, but thank you very much for the idea. (Laughter)

MR. SABAN: So, the President never lies. So did he lie about the \$100 billion deal blatantly?

MR. REIDEL: Absolutely. It's fake news, totally fake news.

MR. SABAN: There is no deal?

MR. REIDEL: There is no deal. What there is is a series of wannabes, a wish list. If you go to the Department of Defense and ask them can you show me the \$110 billion deal

they'll come up with a list of potential sales, some of which the Saudis have expressed interest in, many of which American companies have expressed a lot of interest in, but there's no contract signed. The way an arms -- you know, I've spend an inordinate amount of my life pursuing arms deals with Middle Eastern countries. I guess I'm a merchant of death when you come to that. When you have an arms, a real arms deal the Department of Defense notifies the Department of State, which then notifies the senate, and the senate has 30 days to vote for it or to vote against it. There's no \$110 billion deal that's even been notified to the Department of State, let alone notified to the senate. What is remarkable to me is with a few exceptions the -- Al Kamen in the Washington Post being one of them -- most of the American press just bought it and repeats it over and over again like there really is a deal.

The last thing I would say about is be very wary of \$110 billion arms deal with the Saudis. They can't pay for it. There is no money to pay for it. (Laughter)

MR. FRIEDMAN: They only have \$480 million in reserves right now. So that would be a fifth of their reserves by the way if that -- I saw the governor of the central bank there, you know. So just to add to Bruce's point, where is warfare going today and who's winning? It's all irregular warfare. It's a combination of little green men, cyber, you know, a special ops. And that's how the Iranians are winning throughout the Middle East. Selling \$110 billion weapons systems, these kits to these countries, that's so out of the Cold

War at a time when the whole trend of warfare around the world is toward irregular warfare. And so the whole thing is just completely out of sync and out of context.

Joe Lieberman.

MR. LIEBERMAN: Thanks, Tom, and thanks, Bruce. Tom, first I want to thank you for the column you wrote when you came back from Saudi Arabia about your conversation with the Crown Prince and what you've said today. I think it's one of the most important columns you've ever written, and you've written a lot of important ones.

MR. FRIEDMAN: Not everyone agreed, but thank you very much. (Laughter)

MR. LIEBERMAN: I'm sure, so I'm glad I had the opportunity to say it. And it affected me but I bet it affected a lot of people both in Washington in policy circles and around the country. In this sense, me, I'm watching what's happening there, I'm thinking this is a remarkable development that this Crown Prince has emerged. As you said, if he didn't exist we'd have to invent him, but history doesn't always invent leaders who are constructive at a given time, and here he is. So I think what you -- so it said to me that my fascinated, hopeful response really had some merit to it, at least you and I both agree. I thought that -- and a lot of others too -- I thought that the Prime Minister's reference to bin Salman this morning was fascinating and striking, not because the Prime Minister quoted the line, but because the Crown Prince said it, the Crown Prince used and compared the Iranian leadership to Hitler, which goes

right to the heart of not only the Israeli and Jewish psyche, but the American psyche, and hopefully still to some extent to western psyche about how we should be dealing with gathering storms. So I think you've affected public opinion here in a very constructive way.

My question now was talked about but didn't exist, invented. Beyond the military deals, which real or not, are not enough, if the President was smart enough to ask you for advice about -- or the leaders of congress -- what should our affirmative policy be toward this new administration in Saudi Arabia? In other words, rather than just sitting back, this is a turning point and it could fail.

MR. FRIEDMAN: Yeah. Yes. (Laughter)

MR. LIEBERMAN: So what can the U.S. do to help it succeed?

