

COUNTRY PROFILE: SAUDI ARABIA

March 2005

COUNTRY

Formal Name: Kingdom of Saudi Arabia
(Al Mamlakah al Arabiyah as Suudiyah).

Short Form: Saudi Arabia.

Term for Citizen(s): Saudi Arabian(s) or Saudi(s).

Capital: Riyadh (estimated population 3.6 million).

Major Cities: Jiddah (2.6 million), Mecca (1.6 million), Ad Dammam/Khobar/Dhahran (1.6 million), and Medina (854,500). Mecca and Medina have religious significance that far outweighs their respective populations.

Independence: Following Ottoman dominance, Egypt controlled Arabia from 1818 to 1824. For the remainder of the nineteenth century, Egypt, Britain, and the Ottomans vied for control of the region. On September 23, 1932, Abd al Aziz ibn Abd ar-Rahman Al Saud established the Kingdom of Saudi Arabia. Unification brought together competing tribes into a modern state, covering an area approximating present boundaries.

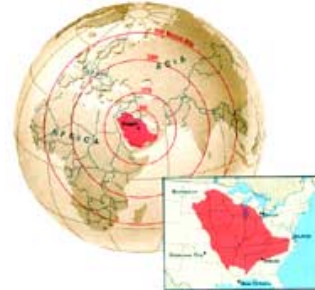
Public Holidays: In accordance with strict Wahhabi theology, Eid al Fitr and Eid al Adha are Saudi Arabia's only national holidays. Both holidays are dependent on the Islamic lunar calendar, and thus the dates of celebration vary from year to year. In recent years, Shia Muslims have been allowed to celebrate the holiday of Ashura in select cities of Eastern Province and in the south. Ashura is not, however, a national holiday. Saudis commemorate September 23 as their Independence Day.

Flag:

Saudi Arabia's flag features white lettering on a green background. The Arabic text reads: "There is no god but God: Muhammad is the Messenger of God." Below the letters, also in white, is a sword.



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HISTORICAL BACKGROUND

Pre-Islamic Period: By 1000 B.C., southern Arabia had a relatively high level of development. The civilization evolved rapidly because it had steady contact with the outside world via the trade routes that spanned the region. Exports in frankincense and myrrh brought wealth and global connections to present-day Bahrain, Yemen, Oman, and southern Saudi Arabia. While the Persians and Romans fought to control the Near East, Arabic society benefited from the

exchange of ideas that came with the camel caravans. Multiple religions were present in the region, including Christianity, Judaism, and various polytheistic paganisms.

Early Islam: The birth of the Prophet Muhammad in A.D. 570 forever changed Saudi Arabia. Today, many Arabs refer to the time before the introduction and spread of Islam as “the time of ignorance.” Muhammad was born in the city of Mecca into the prominent Quraysh tribe, which controlled water rights and maintained a very active role in peninsular trade. The life and ministry of Muhammad did much to unify Arabia. Until the seventh century, the peninsula’s tribes fought a destructive series of wars for control of the region. The situation had changed dramatically by the time of Muhammad’s death in A.D. 632. Muhammad, as well as his political successor Abu Bakr, enjoyed the loyalty of almost all of Arabia. Abu Bakr used force and coercion to form an even stronger alliance of Arab tribes and demanded conversion to Islam from followers of the old polytheisms. Although no spiritual successor to the Prophet was named, the institution of the caliphate emerged and expanded the Islamic empire.

For the first 30 years following the Prophet’s death, caliphs ruled the Islamic world from Yathrib, today known as Medina. Responding to threats from the Byzantine and Persian empires, the caliphs demanded growing allegiance from the Arab tribes. In a relatively short span of time, the Islamic empire expanded northward into present-day Spain, Pakistan, and the Middle East. However, maintaining unity proved to be a continual challenge. Following the death of the third caliph, Uthman, in 656, splits appeared in the burgeoning Islamic empire. The Umayyads established a hereditary line of caliphs centered in Damascus. The Abbasids, claiming a different hereditary line, ruled from Baghdad and subsequently overthrew the Umayyads in 750. Although the spiritual significance of Mecca and Medina remained constant, the political importance of Arabia in the Islamic world waned. By 900, most significant Islamic centers of politics and governance were located in Egypt, India, Turkey, and the Central Asian republics.

The Al Saud and Wahhabi Islam: The Al Saud family emerged as the dominant factor in Saudi Arabia’s modern history. The clan’s origins can be traced to Najd, near Riyadh, beginning in about 1500. The ancestors of Saud ibn Muhammad settled in the region and began harvesting dates. As a small town developed, the Al Saud came to be recognized as its leaders, and the clan’s power and influence grew. The rise of the Al Saud coincided with that of the Muslim scholar Muhammad ibn Abd al Wahhab (1703–87), who wrote and preached against leaders and traditions that he deemed contradictory to the idea of a unitary god. Unlike other religious leaders who preached unitarianism, Muhammad ibn Abd al Wahhab demanded that political power be used to implement his theology. In 1744 Muhammad ibn Abd al Wahhab found the political partner that he had been searching for, and he and Muhammad ibn Saud swore a traditional oath to work together in order to establish a state ruled according to Islamic principles. The alliance was based on Muhammad ibn Abd al Wahhab’s claim of religious legitimacy and Muhammad ibn Saud’s readiness to undertake jihad in defense of such principles. Some scholars have cited this partnership as the “original religio-political movement.” By 1765, Muhammad ibn Saud’s forces had established Wahhabism and with it Al Saud political authority over most of Najd.

After Muhammad ibn Saud died in 1765, his son, Abd al Aziz, continued the Wahhabi advance. In 1802 the Al Saud-Wahhabi armies sacked Karbala, including the Shia shrine commemorating

Husayn, the martyred grandson of the Prophet Muhammad whom Shia Muslims regard as their spiritual forefather. In 1803 Wahhabi forces moved on to Mecca and Medina. These holy cities were spared the destruction that met Karbala, but the Wahhabis did destroy monuments and markers established for prayer to Muslim saints, which Wahhabi theology deemed to be acts of polytheism. With the assault on the Hijaz, the region of pilgrimage, the Al Saud invited conflict with much of the rest of the Islamic world. Recognizing the symbolic importance of the region, the Ottoman sultan ordered the recapture of the Hijaz. In 1812 and 1813, Egyptian forces, fighting on behalf of the sultan, regained control of Mecca and Medina. Meanwhile, Muhammad ibn Abd al Wahhab had died in 1792, and Abd al Aziz died shortly before the capture of Mecca.

Nineteenth-Century Arabia: Following a six-year period of Egyptian interference, the Al Saud reestablished political control of the Najd region in 1824 under Turki ibn Abd Allah, who rebuilt Riyadh and established it as the new center of Al Saud power. The sphere of influence for Turki and his successors extended to the regions north and south of Najd and also along the western coast of the Persian Gulf. Although they did not control a centralized state, the Al Saud successfully controlled military resources, collected tribute, and resisted Egyptian attempts to regain a foothold in the region.

From 1830 to 1891, the Al Saud maintained power and protected Arabia's autonomy by playing the British and Ottomans against each other. External threats were largely kept at bay, but internal strife plagued the Al Saud throughout much of the century. After the assassination of Turki in 1834, the family devolved into a series of competing factions. The infighting and constant civil war ultimately led to the decline of the Al Saud and the rise of the rival Al Rashid family. In 1891 Muhammad ibn Rashid placed Riyadh under the nominal control of Al Saud leader Abd ar Rahman, but effective control of the city was in the hands of his own garrison commander. When Abd ar Rahman attempted to exert true authority, he and the remainder of the Al Saud were driven out of Riyadh and forced to take refuge in Kuwait.

Establishing a Modern State: Abd al Aziz, the eldest son of Abd ar Rahman, began laying the groundwork for the modern state of Saudi Arabia while exiled in Kuwait. In 1902 he led a small force in a raid against the Al Rashid garrison in Riyadh, successfully gaining a foothold in the Najd. From there, he cultivated his Wahhabi connections, establishing himself as the Al Saud leader and as a Wahhabi imam. By forging agreements with tribes around Riyadh, Abd al Aziz strengthened his position so that the Al Rashid garrison was unable to evict him. During the next 25 years, Abd al Aziz gradually extended his authority and in doing so, laid the foundation for the Saudi state. It was a slow process, highlighted by three milestones. In 1905 Abd al Aziz retook control of Najd. In 1921 he led Wahhabi forces to defeat the Al Rashid at Hail. In culmination, Abd al Aziz conquered the Hijaz in 1924. Thus, after nearly 40 years the Al Saud again controlled Islam's most holy land.

Once Abd al Aziz controlled the Hijaz, he became a significant leader, not just for Saudi Arabia but for all Islamic peoples. Unlike most other Arab countries, Saudi Arabia existed independent of Western control. That autonomy had been achieved in large part because of the military strength of the radical Ikhwan forces, desert warriors organized by Abd al Aziz and dedicated to promoting Wahhabi Islam. This militant group looked eagerly for the opportunity to fight non-Wahhabi Muslims. With victory achieved, the Ikhwan expected a strictly Wahhabi state.

Ultimately, however, Abd al Aziz was forced to reign in the Ikhwan in order to establish a modern state. Abd al Aziz then assembled a diverse and committed political coalition and was able to maintain a delicate political balance between religion and modernization. The Kingdom of Saudi Arabia became official in 1932 and subsequently faced severe economic constriction in the 1930s. Fortunately, however, following the worldwide depression, geologists made a discovery that significantly buoyed the region's economic outlook—enormous and easy-to-access deposits of oil.