MR. FRIEDMAN: Well, thanks, Joe. I want to say a couple of things on both the first part of your comment and second. If I were, you know, in a position of authority right now what I would do is I would get on the phone to Jim Baker, I would ask him to come out of retirement, I'd ask him to be my special envoy to Saudi Arabia, and my coach. I can't think of anybody better, more tough minded, more realistic, more sense of politics. You know, really narrow down his agenda. You know I was thinking about it the other day, in 1989 you may recall Baker and Bush -- it was 1990 I guess -- maybe it was '91 -- September '91 they invited Eduard A. Shevardnadze to come to Jackson Hole. Baker took him out to Jackson Hole. This was a first really big

meeting between the Bush Administration and the Gorbachev team. And I was the pool reporter on the flight out. Little plane, Washington to Jackson Hole. And I was sitting in the back. And I have really this powerful image in my head of Baker and Shevardnadze, they were sitting in seats across the aisle, just deep in conversation. And I talked to Baker about it afterwards -- and these weren't his words, they are mine -- but basically he was coaching him and the message was this, you've got to make all these huge reform, make them now and then blame it all on your predecessor, all the pain. It was very Bakeresque. You know, make all the tough -- up front and blame your predecessors for all the pain. Okay, that's not an analog to what MbS needs to do now, but it's that kind of sophisticated nuance. And so what I worry about is they love the fact that Trump loves them. And that's after eight years of Obama. And Obama held them in contempt frankly. He didn't think they were serious and he had maybe a certain romantic view of Iran, or not. I'm not even sure where that came from. But I think he saw a real civilization there that could be changed and he just thought these are guys who would never be serious partners. Not MbS, but more his predecessors there necessarily. And I worry that they kind of fall in love with that -- they really like --we really have a partner now. But I really question whether this team in Washington has the ability to then deliver on what they need on the ground. I mean Martin alluded to it earlier, you know, are we now leaving them actually alone. Once we've told them we love you and thanks for that \$100 billion arms that I can use on the

public, what is happening on the ground? So we need -- actually Israel needs an American coach right now to help it out of its predicament in Syria as much as MbS needs a coach at home. And so I would get someone in there who could really talk to him, win his confidence, because there are a lot of issues there. In terms of his willingness to take advice inside there's a lot of weaknesses there, there's a lot of strengths. I mean the guy's really got guts in some of the things that he's done.

But I really worry about -- the first part of your question after talking about the article, it really triggered --

QUESTIONER: My question really is -- I mean the coach is a good idea, but what can the U.S. government do to support the transition?

MR. FRIEDMAN: Oh, yeah, this is the point I want to make. So, Tamara, you wrote a really good piece the other day. I urge you to see it, her testimony to congress. I think she made just a really good point, which is that ultimately I'm a Taif guy? What does that mean I'm a Taif guy? So I lived in Beirut for years five through ten of the Lebanese civil war. It was resolved after year 14 in Taif, Saudi Arabia, in an agreement knows as the Taif Agreement, and it was based on this principal, no victor, no vanquished, and the minority gets over represented. So in Lebanon's case it was the Christians were the minority, they were 30 percent of the population, they were actually given 50 percent of the seats in the parliament as a way to reassure them and to sign onto the deal. I believe we need a Taif Agreement in Syria, I believe we need a Taif Agreement in Iraq.

Anyone who thinks -- Iraq cannot be governed with Iran. It cannot be governed by Tehran. But there's got to be some power sharing arrangement. And what I worry is that this line of making Iran the implacable foe -- and I have no illusions about these guys, but they are on the ground and they know how to play the game. And we can break a lot of picks trying to wipe them out of power from Yemen to Syria to Iraq. And at some point they at least have to be tested whether they can be a partner for some kind of power sharing arrangements in these countries, because if we take sides in the grand Sunni-Shia civil war I think that's going to not end well. And so again I have no illusions about the Iranians, but I have no illusions about some of these Sunni powers as well. At the end of the day the only way these places are going to be stabilized is no victor, no vanquished, and we figure out the proper power sharing arrangement. But if we think we're going to defeat them -- you know, I was the first reporter on the scene when the marines were blown up in Beirut. I've been to that play. You know, these guys, they play this game so much better than we do. This is a hockey game and don't come to a hockey game and expect to play by the rules of touch football. That's not going to happen and these guys really know how to play hockey and we don't.

MR. REIDEL: Let me go to the specific of your question, what should our coach be saying. First, restore cohesion in the royal family. This man has through the instrument of his father -- and after all his rise to power is not something that he has done, his father has done it for him.

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And it's not that hard to rise to power if the King of an absolute monarchy in a police state is supporting you in doing that. But in the process of doing it they've broken down consensus within the royal family, first by removing two crown princes. And when they removed the second Crown Prince, Mohammed bin Nayef, who was as close to a real genuine hero in Saudi Arabia's modern history as anyone before, they did it in a particular way that -- well, he was put under house arrest, he was removed more or less at the barrel of a gun. He was then dissed with all these things, saying that he has a drug addiction problem. If he has a drug addiction problem it's because he got addicted to pain killers after the third Al Qaeda attempt to assassinate him. That's not exactly the typical path to drug addiction for most people. (Laughter) And then the unprecedented arrest of princes and senior officials on the 4th of November. In Saudi Arabia you can do things like that, but if you do it it has a ripple effect within the royal family. And I can tell you from the emails and stuff that I get from Saudis, and which I hope soon to be getting more as soon as my email server is corrected by the Brookings Institution -- small point there -- there is tremendous hostility among other royals to this young man who they see as yes, he's a reformer, but he's brash, he's ruthless, he's breaking the rules, and that he needs a comeuppance. And that is not a good place for him to be, particularly if his father passes away sometime in the near future. As one American official said to me, the father provides air of cover for Mohammed bin Salman right now. You take that

air cover away and a lot of the royal family is going to move against this man. And there's not political way to move against him. There's only one precedent for removing a sitting King, and that was King Saud. It took Prince Faisal ten years to do it, and it came at the end at the barrel of a gun. Literally, the royal palace was surrounded by the National Guard with the tanks' barrels pointing at it, and he was told you either leave or we're going to kill you. And in the case of this one, a lot of Saudis that I've talked to say if the King dies tonight the Crown Prince could be assassinated before morning. I'm sure he's aware of that.

Second advice I would give to him is find a way out of Yemen. Yemen doesn't feature large on our portfolio, it falls back behind Syria and Iraq, for understandable reasons. For Saudis this is the principle war, this is the principle of conflict. They need a way out of this and I think Taif formula is exactly the right formula. We should be looking for a way out of this, the whole world should be looking for a way out of this. We've been on stage here for 42 minutes, 4 Yemeni children have died in that time period of diseases that are easily cured, 11 million Yemeni children will be stunted by what has already happened in this war. This is a moral, humanitarian catastrophe of enormous proportions. And it means that 28 million Yemenis will spend the rest of their lives trying to find a way to get back at Saudi Arabia. So we need to help them find a way out of this.

I think the coach that they're going to get -- Jim Baker would be a good choice -- but I think the coach they're going to get is Mike Pompeo. From my experience with him I think he probably gets it better than most people do. The question will be does he have the support of the President as he moves forward on something like that.

MR. FRIEDMAN: Martin?

MR. INDYK: Thanks, Tom, and thanks to you and Bruce for a fascinating discussion. One of the things that you said that really struck me, Tom, was not about James Baker, because we all have nostalgia for James Baker, but in reality he ain't coming back. But the fact that Mohammed bin Salman was homeschooled and that's something we need to pay attention to. He was not educated in the west at all. He was homeschooled so his education is actually quite limited. And yet he clearly is, as you testify -- and I too had the opportunity of talking to him at length -- he has the right instincts, the right stuff, both in terms of his use of power and in terms of the objectives of use of that power when it comes to domestic reform. And I agree with you 100 percent. And it's usually consequential, as you also say. If he succeeds it will have profound ripple effects across the Sunni world. And if he fails it will also have a profoundly negative effect. So we have a big stake in his success. But there's not much we can do about that side of it. The side of it that becomes critically important and that you both talk about in being a mentor is the way in which his headstrong and instinctive approach to dealing with Iran leads Saudi Arabia into a world of

hurt and trouble. And he himself admitted in our conversation to the fact that Yemen was playing to Iran's advantage, that it was almost cost free for Iran and hugely costly for Saudi Arabia.

So, you know, you look around for a mentor, it's not going to be MbZ or MbR because they happen to be Highnesses, not Royal Highnesses, and it makes all the difference in the world. This is Saudi Arabia. He's not going to take his advice from the little princelings around him. That's just the reality. It's not going to be James Baker and it's certainly not going to come from anybody in the Trump Administration. Maybe Pompeo, but I doubt it. What we need, and maybe Pompeo can do this, is some American diplomacy, not mentoring, but American diplomacy, which leads to an initiative in Yemen to resolve this war. I think he would be ready to follow if we came up with a decent formula, and then MbZ would support it.