Abd al Aziz's Successors: Following Abd al Aziz's death in 1953, Saud succeeded his father as king in a reign largely characterized by wasteful state expenditures and the polarization of wealth. In 1964 the royal family and ulama, responding to public discontent, deposed Saud and appointed his half-brother, Faisal, as king. King Faisal aggressively pursued modernization, introduced Western technology, and increased public education. His reign (1964–75) witnessed increasing diplomatic complexity both within the Arab world and beyond its borders. When conflict broke out in the Middle East, Saudi Arabia remained on the periphery. In 1967 Saudi Arabia claimed neutrality during the Six-Day War between Arab and Israeli forces. During the 1973 Arab-Israeli conflict, Saudi Arabia again decided not to participate militarily, but it did join the Arab oil boycott of the United States.

External conflicts were coupled with internal threats. In 1975 Faisal fell victim to an assassination plot carried out by one of his nephews. The assassin was only one member of a larger group of discontented royal family members. Another of King Faisal's nephews had sacrificed his life leading a 1965 attack on Saudi Arabia's first television station. Saudi officials conducted an extensive investigation into Faisal's assassination. Although ultimately it was determined that the assassin acted alone, the threat of internal strife loomed over the kingdom, now led by Faisal's half-brother, Crown Prince Khalid. In 1979 internal revolt once again reared up in Saudi Arabia, as 500 dissidents seized the Grand Mosque in Mecca, claiming that Saudi Arabia had abandoned its traditionalist roots in favor of Western corruption. After two weeks of careful planning, the Saudi military overtook the dissidents, and all of the surviving male radicals were beheaded. Far from discounting the dissidents, however, King Khalid made some effort to address their grievances. For example, he formed a consultative council to investigate poor living conditions in the Eastern Province and the repression of Shias. He also recommended increased funding for education, electricity, and sewage projects in poor areas of the country.

Khalid's half-brother, Crown Prince Fahd, ascended the throne following Khalid's death after a short illness in June 1982. The crash of oil prices in 1986 brought economic challenges to the entire Middle East region. Saudi Arabia functioned as a stabilizing force in the region throughout the turbulent 1980s. King Fahd played an important role in bringing about a cease-fire between Iraq and Iran in August 1988. He also supported the formation and strengthening of the Gulf Cooperation Council (GCC), an alliance of the six Persian Gulf states of the Arabian Peninsula, with headquarters in Riyadh. The Gulf War in 1991 changed regional diplomatic relationships significantly. Before 1991 Saudi Arabia had preached a policy of Arab economic cooperation and peaceful negotiations. The threat of Iraqi imperialism, however, made such a policy obsolete. Saudi Arabia requested the assistance of the United States and a multinational coalition to defend the Saudi border from the Iraqi troops amassed in fallen Kuwait, and King Fahd played a pivotal role in bringing together Western allies with GCC and other Islamic states.

Throughout the 1990s, Saudi Arabia's diplomatic and economic relationship with the United States remained strong. But this relationship, while proving advantageous to Saudi Arabia's global position, aroused criticism from within the Arab world. Islamic fundamentalists decried Saudi Arabia's liberalizing society and relations with the West. The defeat of Iraq in the Gulf War did help restore Saudi Arabia's relations with Iran, however, and widespread oil prosperity defused many regional tensions that might have otherwise resulted in armed conflict.

King Fahd, who had proved to be an effective leader capable of instituting liberal reforms and strengthening bonds among Arab countries, suffered a massive stroke in 1995. The king survived, but with limited capacities. His half brother, Crown Prince Abd Allah, has served as the de facto ruler of Saudi Arabia since that time. The crown prince has served effectively, but uncertainty surrounding the succession has fostered a contentious and unstable environment within the royal family, as Saudi Arabia confronts continuing external and internal challenges.

GEOGRAPHY

Location: Saudi Arabia is located in the Middle East, occupying about 80 percent of the Arabian Peninsula.

Size: The land area is estimated at between 2,149,690 and 2,240,000 million square kilometers—approximately one-fifth the area of the continental United States. Border disputes and undemarcated borders make determining the exact size of the country difficult.



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Land Boundaries: Saudi Arabia has a total of 4,431 kilometers of borders with Yemen (1,458 kilometers), Iraq (814 kilometers), Jordan (744 kilometers), Oman (676 kilometers), the United Arab Emirates (457 kilometers), Kuwait (222 kilometers), and Qatar (60 kilometers).

Disputed Territory: Only portions of the border with Yemen, demarcated in 1934, are clearly defined. The discovery of new oil repositories in the 1990s led to border disputes between Saudi Arabia and both Yemen and Jordan, some of which were resolved in the early 1990s. However, conflicts over national borders persist in the Arabian Peninsula.

Length of Coastline: Saudi Arabia has 2,640 kilometers of coastline—nearly 1,800 kilometers along the Gulf of Aqaba and the Red Sea and the remainder along the Persian Gulf.

Maritime Claims: Saudi Arabia claims a territorial sea of 12 nautical miles and a contiguous zone of 18 nautical miles. Saudi Arabia also claims some small islands, seabed, and subsoils beyond the 12 nautical mile limit.

Topography: The Arabian Peninsula is an ancient massif composed of stable crystalline rock whose geologic structure developed concurrently with the Alps. Geologic movements caused the entire mass to tilt eastward and the western and southern edges to tilt upward. In the valley created by the fault, called the Great Rift, the Red Sea was formed. On the Arabian Peninsula, the eastern line of the Great Rift fault is visible in the high escarpment that parallels the Red Sea

between the Gulf of Aqaba and the Gulf of Aden. The eastern slope of the escarpment is relatively gentle. A second, lower escarpment, the Jabal Tuwayq, runs north to south through the area of Riyadh. In the south, a coastal plain rises gradually from the sea to the mountains. The central plateau, Najd, extends east to the Jabal Tuwayq and slightly beyond. A long, narrow strip of desert known as Ad Dahna separates Najd from eastern Arabia, which slopes eastward to the sandy coast along the Persian Gulf. North of Najd, a larger desert, An Nafud, isolates the heart of the peninsula from the steppes of northern Arabia. South of Najd lies one of the largest sand deserts in the world, the Rub al Khali.

Principal Rivers: Saudi Arabia has no permanent rivers. However, in eastern Arabia, artesian wells and springs provide valuable water resources. Additionally, in many areas of northern and eastern Arabia significant underground aquifers lie beneath the Saudi desert. The largest of these aquifers, the Wasia, contains more water than the entire Persian Gulf.

Climate: The climate in Saudi Arabia differs between two distinct regions: the coast and the interior. Arid and extreme temperatures characterize the interior, and high humidity coupled with more moderate temperatures is prevalent along the coast. Temperatures along the coast rarely rise above 38° C. There is often mist during the day and a warm fog at night. Late spring and early summer in the coastal regions bring the windy season. The interior of Saudi Arabia is composed of desert regions with extreme temperatures. The average daytime temperature in the summer is 45° C, but it is not uncommon for temperatures to reach 54° C. Winter nights can get relatively cold, but temperatures rarely drop below freezing. Most of Saudi Arabia receives only infrequent rainfall. However, the southwestern province of Asir experiences monsoons between the months of May and October, when an average of 300 millimeters of precipitation falls.

Natural Resources: Saudi Arabia's vast oil resources have shaped the kingdom's development. The country also has large natural gas reserves, as well as deposits of bauxite, coal, copper, gold, iron, phosphates, platinum, silver, tungsten, uranium, and zinc. Non-mineral resources include limestone, glass sand, and stone.

Land Use: Most of Saudi Arabia consists of arid or semi-arid land. According to 2001 statistics, only 1.67 percent of Saudi land can be classified as arable, and only 0.09 percent of land was planted with permanent crops. Irrigated land totaled an estimated 16,200 square kilometers in 1998. In the more temperate regions of the kingdom, adequate forage exists to support cattle grazing.

Environmental Factors: Saudi Arabia faces numerous environmental challenges. In addition to having very little arable land, desertification and creeping sands are a concern, as is water scarcity. The lack of perennial rivers or permanent bodies of water poses a continual challenge, as does the depletion of underground water resources. Additionally, coastal oil spills, though infrequent, contribute to pollution.

Time Zone: Saudi Arabia operates on Greenwich Meantime plus 3 hours.

SOCIETY

Population: In July 2004, Saudi Arabia's population was estimated to be 25,795,938, with a growth rate of about 2.4 percent. The population total includes 5,576,076 non-nationals. Nearly 100,000 foreigners enter the country each year, mostly to fill specific job openings. Immigrant workers come primarily from other Arab and Muslim countries, including many from South Asia and the Philippines. Fewer than 100,000 Westerners work and live in Saudi Arabia. Because most of the terrain is unsuitable for cultivation, the coastal areas and interior oases support the vast majority of the population. Some cities have reported densities of 1,000 people per square kilometer. The Mecca region, which also contains the major city of Jiddah, is the most populated area of the country, containing nearly 26 percent of the total population. Other population centers include Riyadh and the clustered Eastern Province cities of Ad Dammam, Khobar, and Dhahran. The least populated regions lie at the kingdom's periphery, to the extreme north and south.