MR. FRIEDMAN: From your lips to God's ears. I think that's the vacuum here. It's very easy to tee off on the Iranians and feel good about it. And when he said that about -- you know, that the Supreme Leader is the new Hitler, I did stop and say I just want to make sure you're saying that on the record, you know, because in the back of my mind I was simply saying where do you go from there. I mean in the back of my mind I know Taif is the only answer. And once you've called the other guy Hitler where do you go from there. And so these are the kind of things that worry me. And to Bruce's point, I know he's got -- I could only imagine he's really alienated a lot of members of the family. But I will say one thing, I would say in his

defense, a lot of those people were layabouts who never would have done what he did. I do think that. And they've lost their allowances, they've lost their -- et cetera.

But one of the points I made in the column was that how he ends the Ritz-Carlton business is really important. Does it end with some rule of law and transparency, or does it end with opacity and just brutality? That matters inside and outside. It matters for investors, it matters for other Saudis. And I put that in the column to say this is really important how you end this thing.

And the other thing, which I said in the previous column I did about it, if you're on the reform -- if you're going to be the reformer your robe has to be really white, no gazillion dollar yachts. You've got to decide, do you want to be rich or do you want to really reform this country. That's what a coach would tell him. I don't care where you tell me the money came from for the yacht, the fact is if you are going to be on an anticorruption kick your robes have to be totally clean. And, again, these are the things that I think somebody wise would be telling him. And I just really worry that that's not happening.

MR. REIDEL: I just want to emphasize a point of urgency here though as well. The economic changes he needs to do needs to happen now. We've already discussed reserves. One-third of the reserves are gone. They've tried increasing -- or decreasing subsidies and decreasing the public sector job force. Spectacular failure. In both cases they reversed themselves in less than a week after they went forward. We've talked about the

defense budget, the war in Yemen. Their economic problems are serious and getting much more serious very fast. One of the things that is in the minds of everyone about the Ritz-Carlton affair is that it was a shakedown, that he desperately needs money. And the only way he could get it is by stealing it from other Saudis. Now, the message that that has sent so far to foreign investors is you've got to be out of your mind. You're going to invest in a country where the head of the National Guard can be arrested one day and shaken down for \$1 billion. How do you think they're going to deal with you, an American firm, when your moment of truth comes, or a Swedish firm or a French firm? How he --

MR. FRIEDMAN: Ends this.

MR. REIDEL: -- finishes this is very important.

Right now it's not in a very good place for him, it's in a very, very bad place for him and it's alienating more and more. I agree, a lot of them are layabouts. I wouldn't put Mohammed bin Nayef in that category, however. And progressively all the other families, wings of the family, the Abdulluhs, the Nayefs, the Sultans, are all being thrown way. And if you look at the history of the Kingdom going back to its founding in 1744, when it gets in trouble is when there's a lack of cohesion in the royal family. That's when it gets into real trouble.

MR. FRIEDMAN: Shibley Telhami. We have time for a real quick one. Is Shibley still here?

MR. TELHAMI: Yeah.

MR. FRIEDMAN: Where is Shibley?

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MR. TELHAMI: So, first of all, on the Israeli politician statements about the normalization taking place behind the doors, obviously it's not intended for strategic effect. It's intended politically --

MR. FRIEDMAN: Oh, right, it's domestic.

MR. TELHAMI: -- to make the point that they can make peace without making compromises --

MR. FRIEDMAN: Right.

MR. TELHAMI: -- on the Palestine question. And it would be worse even if they believed it.

But my question is about the Egyptian-Saudi relationship and neither one of you mentioned it. And I wonder, Tom, whether you talked to MbS about that or, Bruce, what your reflections are. Because when they first started the coalition prior to the Yemen war the Arab press wrote mostly about this as being the cornerstone, the new relationship between Saudi Arabia and Egypt. The Egyptians were asked to send troops to Yemen, they said no. Tankers, oil tankers were ready in Egyptian ports to deliver free oil that were recalled back to Saudi Arabia; that when Hariri resigned, obviously the Egyptians were taken by surprise and thought that was detrimental. Clearly, while they are part of the coalition the relationship strategically isn't quite working in foreign policy. How do the Saudis see it, from your point of work?