Demography: The Saudi population is overwhelmingly young. According to 2004 estimates, 38.3 percent of Saudis are under the age of 15, 59.3 percent are 15–64 years of age, and 2.3 percent are 65 and older. The median age for males is 22.8, for females 21.2. The sex ratio is 1.2 males/female. The birthrate and death rate are estimated to be 29.7 per 1,000 and 2.6 per 1,000, respectively. Saudi Arabia has a relatively low infant mortality rate, estimated to be 13.7 deaths per 1,000 live births. It has a relatively high level of life expectancy: 73.3 years for males and 77.3 years for females. The country's fertility rate is 4.1 children per woman.

Ethnic Groups and Languages: Saudi Arabia's population is very homogenous. The native population is 90 percent Arab and 10 percent Afro-Asian. Arabic is the common language.

Religion: Islam is the official religion of Saudi Arabia, and the country's legal code and constitution are based on Islamic law. Largely distinguishing Saudi Arabia from its neighbors, 95 percent of Saudis follow the Wahhabi interpretation of Sunni Islam. Five percent, based mostly in the eastern portion of the country, are Shia Muslims. The presence of other religions in Saudi Arabia is largely attributable to the foreign nationals who live and work in the country, including Hindus and Christians. Comprehensive statistics are not available, but the U.S. Conference of Catholic Bishops has estimated that between 500,000 and 1 million Catholics currently reside in Saudi Arabia. In recent years, the government has stated a policy of allowing non-Muslim foreigners to practice their religion privately, but no change in the law reflects this sentiment. Public worship of other religions is prohibited by law, and is regulated and punished by the state's Committees for the Propagation of Virtue and Prevention of Vice (*mutawwiin*). Proselytizing by non-Muslims and by non-Sunni Muslims is strictly prohibited. Conversion from Wahhabi Islam to another religion is a crime. The government controls all mosques and is the direct employer of imams. It also operates centers designed to facilitate the conversion of foreigners to Islam. Non-Sunni Muslims are largely eliminated from consideration for government employment and educational opportunities.

Education and Literacy: The U.S. Department of State estimates the Saudi literacy rate for males to be 84.7 percent and for females, 77.8 percent. Saudi Arabia's nationwide public education system includes eight public universities and more than 20,000 schools. When Saudi Arabia formally became a nation in 1932, education was largely limited to instruction for a select

few in Islamic mosques. Today, public education—from elementary through high school—is open and free to every citizen. Parents are not, however, required to send their children to school. Statistics from 1996 estimated that about 61 percent of children attended school. Education in Saudi Arabia has never fully separated from its Islamic roots. All curricula must conform to Islamic laws and the Koran, and traditional gender roles continue to shape educational opportunities available to females. The education of females has increased dramatically in recent years, from 25 percent of all students in 1970 to 47.5 percent in 2001. However, education is largely segregated by gender. Women reportedly are allowed to attend only six of the nation's eight universities, and they are prohibited from studying certain subjects. Whereas men are allowed to travel to foreign countries to pursue education, women are discouraged from doing so and generally must be accompanied by a spouse or male relative.

Government spending on education continues to grow in Saudi Arabia. In 2004 the government increased education spending by 28 percent over the previous year. Additionally, special emphasis is being placed on technical training in order to fill the labor gap that has long been met with foreign expertise.

Health: Health benefits for Saudi citizens have increased exponentially since the implementation of the first five-year Development Plan in 1970. Today, according to the Saudi government, every citizen has access to unlimited, free medical care. The government generally finances the building of health care facilities and provides the bulk of funding for health care. Health care expenditures account for about 4.6 percent of the nation's gross domestic product (GDP). Per capita, the government spends about US\$591 annually on health care. Although spending has increased, however, management problems have hindered coordination among state, private, and military health care providers.

Statistics indicate a relatively high level of health in Saudi Arabia. According to 2001 estimates, there are about 1.7 doctors and 2.3 hospital beds per 1,000 persons. Nearly the entire Saudi population, excluding perhaps those living in the most remote regions, has access to sanitation, and 95 percent of Saudis have access to clean water. Similarly, nearly 100 percent of the population has access to affordable essential drugs. Immunization against tuberculosis and measles has increased to 94 percent of all one-year-olds. Of births that occurred between 1995 and 2001, 91 percent were attended by a trained health professional.

The Saudi government does not release comprehensive health statistics, but estimates on human immunodeficiency virus and acquired immune deficiency syndrome (HIV/AIDS) place the adult prevalence rate at 0.01 percent. In 2004, 85 cases of AIDS were reported. In most recent decades, Saudi Arabia has struggled to eradicate poliomyelitis, malaria, and leishmaniasis. The health status of women and children has attracted some concern from international organizations. Islamic law condemns violence against any innocent persons, but health workers report that physical spousal abuse and violence against women appear to be common problems. To address this problem, the Saudi government has now mandated that hospitals report any suspicions of violence against women, domestic or otherwise, to law enforcement officials. Perhaps most disturbingly, abuse of children also seems to be a significant problem.

Welfare: Among developing nations, as categorized by the United Nations, Saudi Arabia ranks thirtieth on the Human and Income Poverty Index, ahead of most of its Middle East neighbors. Overall, Saudi Arabia ranks 73rd out of 175 on the 2003 United Nations Development Report. Saudi Arabia, through its series of five-year Development Plans, continues to transform oil wealth into broader economic prosperity. Plans to convert the workforce, currently dominated by foreign workers, into one composed mostly of Saudis will help address the nation's high unemployment.

The General Organization for Social Insurance provides some assistance to retired workers and those injured on the job. Old-age pensions, funded by payroll taxes, are paid to retired workers at a rate of 2.5 percent of one's last average salary. Men must be 60 years of age and women 55 in order to begin receiving payments. Additionally, all Saudis are granted a plot of land and a small loan to build a house. Nevertheless, the perception that oil revenues are not equitably distributed throughout the population continues to create some social discontent.

ECONOMY

Overview: In terms of revenues and trade surpluses, Saudi Arabia has a robust economy, but it remains largely dependent on the production and export of oil. Saudi Arabia produces more oil and natural gas liquids than any other country in the world, more than 9 million barrels per day. The production of oil is conducted almost exclusively through the massive Saudi Arabian Oil Company (Saudi Aramco), which became a fully nationalized entity in 1988 by royal decree. The challenge for Saudi Arabia, even as the price per barrel and the demand for oil remain comparatively high, is to diversify both the oil industry and the nation's economy as a whole.

The Saudi government, largely encapsulated by the Al Saud family, exerts strong influence over the economy. Attempts in the past decade to encourage private investment, from both foreign and domestic sources, have been hampered by the many vested interests of the royal family. Government revenues have been strong, but analysts note a long-term decline in national living standards. Compared to some other oil-dominant economies, such as the United Arab Emirates and Kuwait, Saudi Arabia has a relatively low per capita gross domestic product (GDP). Additionally, rising unemployment has created some instability among the country's young, male population. Thus, the challenge for Saudi Arabia continues to be converting oil-based revenues into a vibrant, diversified economy.

Using five-year development plans, the Saudi government since the 1970s has sought to make its economy less susceptible to fluctuations in oil prices. Currently at the close of the seventh such five year plan (2000–2004), the Saudi government has goals of achieving modest, but consistent growth of GDP, increasing the role of private companies in the economy, and creating significant numbers of new jobs for Saudi citizens. The Supreme Economic Council, created by King Fahd in 1999, heads the effort to direct reforms in the economy.

Gross Domestic Product (GDP): Experts estimated Saudi Arabia's gross domestic product (GDP) to be US\$188.5 billion in 2002. With estimated real GDP growth rates of 7.2 percent and 3.3 percent for 2003 and 2004, Saudi Arabia's GDP for 2003 and 2004 was projected to reach

US\$202.1 billion and US\$208.8 billion, respectively. Even with stable oil prices and a weak U.S. dollar, forecasters predict a GDP growth rate of 2.3 percent in 2005. Estimates for Saudi Arabia's 2005 GDP range from US\$210 billion to US\$296 billion. Per capita GDP was estimated at US \$10,275 in 2002. Estimates for 2003, 2004, and 2005 are US\$10,720, US\$11,110, and US\$11,530, respectively.

Government Budget: Since 2002, when oil revenues began to increase dramatically, Saudi Arabia has produced budgetary surpluses. Before that time, high defense spending and government subsidies, coupled with low oil production rates and prices, generally yielded significant budgetary deficits. Government revenues are tied closely to oil production and prices because the government controls the oil industry through the Saudi Arabian Oil Company. Oil prices increased in 2004 by 23 percent over the previous year. Coupled with a 3 percent increase in production, high oil prices led to high revenues in 2004—up nearly 6 percent to US\$83.2 billion. Although expenditures also are expected to rise by about 15 percent to US\$76.9 billion in 2004, the projected surplus of more than US\$6 billion would be the largest in 20 years—nearly 7 percent of the gross domestic product (GDP). Saudi Arabia's public debt has decreased proportionately to the size of the GDP in recent years, from 107 percent of GDP in 2003 to an expected 91.5 percent in 2004.

Because of the significance of oil revenue, Saudi Arabia has only minimal income taxes. There is, however, a 9 percent payroll tax to fund social insurance programs. Saudi businesses and individuals are also responsible to the Ministry of Finance for the *zakat* (almsgiving), the Islamic tithe of 2.5 percent of one's net worth. Non-Saudi individuals and businesses are taxed up to 20 percent, except in the hydrocarbon sector, where they can be taxed at rates up to 85 percent. Joint ventures between Saudis and non-Saudis are taxed at varying rates. Saudi Arabia does not have the equivalent of a capital gains or value-added tax.

Inflation: Saudi Arabia controls internal inflation through a series of price subsidies. Externally, however, the weak U.S. dollar continues to drive up the cost of imported goods. Nevertheless, inflation remains very low in the kingdom. Estimates put the consumer price inflation rate at 0.6 percent, 0.4 percent, and 0.3 percent for 2003, 2004, and 2005, respectively.

Agriculture, Forestry, and Fishing: Agriculture employs about 6 percent of Saudi Arabia's working citizens. The agriculture sector made up an estimated 5.1 percent of the GDP in 2002. Water scarcity determines what crops can be grown, and generally limits production. The principal crop in recent years has been wheat. In 2002 Saudi farmers produced more than twice as much wheat as any other agricultural commodity. Other significant crops include dates, potatoes, tomatoes, watermelons, and sorghum. Saudi Arabia is self-sufficient in the production of most dairy products. Saudi agriculturalists annually produce a surplus of eggs and broiler chickens. Nearly 40 percent of land is still used for low-grade grazing of livestock, rather than for cultivation. Thus, even with the vast oil wealth that has come to Saudi Arabia, the nomadic, pastoral lifestyle persists.

Forests cover 4.5 million hectares in Saudi Arabia. This area is not large enough to sustain a forestry industry. Rather, the government has taken measures in recent years to conserve existing forests. It set up nurseries to cultivate seedlings and produce fertilizers and planted tree barriers

along the edges of selected forests in order to guard against creeping sanding and desertification. The fishing industry, through capture and aquaculture, produces an annual catch of nearly 50,000 tons of fish.

Mining and Minerals: The quest to extract minerals from Saudi soil is focused, as would be expected, on petroleum and natural gas. Saudi Arabia has proven oil reserves of more than 250 billion barrels, which will allow continued production at present rates for nearly 90 years. In order to control prices and guard against glutting the world market, Saudi Arabia adheres to the quotas set by the Organization of the Petroleum Exporting Countries (OPEC), of which it is a member. It is estimated that Saudi oil production could be upped by nearly one million barrels per day, if not for the quota. In addition to oil, Saudi Arabia has large deposits of metallic and non-metallic minerals, including nearly 4 percent of the world's natural gas reserves. In 2002 construction was completed on the world's largest natural gas plant, located in Hawiya. Saudi officials hope that the plant will increase production by up to 30 percent. Iron ore, gold, and copper also are major mining industries. On a smaller scale, the extraction of limestone, gypsum, marble, and clay augment the mining industry's annual output.

The contribution of the mining sector to the economy has increased by an average of 1.4 percent annually from 1990–2002. The sector accounted for nearly 33 percent of the gross domestic product (GDP) in 2002, but it employed only 1.5 percent of the working population. As the world's largest producer of petroleum, the Saudi Aramco Company dominates the mining industry. Its size and influence cannot be overstated. As a governmentally controlled entity, Saudi Aramco plays a significant role in the country's economic planning and performance.

Industry and Manufacturing: Manufacturing in 2002 provided employment to 8.1 percent of the Saudi workforce and contributed 10.2 percent of gross domestic product (GDP). Experts project an industrial production growth rate of 7.7 percent for 2004. Most manufacturing jobs are tied in some manner to the minerals sector. Refining petroleum continues to be the most important activity. Additionally, the manufacturing of cement, fertilizer, and steel contribute significantly to the country's economy.

Energy: Most of the country's electric energy comes from thermal power stations, which use the country's petroleum resources. Additionally, electricity produced through the desalinization of seawater has become increasingly important in the past decade. Saudi Arabia produced 122.4 billion kWh of electricity and consumed 113.8 billion kWh in 2001. Like many countries, Saudi Arabia will be forced to expand its electricity production in the coming years in order to meet increasing demand.

In the 1970s, the government pushed for consolidation in the energy sector, and small, private companies were merged to create the Saudi Consolidated Electricity Companies (SCECOs). In 1998 the Saudi government consolidated the producers of electricity even further, creating a public company, the Saudi Electric Company, with shares for purchase on the stock market. This move completed the dismantling of all small and independent electric companies in existence at the time. In order to expand the energy grid to include all regions of the country (currently 20 percent of Saudis are not served by the national grid) and to meet future needs, the Saudi government is encouraging private investment. In July 2002, the Supreme Economic Council

created a system that would allow the private sector to invest in independent water and power projects. The recently completed Ghazlan II power project was the first in Saudi history to receive a significant portion of its funding from an international commercial loan. The US\$500 million loan contributed to the overall US\$1.7 billion total cost of the project.

Services: The services sector produced 44.1 percent of the gross domestic product (GDP) in 2002 and employed 73 percent of the workforce. According to a 2002 sampling of the services sector, 16 percent of Saudis worked in retail, 12 percent in education, 10 percent in domestic service, and 9 percent in construction.

Banking and Finance: The Saudi government closely regulates and administers the country's banking sector, which includes 10 commercial banks. Saudi investors wholly own three of these banks, one of which is run based on Islamic principles that forbid the payment of interest. Saudis and foreigners own the seven other banks in the country jointly. Since 1982, no foreign banks have been allowed to operate in Saudi Arabia. Some experts believe that the existing banks are inadequate to meet the needs of the economy but that the government is unlikely to permit the opening of any new banks.

In addition to commercial banks, which meet general banking needs, four specialized credit institutions are designed to meet private and corporate financing needs. The Real Estate Development fund, established in 1974, provides loans for real estate purchases by private citizens. Saudi businessmen are encouraged to use the Saudi Industrial Development Fund to obtain financing for industrial projects and building. In most instances, businessmen must raise 50 percent of the capital necessary for a project before obtaining financing. The Saudi Arabian Agricultural Bank, which was founded in 1964, targets the employers and employees of the agricultural sector, providing loans to purchase equipment and other necessary items or to cover miscellaneous expenses. The Saudi Credit Bank, established in 1971, makes personal loans to low-income Saudi citizens for marriage expenses, vocational training, and building projects.

The Saudi stock market, known as the Tadawul, is the largest stock market in the Arab world, with a total market capitalization of approximately US\$157 billion. Established in 1990 by the Saudi Arabian Monetary Agency, the stock market is now partially open to foreign investors, but the percentage of shares traded versus total market value has been estimated at only 5 percent, a low percentage by international standards. Because of this low public investment, most Saudi companies are forced to look either to wealthy individuals or the government for capital investment.

Tourism: In order to increase tourism, which would help diversify the country's economy, the Tourism Higher Authority has embarked on an aggressive expansion of tourist facilities. The task of growing the tourism sector, like most economic developments in Saudi Arabia, has been driven by government mandates, with the desire that private investors eventually join in. Prince Sultan ibn Salman ibn Abd al Aziz, Secretary General of the Tourism Higher Authority, has pledged to cooperate with both public and private sectors in order to rapidly expand the tourist industry. He optimistically predicted that Saudi Arabia would host 45 million tourists annually by 2020. An estimated 4.8 million tourists came to Saudi Arabia in 1999, generating receipts of

more than US\$1.4 billion. The World Tourism Organization estimates that 7.5 million tourists visited Saudi Arabia in 2002.

The hajj, or pilgrimage, is the bedrock of Saudi tourism. In 2004 nearly 2 million pilgrims came to Saudi Arabia to make the hajj. Additionally, nearly 500,000 Saudis take part in hajj activities each year. Currently, expansion projects are underway in order to increase the number of pilgrims that can be accommodated each year. Outside of the hajj period, visitors performing the *omra*, or minor pilgrimage, visit Mecca and Medina. Until recently, these pilgrims were restricted to the primary religious cities. However, in 2000 the Saudi government approved tourist visas that would allow further travel in the kingdom, and travel companies are now allowed to conduct group tours, although restrictions on who can enter the country remain in effect.

Labor: Labor is a significant problem in Saudi Arabia. The unemployment rate has risen to nearly 25 percent (estimates vary from 14 percent by the Saudi government to 25 percent by the U.S. government), and the economy remains dependent on the skills and expertise provided by the 5 million foreign nationals residing in the country. Current estimates place the workforce in Saudi Arabia at 6.4 million, with foreign workers constituting nearly two-thirds of that total. Resolution No. 50, passed in 1995, required that any company with more than 20 employees employ Saudis for at least 5 percent of its workforce. This bar was raised to 10 percent in 1999. Additionally, the Saudi government mandated in 2001 that no government contract would go to companies not complying with Saudiization, and that foreign workers applying to change jobs would be charged a fee.

Saudi Arabia does not have a minimum wage, but most workers earn a wage adequate to meet their family's basic needs. Overtime must be paid for those hours worked above the federally mandated 48-hour workweek. The government prohibits the formation of labor unions and collective bargaining, although it has begun to allow the establishment in larger companies of "labor committees," whose members must be approved by the Ministry of Labor and Social Affairs.

Reports of workers being maltreated in Saudi Arabia are cited. Charges include forced labor, martial punishment of laborers, and using trafficking victims to meet labor needs. Foreign workers are particularly vulnerable to exploitation because contracts generally favor employers, and reporting a grievance to the labor courts often takes a period of months. The government offers arbitration services between workers and employers in cases where there are alleged instances of abuse.