MR. FRIEDMAN: Bruce?

MR. REIDEL: The Saudis invested a lot in Sisi. In fact, I make the case in the book that they are the co-

conspirator in the coup that brought him to office. And as a footnote the leader of that conspiracy was Prince Bandar. It was probably his last big hurrah in the world of --

MR. FRIEDMAN: Of conspiracies.

MR. REIDEL: -- conspiracies. (Laughter) A man who was an expert at conspiracy, this was his last big hurrah.

But the Yemen war has damaged that relationship too. As you say, the Saudi expectation 30 months ago was that the Saudi and UAE air force would be defending an Egyptian and Pakistani ground force moving on Sana'a. Egyptians said been there, done that, no thanks. And the Pakistanis, who haven't been there, said no as well. And it was really remarkable. Saudi Arabia has given more aid to Pakistan than any other country in the world and yet the Pakistani parliament voted unanimously against sending troops to Yemen. This whole long conspiracy that we've heard about, a Saudi-Pakistan nuclear arrangement -- well, the Saudis found out the answer. Forget it. Whatever promise you think you have, when the moment of truth comes we're not going to deliver. These are two vital alliances for the Saudis, Egypt and Pakistan. They've both been severely damaged by the Yemen war, and that's Mohammed bin Salman's judgment.

MR. FRIEDMAN: We have a couple of more minutes I guess, so Abdullah Antelpi? Yeah. Sorry, where's Abdullah?

MR. ANTELPI: I'm here.

MR. FRIEDMAN: Where?

MR. ANTELPI: Right here.

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MR. FRIEDMAN: Oh. Hey.

MR. ANTELP: Quite honestly, my worry is not if Mohammed bin Salman fails. My worry is if he succeeds. I wonder if he falls back to our irredeemable optimism whenever a moment like Arab Spring or a charismatic (inaudible) leader like Erdoğan challenges the status quo that we love, we become too optimistic and excited. What makes you think when this young charismatic guy puts his royal butt on his throne, completely unchallenged, his opposition is crushed, that he will prove to all of us that he is worse off than what he's going to be replaced?

MR. FRIEDMAN: I don't know how to answer that question. I have no way to predict the future. All I know is the country was definitely going down if it stayed on the trajectory that it was on. I have no doubt about that whatsoever. And my own view, when I wrote the second line the column, is to predict -- only a fool would predict his success, but only a fool would root against it. Because where was the country going before he showed up? I mean in a world that's getting faster and faster, where machines and robots are taking away average work in the west, what's going to happen to a country like Saudi Arabia? Somebody had to step up to this. And I do recoil at the -- you know, there are two great sins in journalism. One is to say anything sort of possibly positive or optimistic, you know, in one of these things. So when someone like me comes along and does it holy hell comes down on you. Gosh, I didn't know Yemen was a disaster. I guess I should have spent the whole column talking about that and not the fact that

you've got this massive upsurge within Saudi society for a change. That he is both leading and reflecting it.

You know, I was having lunch at the hotel and a guy came up to me at lunch in Saudi and asked if I would join them for lunch. Now maybe he was planted there by the regime, you know, so -- but maybe he was just a guy who headed a regional bank and his bank director is in from Dubai. And we were talking, and during the course of lunch he said to me, my life was hijacked in 1979. My entire adult life was hijacked that year. And one thing I know about MbS, my daughter's life has a good chance of not being hijacked. So I think what people really miss here is what's coming up from the ground there. They are fed up. And you have 160,000 Saudi students being educated abroad every year, 35,000 coming back. To think this is all about him, you know, and that it's just his weaknesses and strengths and not paying attention to the social roots of this. I got news for you, the entire Arab world is dysfunctional right now, completely dysfunctional. And I think it has the potential to be a giant Yemen, a giant, human disaster area. And so when I see someone having the balls to take on the religious component of that, to take on the economic component, to take on the -- with all of his flaws -- and with all due respect to his cousins, not a one of them would have had the balls to do that -- that I want to invest just a little. I just want to stick my head up and say, god, I hope you succeed. And when you do that the holy hell comes down on you. Okay, well, fuck that is my view okay.

(Laughter) (Applause)

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