Foreign Economic Relations: Saudi Arabia is one of the world's major exporters and importers. Because of its massive oil revenues, Saudi Arabia regularly enjoys a significant trade surplus. Its major trade partners are Japan, the United States, and the European Union. Saudi Arabia maintains memberships in most of the region's economic organizations, including the Cooperation Council for the Arab States of the Gulf, Islamic Development Bank, Organization of Arab Petroleum Exporting Countries, and Organization of the Petroleum Exporting Countries. Additionally, Saudi Arabia is seeking membership in the World Trade Organization (WTO).

Saudi Arabia maintains a close economic relationship with the United States and other oil-consuming nations. The United States, followed by Japan, South Korea, and China, receives the majority of Saudi exports. In 2002 the United States was both the leading market for Saudi Arabian exports and the leading supplier of Saudi imports. In addition to trade connections, the Saudi Arabian Monetary Agency pegs the Saudi Arabia riyal to the U.S. dollar. When U.S. officials adjust monetary or fiscal policy, Saudi leaders typically follow suit.

The economic climate for foreign investments and imports is improving. It is expected that Saudi Arabia will lower its 20 percent tax rate on foreign companies, except in the energy sector. Additionally, in 2003 the tariff on most imports coming into the kingdom was reduced from 12 percent to 5 percent. Acceptance into the WTO, a priority of the Saudi government for 2005, will bring further codification of free-market laws, including those addressing corporate tax rates, labor policies, and insurance. The result of such changes likely will be an increase in foreign trade and foreign investment in Saudi Arabia.

Imports: Increasing demands for consumer goods in Saudi Arabia have driven up overall imports in the kingdom, a trend that is expected to continue for the foreseeable future. The total value of imported goods in 2005 is expected to increase from the estimated total of US\$36.2 billion in 2004. The largest categories of imported goods are machinery and vehicles, which make up more than 50 percent of all imports, as well as appliances, electrical equipment, sound and television apparatus, aircraft, and cars. The United States continues to be Saudi Arabia's leading source of imports. Imports from the United States include military equipment, machinery, foodstuffs, and transport equipment. European countries, including Germany, France, and Britain, are other leading suppliers.

Exports: Nearly 90 percent of Saudi exports are related to oil. In addition to oil, petrochemicals, plastics, construction materials (cement especially), and agricultural products make up the remainder of Saudi exports. Merchandise exports (composed mainly of oil and petroleum products) totaled an estimated US\$104.3 billion in 2004. The value of exports is expected to increase in 2005, as increased production likely will offset any reduction in the price of oil. In 2003 more than 20 percent of Saudi exports went to the United States, making it the kingdom's leading market. Other primary destinations include Japan, France, South Korea, Singapore, the United Kingdom, the Netherlands, Germany, India, Taiwan, and Italy.

Trade Balance: Saudi Arabia annually produces a significant trade surplus. Even in the wake of the 1973 oil shock, revenues from exports exceeded the cost of imports. Estimates for the 2004 trade surplus ranged from US\$68 billion to US\$75.7 billion. This result stems largely from increased oil revenues.

Balance of Payments: Saudi Arabia's significant trade surplus in goods is offset by deficits in the exchange of services and investment. In contrast to the goods sector, Saudi Arabia annually experiences a trade deficit in the services sector. On average, Saudi Arabia spends about four times as much on importing foreign services as it receives from foreign entities desiring Saudi services. According to the Saudi Arabian Monetary Agency (SAMA), the current account registered a record surplus of US\$51.5 billion in 2004.

External Debt: In 2004 Saudi Arabia's external debt was estimated to be US\$39.2 billion, or approximately 14 percent of gross domestic product. Saudi Arabia maintains about US\$23 billion in reserves of foreign exchange and gold.

Foreign Investment: The Saudi government hopes to increase foreign investment in the kingdom. Since 2000, the inflow of foreign direct investment, which totaled about US\$300 million in 2004, has been less than the outflow of Saudi investment, but a net surplus of foreign direct investment is considered possible for 2004. In 2000 Saudi Arabia established the Saudi Arabia General Investment Authority and made a significant step toward garnering more foreign investment when it ruled that foreign companies would no longer be required to have a Saudi partner or sponsor. However, foreign investors have been hesitant to participate in Saudi ventures because of the long tradition of government interference in the marketplace, bureaucratic nuisances, and concerns about instability and terrorism. Moreover, the government continues to ban foreign investment in certain sectors, such as health and pilgrimage services, that have religious significance.

Restrictions on the Saudi stock exchange have reinforced the government's prominent role in economic development and discouraged foreign investors. The stock market has been opened only intermittently to the Saudi public and to foreign investors. Citizens of nations belonging to the Gulf Cooperation Council were allowed to purchase shares from the Saudi stock market in 1994, 1997, and 1999. Even in these years, however, shares were only available through a closed-end mutual fund. The Saudi stock exchange is now partially open to foreign investors, but trading remains limited.

With the collapse of the Saudi government's National Gas Initiative, which sought to free up crude oil for export by locating new gas supplies to meet domestic needs, a distinct opportunity has emerged for foreign investors in the gas sector. International oil companies, including the U.S. firm Chevron Texaco, have been allowed to pursue a number of "upstream" gas development sites. Additionally, the Saudi government has recently opened the insurance, education, pipeline services, and mobile telephone sectors to foreign investment. The government has tried, with limited success, to force its largest foreign investors to disperse their money more widely in the Saudi economy. The Saudi offset program mandates that companies with large military and, in some cases, commercial contracts invest a portion of their profits in Saudi industries.

Foreign Aid: Saudi Arabia gives aid to less affluent nations, primarily Arab and other Muslim states. In 1974 a royal decree established the Saudi Fund for Development (SFD), which provides grants and loans to developing countries. Specifically, the SFD supports the export of non-crude-oil commodities by providing the financing to get such operations underway. According to the Saudi government, 68 different nations have been party to 369 SFD loan agreements.

Currency and Exchange Rate: Saudi Arabia's currency is the riyal (SAR), which is valued at SAR3.75 per US\$1.

Fiscal Year: Saudi Arabia's fiscal year coincides with the calendar year.

TRANSPORTATION AND TELECOMMUNICATIONS

Overview: In a country once accessible only via the camel caravan, Saudi Arabia has made rapid improvements in its transportation and communications networks through its five-year developmental plans. Improvements in roads, railroads, airports, and telecommunications have come rapidly since 1970. However, with agricultural and industrial development, traffic also has increased rapidly. Continuing improvements will be necessary to allow for long-term economic growth as well as to decrease congestion and preserve the quality of urban life.

Roads: Currently, Saudi Arabia is served by more than 156,000 kilometers of roads, about one-third of which are paved and the rest, improved earth. This network is vital not only for use by private citizens, but also to allow the oil industry to grow and prosper. There were numerous geographical challenges to creating a comprehensive road system in Saudi Arabia. The extreme heat and drastic elevation changes in the southwestern portion of the kingdom required highly developed engineering technologies combined with a significant financial commitment from the government. The Trans-Arabian Highway serves to link Saudi Arabia's major cities—Ad Dammam, Riyadh, Jiddah, Mecca, and Medina. Most villages in Saudi Arabia, even in remote areas, are now connected to the larger road network. The road system also has connected Saudi Arabia more closely to its neighbors, both literally and diplomatically. The King Fahd Causeway, completed in 1986, connects Saudi Arabia to Bahrain. Whereas the emphasis has largely shifted to maintaining the network of roads already in place, one future project under consideration is a causeway that would link Saudi Arabia to Egypt, thus connecting the eastern and western Arab worlds.

The International Road Federation reported a decline, by nearly half, of the number of automobiles on the road in Saudi Arabia between 1991 and 1996 (from 5,103,205 to 2,935,000). Yet, the Saudi government continues to express concern over the growth of traffic congestion and to plan for future improvements to the road network.

Railroads: Saudi Arabia has 1,392 kilometers of railroads, all at a standardized 1.435-meter gauge. In 2001, 790,000 passengers traveled on Saudi trains. In addition, Saudi trains carried 1.5 million tons of cargo. In comparison to the other means of transport in the country, however, railroads remain relatively undeveloped. The difficult terrain has made laying track a costly endeavor. Currently, the country's most significant railroad is one that covers 570 kilometers between Riyadh and Ad Dammam, linking the capital with a significant port and industrial city. The Saudi Railways Organization (SRO), which oversees the country's railroad network, is planning three new lines that would add nearly 3,000 kilometers to the rail network. The lines would connect Jiddah to Ad Dammam; Al Jubayl, Riyadh, and Hazm al Jalamid; and Jiddah to Mecca, Medina, and Yanbu. The government plans to transfer two of these lines to private ownership while maintaining control of the industrial line extending northward from Al Jubayl. The SRO owns 59 diesel locomotives, 58 passenger cars, and 2,340 freight cars.

Ports: Saudi Arabia has 21 modern ports, with the major Red Sea ports located in Jiddah, Yanbu, and Jizan. On the Persian Gulf, Ad Dammam and Al Jubayl are Saudi Arabia's most significant port cities. In 2004 the industrial ports at Al Jubayl, Jiddah, and Yanbu each handled more than 30 million tons of cargo. Together, they handled more than 80 percent of the

kingdom's cargo. The Jiddah Islamic Port, as it is officially titled, also serves as the main entry port for pilgrims arriving to visit Mecca and Medina. The port at Ad Dammam, like the one in Jiddah, has a fully equipped repair yard. The newest major port to be completed is located on the northern end of the Red Sea at Dhiba. It serves as the closest port to the Suez Canal and Egyptian ports. The Saudi government, through its port authority, regulates all ports. Privatization is being attempted, as in most sectors of the economy, at a gradual pace. In 1999 some of the service aspects of port operation, including maintenance and management of docks, were opened to private contracts.

Inland Waterways: Saudi Arabia has no permanent rivers to serve as waterways.

Civil Aviation and Airports: According to U.S. government statistics, the cumulative number of airports in Saudi Arabia is 206. This total includes those with paved runways (72), unpaved runways (129), and heliports (5). Saudi Arabia has four major international airports, located in Jiddah, Riyadh, Al Hufuf, and Dhahran. King Abd al Aziz International Airport serves Jiddah and currently handles about 13 million passengers annually. Plans exist for expansion in Jiddah to include a Hajj Terminal to further accommodate Muslim pilgrims. King Khalid International Airport serves the capital city of Riyadh. It currently has the capacity to handle 7.5 million passengers annually, but there are plans for expansion. A system of 24 regional airports serves to connect the remote regions of the country to the international airports, and consequently to the rest of the world. Currently, Saudi Arabian Airlines is the major operator for the region. With a fleet of more than 100 aircraft, it transports more than 10 million passengers annually and is the largest airline company in the Middle East.

Pipelines: According to U.S. estimates, Saudi Arabia has a total of 9,413 kilometers of pipeline. This total includes pipeline designated for: condensate, 212 kilometers; gas, 1,780 kilometers; liquid petroleum, 1,191 kilometers; oil, 5,068 kilometers, and other refined products, 1,162 kilometers.

Telecommunications: King Abd al Aziz deserves much of the credit for modernizing Saudi Arabia's communications network in the 1930s, when he established an extensive telegraph system and set the precedent for making communications a governmental priority. Since that time, the government claims to have spent more than US\$23 billion to improve its communications system. In 1998 Saudi Arabia's telecommunications industry was largely privatized. The sector is now dominated by the Saudi Telecommunications Company, which employs more than 70,000 Saudis. The governmental oversight body is the Ministry of Telecommunications and Information Technology.

Statistics gathered in 1998 showed that there were 43 AM, 31 FM, and 2 short-wave radio stations in operation in Saudi Arabia, and Saudis had about 6.3 million radios (in 1997). The Saudi government commissioned the American National Broadcasting Corporation to create the first Saudi television network in 1964. Currently, two television channels broadcast in Saudi Arabia—one in English and one in Arabic, with 117 stations providing coverage throughout the country. Estimates from 2000 show that Saudis had 5.7 million television sets.

Saudi Arabia has a modern and expanding telephone system, with more than 3.5 million main lines in use in 2003. The technology used for domestic lines includes microwave radio relay, coaxial cable, and fiber-optic cable stems. Seven “earth stations” are linked to the Intelstat Satellite System, which allows Saudi citizens direct dialing access to more than 200 countries around the globe. According to 2002 statistics, Saudi Arabia had 151 telephone mainlines per 1,000 people. As in many regions of the world, mobile and cellular phones have become increasingly popular in the last decade. It is estimated that in 2003 more than 7 million cellular phones were in use in Saudi Arabia. In 2003, 228 cellular subscribers per 1,000 inhabitants were registered, compared with only 1 per 1,000 in 1990.

The use of personal computers and the Internet has increased rapidly in the early 2000s. Internet service first became available in Saudi Arabia in 1999. With access routed through a state server, the government, as it has in many industries, took a prominent role in the technological and economic development of the Internet. As of 2003, 21 Internet service providers served more than 1.5 million Saudi Internet users. Additionally, Saudi Arabia had an estimated 15,000 Internet hosts. The number of Saudis who own and use personal computers continues to rise, from 1.3 million in 2000 to 3 million in 2002.

GOVERNMENT AND POLITICS

Political System: Saudi Arabia essentially operates as a near-absolute monarchy. It has no national legislative body, political parties, or democratic elections. The king does not have unfettered power, however. The Basic Law, which was introduced in 1993, articulates the government’s rights and regulations and sets forth the civil rights, system of government, and administrative divisions by which the state is run. Foremost, the Basic Law mandates that Islamic Law come before all other considerations. The Koran and sunna (Islamic custom and practice based on Muhammad’s words and deeds) are the state’s constitution, and both the government and the society as a whole dismiss the notion that separation should exist between church and state. The king must not only respect Islamic Law and tradition but also build consensus among members of the royal family and religious leaders (the ulama). The king can be removed if a majority of the royal family calls for his ouster. When a king dies, the royal family and ulama choose the new king.

The Council of Ministers, created in 1953, is responsible for drafting legislation to be presented to the king. The council acts upon majority decision, but laws only become official with the king’s decree. All legislation must be in accordance with Islamic Law. The Council of Ministers has developed to include a prime minister (the king), a first and second deputy prime minister, 21 ministers with portfolio (including the second deputy prime minister, who also serves as a minister), and five ministers of state.

In addition to the Council of Ministers, the Consultative Council serves at the king’s pleasure. Following its inception in 1993, King Fahd restructured the council in 1997 and 2001 to expand the number of councilors. Currently, 120 councilors serve four-year terms. The king must approve all members. Most of the members are individuals with ties to the government and tribal leaders, but the body also includes businessmen, academics, and some religious leaders. The

consultative body has no power to act independently, but it is empowered to hold debates, initiate investigative hearings, and enforce government-sponsored legislation. Since 2003, the Consultative Council has been increasingly included in the process of creating legislation.

The royal family dominates the political sphere in Saudi Arabia. The family's vast numbers (hundreds in the main family alone) have allowed the family to control most of the kingdom's important posts. Posts filled in 2005 by the king's brothers and half-brothers included deputy prime minister, second deputy prime minister, interior minister, governor of Riyadh Province, foreign affairs minister, and head of the Office of the Council of Ministers. Most members of the Council of Ministers and provincial governors also come from the royal family. The increasing power of the Consultative Council represents a threat to royal family power, even though the king has largely supported its development. The possibility of electing half of the council, as proposed by some reformers, would further dilute the power of the royal family. Currently, the royal family is firmly entrenched in power, but it is aware of both domestic and foreign calls for a more accountable process of decision-making. Uncertainty surrounding the fate of King Fahd, incapacitated by a massive stroke in 1995, reportedly also has fostered factional conflicts within the royal family.

Administrative Divisions: A royal decree put forth in 1993 divided the kingdom into 13 provinces (*mintiqat*; sing., *mintiqah*): Al Bahah, Al Hudud ash Shamaliyah, Al Jawf, Al Madinah, Al Qasim, Ar Riyad, Ash Sharqiyah (Eastern Province), Asir, Hail, Jizan, Makkah, Najran, and Tabuk. A royal decree issued in 1994 sub-divided the 13 provinces into 103 governorates.

Provincial and Local Government: In 1993 the king determined that a system of provincial government should exist. Subsequently, officials divided the country into 13 provinces, each of which was placed under the jurisdiction of a governor, usually a prince or close relative of the royal family. Four times each year, each governor meets with his provincial council to evaluate the province's development and make recommendations to the Council of Ministers regarding the province's needs. In October 2003, it was announced that 178 municipal councils would be created to advise the provincial governors. It was proposed that one-half of the new municipal councils' members be elected through universal suffrage and one-half be appointed by the central government. The first of a planned three phases of elections took place in February 2005. During this phase, more than 1,800 candidates competed for 592 seats among the 178 municipal councils. In Riyadh alone, more than 600 candidates competed for 7 seats. The remaining two phases of the elections are scheduled to take place during March and April 2005.

The municipal councils work in concert with tribal and unofficial local leaders to address regional concerns. The country's major cities, including Mecca, Medina, and Jiddah, have their own municipal councils that carry out, on a local level, the resolutions passed by the Council of Ministers. In less populated regions of the country, the municipal councils encompass multiple towns. Until 2005, localities often voiced an opinion on who should represent them in the municipal councils, but they had little choice but to accept the appointments made by the king.

Judicial and Legal System: In contrast to its legislative branch, the judicial branch operates on a mostly independent basis, as stipulated in the Basic Law. However, members of the royal

family are exempt from appearing before the courts, and allies of the family have received preferential treatment from judges in the past. Before the modernization of the judicial system in 1928, the system was severely fragmented among various judges who adhered to one of four schools of Islamic theology. Each judge and court ruled according to association with a specific school. After “unification,” all courts were mandated to use the Koran and sunna as the basis for judgments, without being limited to a particular school. Over time, some secular codes have been introduced to augment Islamic law.

The Ministry of Justice was formed in 1970 in order to further unify the kingdom’s vast system of courts and judges. In the same year, King Faisal also formed the Supreme Judicial Council, with the responsibility of overseeing the court system and reviewing legal decisions. The Supreme Judicial Council assumed the task of approving all death, amputation, and stoning sentences. As of 2005, these forms of punishment have decreased, but they remain a part of Saudi Arabia’s legal code. The king may grant pardons at his discretion, except to felons convicted of killing another individual. In this instance, the king must gain the approval of the victim’s next of kin to grant a pardon.

A hierarchical court system allows the accused a process of appeal. The Ministry of Justice oversees the entire system. The General Courts, also referred to as the Courts of First Instance, are the first to hear cases and make decisions. The decisions of these courts may be appealed to the Supreme Judicial Council. Further appeals may be made to the Council of Ministers, but any decision of the council, signed by the king, is final. The law prohibits imprisonment for more than three days without being charged for a crime. There are reports, however, that this law has been ignored, especially by the Committees for the Proagation of Virtue and Prevention of Vice, or *mutawwiin*. According to the sharia, the court system should not give the testimony of a woman the same weight as that of a man. Additionally, a judge may throw out the testimony of non-Muslims.

Electoral System: Saudi Arabia had no history of electoral government until February 2005, when, in an election open only to male voters age 21 and older, Saudi citizens cast votes to select one-half the members of the municipal councils. The three-stage elections, which will continue through April 2005, represent a fundamental step away from Saudi Arabia’s absolute monarchy. There are also some signs that a portion of the members of the Consultative Council might be chosen via election in the near future. In general, the expanding power of the Consultative Council, in comparison to the traditional dominance of the Council of Ministers, is a positive sign for liberal reformers in the kingdom hoping for increased popular sovereignty. Nevertheless, out of a population of nearly 26 million, only about 3 million (males only) are eligible to vote.

Politics and Political Parties: Political parties are illegal in Saudi Arabia, but distinct political divisions exist. The royal family continues to fill most of the important political positions in the kingdom, but the king and the Al Saud are forced to rule by consensus. The ulama, a large and powerful group of religious leaders, perhaps numbering 10,000, ensure that the king observes Islamic law above all other considerations. In order to placate the powerful religious majority of Saudi society, the Al Saud pays close attention to the interests espoused by religious leaders. Alliances made between important members of the Al Saud family and prominent religious leaders have long shaped Saudi Arabia’s society. Saudi Arabia’s history of tribal organization

also plays into the kingdom's political mix. Leaders of the principal tribes still command respect and authority. In past years, tribal leaders have proved able to mobilize military units from among their followers. The traditional merchant families of Saudi Arabia also have a measure of political influence. The royal family has depended on the merchants at various times for financial support, and merchant revenues continue to be a steady source of government income. Finally, the new class of Saudi professionals and technocrats, emerging as a result of increased privatization of the economy, has informal influence on government ministers. Petitions signed by members of this class have encouraged some reforms.

Mass Media: Newspapers are privately owned but are subsidized and regulated by the government. Because the Basic Law states that the media's role is to educate and inspire national unity, most popular grievances go unreported in Saudi Arabia. In recent years, however, the government has allowed some critical stories to be written by selected journalists. Although self-censorship continues to be a method of self-preservation for the nation's media outlets, government censorship seems to be decreasing, especially on journalistic inquiries into crime and terrorism.

The government owns and operates the radio and television companies in Saudi Arabia. Censors remove objectionable material deemed offensive by the standards of Islam. Government censorship, which has always plagued the press in Saudi Arabia, has been less effective in its control of the Internet. Legal access to the Internet must be via local servers, which the government monitors for sites that are pornographic, politically offensive, or un-Islamic. Despite these controls, however, Saudi Internet users have been able to access most sites they wish to visit by simply connecting through alternate servers.

Foreign Relations: Saudi Arabia has strong ties to the nations of the Middle East as well as to other Muslim states and Western nations such as the United States and Japan. As the guardian of Islam's holy places, Saudi Arabia hosts millions of pilgrims from neighboring Islamic countries annually. Additionally, the mutual concern over oil prices has led to cooperation among oil-producing countries in the Middle East. As one of the more affluent countries in the region, Saudi Arabia has pursued aid and development for less developed Arab and Muslim states. Although Saudi Arabia has, at different times, suspended diplomatic relations with Iran and Egypt, among others, it continues to play a dominant role in the region. Saudi Arabia has its strongest diplomatic relations in the region with other members of the Gulf Cooperation Council (GCC): Bahrain, Oman, and the United Arab Emirates.

Saudi Arabia maintains a complex diplomatic position between the Middle East and the West. It has consistently sought to promote Arab unity, defend Arab and Islamic interests, and support a peaceful resolution of the Israeli-Palestinian conflict (insisting, however, that Israel must withdraw from the territories occupied in 1967). On the other hand, Saudi Arabia has been a partner with the West in economic endeavors and the war against terrorism. Some in the Arab world castigate Saudi Arabia for its continuing relationship with the United States, viewed as Israel's most ardent protector. When Saudi Arabia called for military assistance following the 1990 Iraqi invasion of Kuwait, Yemen, Jordan, and the Palestine Liberation Organization (PLO) refused to support the Saudi coalition. Not until five years following the Gulf War did Saudi Arabia normalize relations with the PLO or Jordan.

Saudi Arabia has attempted to play the role of peacemaker, with mixed results. In 1981 King Fahd offered a “land for peace” initiative designed to ease tensions between the PLO and Israel, and in 2002 Saudi officials issued an updated version of the proposal that came to be known as the “Arab peace plan.” However, the Saudi initiative was sidetracked when the United States initiated its own “roadmap” for peace in 2003. In early 2005, Saudi Arabia was instrumental in pressuring Syria to withdraw its forces from Lebanon.

Saudi Arabia’s economic and security relationship with the United States remains strong, but the terrorist attack on the United States in September 2001 placed considerable strain on the U.S.-Saudi relationship. Saudi Arabia had been one of only two governments to recognize the Taliban administration in Afghanistan, and 15 of the 19 hijackers were of Saudi descent. In the ensuing war on terrorism, criticisms have been traded over the handling of prisoners, U.S. press coverage of Saudi connections to and financing of terrorist organizations, and a civil lawsuit brought against the Saudi government by relatives of the victims of September 11. Even as tensions mounted between the United States and Saudi Arabia, terrorists carried out attacks on Western interests and targets in Saudi Arabia in response to Saudi cooperation with the United States. Although seen as soft toward the West in parts of the Middle East, Crown Prince Abd Allah condemned the U.S. war with Iraq and refused to commit Saudi troops.

Membership in International Organizations: Saudi Arabia is a member of the United Nations (UN), most UN specialized agencies, and numerous other international organizations. Regionally, Saudi Arabia has fostered close ties to other Arab and Islamic states through membership in organizations such as the Arab Bureau of Education for the Gulf States, Arab Monetary Fund, Arab Sports Federation, Gulf Cooperation Council, Islamic Corporation for the Development of the Private Sector, League of Arab States, Muslim World League, Organization of Arab Petroleum Exporting Countries, Organization of the Islamic Conference, and Organization of the Petroleum Exporting Countries (OPEC). Saudi Arabia also has membership in the International Monetary Fund and the World Bank and has applied for membership to the World Trade Organization.

Major International Treaties: Saudi Arabia is a party to many significant treaties, including international agreements on Biodiversity, Biological Weapons, Chemical Weapons, Climate Change, Conservation, Desertification, Endangered Species, Gas Warfare, Genocide, Hazardous Wastes, Law of the Sea, Nuclear Nonproliferation, Ozone Layer Protection, and Torture. Saudi Arabia is not a signatory to the Kyoto Protocol or to conventions on Traffic in Women and Children or Terrorism.

NATIONAL SECURITY

Armed Forces Overview: Saudi Arabia has one of the fastest growing militaries in the world, with a growth rate of 222 percent in 2002. The military consists of an army, air force, navy, air defense, and paramilitary forces. In 2004 the armed forces were estimated to include 124,500 men: army, 75,000; air force, 18,000; navy, 15,500 (including 3,000 marines); and air defense forces, 16,000. In addition, the Saudi Arabian National Guard had 75,000 active soldiers and 25,000 tribal levies.

Foreign Military Relations: Since the Cold War era, Saudi Arabia has been militarily aligned with the United States. Saudi Arabia sided with Iraq in the Iran-Iraq war, but King Fahd called on the United States to intervene when Iraq invaded Kuwait and threatened the Saudi border in 1991. The United States and Saudi Arabia led an international coalition of forces to victory over Iraq in the ensuing Gulf War. The United States had served as the primary arms provider for Saudi Arabia until Britain supplanted it in 1988. Following the Gulf War, however, the United States again emerged as Saudi Arabia's primary arms supplier. In 1998 U.S. military exports to Saudi Arabia totaled US\$4.3 billion, making Saudi Arabia the leading importer of U.S. military goods. The United States and Saudi Arabia continue to share a common concern over the regional stability of the Middle East—for both security and economic reasons.

Saudi Arabia also provides the home base, as well as personnel and resources, for a small contingent of Gulf Cooperation Council (GCC) troops. The GCC force, called the Peninsula Shield Force, numbers about 10,000 men but has suffered from lagging commitment from GCC members. Discrepancies over how to train, arm, and fund the outfit have limited progress.

External Threats: Since 1991, when Saudi Arabia supported the U.S.-led coalition of forces against Iraq in the Gulf War, Saddam Hussein's Baathist regime represented the greatest military threat to Saudi Arabia. Thus, Saudi officials closely monitored the movements of Iraqi troops. In 1999 Saudi Arabia broke precedent by openly calling for Iraqis to topple their leader. When fighting came in 2003, however, Saudi Arabia insisted on maintaining its distance from the war against Iraq. With Saddam's regime having fallen in 2003, new and more amorphous forces have emerged as those most threatening to Saudi security. Like the other Arab countries in the Middle East, Saudi Arabia regards Israel as an ever-increasing threat to the region. Although Saudi ties to the United States mitigate some fear of Israel, Saudi Arabia has been active in pursuing a resolution to the constant Israeli-Palestinian tension.

Iran is also a source of concern among Saudi officials. The fall of the shah, coupled with Iran's potential nuclear capabilities, has led many experts to question the stability of the country. Iran has the potential to cause diplomatic and economic instability for the entire Middle East region. Additionally, Saudi officials view the largely uncontrolled migration of tribesmen back and forth across the border from Yemen as a potential security risk. Diplomatic relations between Saudi Arabia and Yemen were hindered by Yemen's refusal to join the Gulf War coalition against Iraq and by a long-standing border dispute. A border agreement reached in 2000 lessened the tension between Saudi Arabia and Yemen significantly, but the porous border continues to elicit concern among Saudi defense officials.

Defense Budget: Spending on military and security forces totaled about US\$18 billion annually in 2002 and 2003. Saudi Arabia ranks among the top 10 in government spending for its military. Military expenditures represent about 10 percent of gross domestic product (GDP) and almost one-third of total government expenditures. It seems likely that military expenses will continue to increase in the coming years. Because Saudi Arabia imports most of its military arms and equipment, the Saudi economy derives little benefit from growth of the defense sector.

Major Military Units: The Saudi military is divided into army, air force, navy, and air defense forces. The Saudi marines serve as part of the navy. The Saudi army is organized into three

armored brigades, five mechanized brigades, one airborne brigade, one Royal Guard brigade, and eight artillery battalions. The army also has one aviation command with two aviation brigades. The navy is divided into two fleets with Naval Forces Headquarters in Riyadh. The Western Fleet has bases in Jiddah (Headquarters), Jizan, and Al Wajh. The Eastern Fleet has bases in Al Jubayl (Headquarters), Ad Dammam, Ras al Mishab, and Ras al Ghar. The marines are organized into one infantry regiment with two battalions. Saudi Arabia has at least 15 active military airfields. Air forces are organized in four fighter/ground-attack squadrons, nine fighter squadrons, and three training squadrons. The National Guard, augmented by 25,000 tribal levies, is organized into three mechanized infantry brigades, five infantry brigades, and one ceremonial cavalry squadron.

Major Military Equipment: Saudi Arabia ranks among the world's most densely armed nations. Its weapons holdings in 2001 were estimated to total 4,810,000, a per capita rate of 197,992.54 per 1 million people, ranking Saudi Arabia in the top quarter among armed nations in the world.

The army's main equipment consists of a combination of French- and U.S.-made armored vehicles. According to the International Institute of Strategic Studies, the army is equipped with 315 M-1A2 Abrams, 290 AMX-30, and 450 M60A3 main battle tanks, many of which are in store; 300 reconnaissance vehicles; 570+ AMX-10P and 400 M-2 Bradley armored infantry fighting vehicles; 3,000+ armored personnel carriers, including the Al-Fahd, which was produced in Saudi Arabia; 200+ towed artillery pieces; 110 self-propelled artillery pieces; 60 multiple rocket launchers; 400 mortars; 10 surface-to-surface missiles; about 2,000 antitank guided weapons; about 200 rocket launchers; 450 recoilless launchers; 12 attack helicopters; 50+ transport helicopters; and 1,000 surface-to-air missiles.

The navy's inventory includes 8 principal surface combatants, 26 patrol and coastal combatants, 7 mine warfare vessels, 8 amphibious craft, and 7 support and miscellaneous craft. Naval aviation forces have 21 helicopters (armed) serving in naval support.

The Royal Saudi air force has a fleet of nearly 300 combat aircraft (but no armed helicopters). However, its operational capabilities are believed to have fallen considerably since the Gulf War. The fighter planes owned by the kingdom are primarily outdated F-5 models. After oil prices rose in 1999, Saudi officials began to look at purchasing more F-15 models. Increased internal security risks, however, diverted the funds that would have been necessary for such acquisitions. Currently Saudi Arabia has 291 combat aircraft, but most are nearing obsolete status. It is thought that Saudi Arabia is preparing to make a major investment in modernizing its air force. Speculation continues that the kingdom's air force will purchase a fleet of 50 Eurofighter "Typhoon" aircraft.

Military Service: The Saudi military is an all-volunteer force. Females do not serve in the Saudi military.

Paramilitary Forces: Saudi Arabia's paramilitary forces number more than 15,000 men, with 10,500 active troops in the Frontier Force and 4,500 in the Coast Guard, which is based at Azizam. Saudi Arabia also has a Special Security Force with 500 personnel.

Foreign Military Forces: Before the 9/11 attacks on the United States, about 5,000 U.S. military personnel, mostly air force, were stationed in Saudi Arabia. Osama bin Laden labeled this force “infidel troops” guarding over Islam’s most holy sites. During 2003, the U.S. military redeployed most of its forces to Qatar, leaving a contingent of about 500 in Saudi Arabia. Saudi Arabia also provides a base for the 10,000 troops of the Peninsula Shield Force, the fledgling multinational force created by the Gulf Cooperation Council (GCC).

Military Forces Abroad: Although Saudi Arabia maintains an extensive military infrastructure within its borders, it has the expressed policy of avoiding foreign deployment except as required to protect the kingdom’s direct security.

Police: The police force is controlled by the central government through the Ministry of Interior. The Saudi Arabia National Guard contributes significantly to security efforts. The *mutawwiin* are the nation’s religious police, which enforce compliance with religious strictures.

Internal Threats: Neither petty crime nor organized crime is a problem in Saudi Arabia, although comprehensive statistics are not available. However, Saudi Arabia’s quest to be both a modern and Islamic country has long aroused unrest. Connections to the West have caused some factions to call for the overthrow of the Al Saud ruling establishment. Minority groups of the left and the right seek to have more influence in the nation’s governance. High unemployment and a generation of young males filled with contempt toward the West pose a significant threat to Saudi stability. Additionally, the Shiite minority, located primarily in the eastern region of the country, has created civil disturbances in the past and could do so again. The presence of more than 5 million foreign workers also is thought by some to represent a threat to national stability. Finally, terrorist attacks in Saudi Arabia have risen, most recently in December 2004, with the attack on the U.S. consulate in Jiddah, making it clear that Saudi Arabia does harbor indigenous terrorists with probable ties to al Qaeda and other terrorist organizations.

The vast and varied territory of the kingdom makes national cohesion difficult. But despite elements of corruption within the vast family structure, the Al Saud royal family has largely succeeded in maintaining stability in the country. High oil prices have led to increased government revenues allocated for internal security measures. Use of the National Guard as well as other internal security forces and harsh punishments have largely curbed violent manifestations of civil unrest since 2000. Protection of the vital oil industry has long been and continues to be a priority. Saudi Aramco employs nearly 5,000 security personnel to guard its oil facilities, and both the Saudi National Guard and the Saudi military frequently are called upon to guard oil-producing facilities and pipelines. These measures have largely controlled attacks against the oil industry.

Terrorism: The Saudi government has increased efforts to fight terrorist elements within its own borders, and the Saudi army has been successful in detaining several key militant/terrorist leaders in recent years. However, a series of bombings in 2003 and an attack on the U.S. consulate in Jiddah and two car bombings in Riyadh in December 2004 are evidence that al Qaeda-linked elements still exist in the country. Osama bin Laden was born in Saudi Arabia, and fifteen of the suicide boomers carrying out the September 11 attacks were Saudi citizens. If Saudi Arabia

continues to liberalize its society, the recruitment of Saudi militants to engage in jihad against the United States and the West will likely continue.

Saudi Arabia is not among the Middle East countries that officially support terrorist groups, but the United States remains concerned about Saudi Arabia's financial ties to terrorism. Many experts contend that Islamic networks originating in Saudi Arabia provide the financial backing for terrorist groups that operate in the Middle East and around the world. In 2004, however, the U.S. government praised Saudi efforts to combat terrorist financing. The fact that many militant groups are mosque-based makes government crackdowns difficult, but as a result of the spate of terrorist attacks in Riyadh in 2002-4, Saudi Arabia has accepted the need to continue the crackdown on militant elements in the country. In independent conversations, as well as in a consensus reached by leaders of the Arab League, Saudi officials have acknowledged that violence-inciting mosques and radical clerics cannot be ignored in the fight against terrorism.

Human Rights: The U.S. State Department annual report on human rights voices concern over several aspects of Saudi society. The report notes the lack of elected officials or political parties and the almost unlimited power of the ruling crown prince. It cites reports that internal security forces (including the police, the *muttawwiin*, and the National Guard) have committed various human rights offenses, including torture and abuse of detainees, as well as reports of arbitrary arrests and intimidation of non-Muslims and foreigners. Moreover, the legal code permits corporal punishment, such as flogging, as well as amputation, stoning, and execution by beheading, although the imposition of such punishments reportedly has declined.

Freedom of speech and press are severely restricted in Saudi Arabia, although some reforms are underway. The government owns the television and radio companies and heavily subsidizes the country's newspapers. Both in law and practice, the Saudi government makes little pretext of providing freedom of religion. Non-Muslims are afforded the right to practice their own religion only in private, and conversion from Islam to another religion is illegal, punishable in theory, if not in recent practice, by execution. The rights of women are improving, but they are still far from equal to those of men. For example, women are restricted from driving or traveling without a male family member, and they must demonstrate significant cause in order to obtain a divorce while men are not required to do so. Women still face discrimination when entering non-traditional fields and frequently are segregated from their male co-workers. Women were not afforded the right to vote in the recent municipal elections.