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Saudi Arabia: A Future Interrupted

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Jamal Khashoggi's October 2 murder in the Saudi consulate in Istanbul was a transformative event for Saudi Arabia. Overnight, it significantly damaged Crown Prince Mohammed bin Salman's standing within the royal family and in the world. This was more than an embarrassment for the crown prince. The murder and subsequent clumsy efforts to develop a believable explanation for what happened has destroyed the crown prince's carefully crafted image in the West, and damaged his efforts to implement the kind of transformative socio-economic change embodied in his Vision 2030 plan for the kingdom.

Khashoggi Silenced

Jamal Khashoggi was killed by a team of Saudi officials shortly after entering the Saudi consulate in Istanbul to complete some paperwork he needed to remarry his Turkish fiancé. Khashoggi, at the time of his death, was living in self-exile in the United States and writing an opinion column for the *Washington Post*. For more than three decades, he was an important voice in Saudi Arabia. As a writer for the pan-Arab dailies, *al-Sharq al-Awsat* and *al-Hayat*, he often articulated the thinking inside Saudi royal court, which remained largely opaque to outsiders.

As an insider, Khashoggi's writing was valuable to those without access to the kingdom or its decision-makers. After the Arab Spring uprisings in 2011, Khashoggi expressed sympathy for the Muslim Brotherhood, which put him on the wrong side of bin Salman's effort to promote "moderate" Islam in the kingdom. Khashoggi's sympathies were not new,¹ but in the midst of bin Salman's consolidation of power,

¹ 'Abd al-'Aziz Aluweisheg, "[Freedom of Expression was my friend Jamal's defining principle](#)," *Arab News*, October 22, 2018.

which began with his articulation of Vision 2030 in 2016 and culminated with the arrest of senior Saudi princes in November 2017,² the kingdom also cracked down on its Muslim Brotherhood activists and sympathizers.³ In September 2017, Khashoggi publicly criticized the kingdom's decision to classify the Muslim Brotherhood as a terrorist organization.⁴ He knew these views were unwelcome under King Salman and the crown prince, and he relocated to the United States a short while later.

Khashoggi wrote for the *Washington Post* from September 2017 to September 2018 and his columns were often unflinching attacks on Mohammed bin Salman's growing autocratic leadership. At the same time, his columns were also sprinkled with a consistent defense of the Muslim Brotherhood in the kingdom. In his first *Washington Post* column in September 2017, Khashoggi pointed out that "It's no secret that the crown prince [Mohammed bin Salman] despises the Muslim Brotherhood" and cryptically lamented that "it is actually a strange contradiction to identify a person as a Muslim Brotherhood activist,"⁵ alluding to the deep roots the Muslim Brotherhood has in many Saudi state institutions.⁶ In a Twitter post earlier in the month, Khashoggi had described the Muslim Brotherhood's school of thought as "noble."⁷ Khashoggi also tried to interest *New Yorker* writer Dexter Filkins in the plight of jailed Saudi intellectual, Salman al-Oudah,⁸ whose thinking has been heavily influenced by the Muslim Brotherhood. After the 2011 Arab uprisings, Oudah wrote an important book, *Asilat al-Thawra* [Questions of Revolution], which could be understood as challenging the legitimacy of the Saudi monarchy.⁹

² Martin Chulov, "[How Saudi elite became five-star prisoners at the Riyadh Ritz Carlton](#)," *The Guardian*, November 6, 2017; Kevin Sullivan and Kareem Fahim, "[A year after the Ritz-Carlton roundup, Saudi elites remain jailed by the crown prince](#)," *The Washington Post*, November 5, 2018.

³ "[Saudi clerics detained in apparent bid to silence dissent](#)," *Reuters*, September 11, 2017.

⁴ Ian Black, "[Jamal Khashoggi obituary](#)," *The Guardian*, October 19, 2018; Obituary: "[Jamal Khashoggi was 'a good man and fine journalist'](#)," *Al Jazeera*, October 22, 2018.

⁵ Jamal Khashoggi, "[Saudi Arabia wasn't always this repressive. Now it's unbearable](#)," *The Washington Post*, September 18, 2017.

⁶ Stephane Lacroix, *Awakening Islam: The Politics of Religious Dissent in Saudi Arabia* (Cambridge, MA: Harvard University Press, 2011).

⁷ Jamal Khashoggi, [Twitter Post](#), September 9, 2017, 2:56pm.

⁸ Dexter Filkins, "[In the Aftermath Of Khashoggi's Murder, Saudi Arabia Enters A Dangerous Period](#)," *The New Yorker*, November 2, 2018.

⁹ The full text of the book is available [here](#) (in Arabic). Several authors have written about Oudah over the last several years, see: Mansoor Jashem al-Shamshi, *Islam and Political Reform in Saudi Arabia: The Quest for Political Change and Reform* (London and Abingdon: Routledge, 2012); Shiraz Maher, *Salafi-Jihadism: The History of an Idea* (London: Hurst Ltd, 2016); and, Madawi al-Rasheed, *Muted Modernists: The Struggle for Divine Politics in Saudi Arabia* (London: Hurst, 2015).

Khashoggi argued that Mohammed bin Salman was right “to go after extremists,” but he was going after the wrong people.¹⁰ Indeed, Khashoggi’s intimate knowledge of and relationships with Islamists may have led to the impression that he was advocating for them. Khashoggi condemned the intolerance of dissent under Crown Prince Mohammed, and at the same time argued that the Muslim Brotherhood was being unfairly vilified. In an April 3 column, Khashoggi claimed that King Faysal’s 1960s reforms “began due to the scholarship of members of the Muslim Brotherhood,” which offered “new approaches to Islamic thought and law.”¹¹ What those new approaches were, and where they ultimately led, were left to the reader’s imagination. The implicit assumption was that they were positive. ‘Abd al-‘Aziz Aluwaisheg, a friend of Khashoggi’s and an Assistant Secretary-General of the Gulf Cooperation Council (GCC), emphasized that Khashoggi abhorred Islamist violence, but thought it was “possible and pragmatic” to co-opt the peaceful Islamists into “an inclusive political process.”¹²

Khashoggi was almost certainly not “a dangerous Islamist,”¹³ but he did soft-peddle the Muslim Brotherhood to his Western audience in recent years. And yet there is also no denying that Khashoggi courageously and accurately identified the atmosphere of fear and repression that had enveloped the kingdom during Mohammed bin Salman’s consolidation of power, and he paid the ultimate price for bravely exposing it to the world.¹⁴

The Kingdom's Future?

In 2016, Mohammed bin Salman introduced his Vision 2030 program of reforms, which was a multidimensional plan to diversify the kingdom's economy away from its dependence on oil rent.¹⁵ In reality, Crown Prince Mohammed's plan was far more than a technocratic program to transform the economy: It was nothing short of a new social contract for the Saudi kingdom; one that was intended to put the

¹⁰ Jamal Khashoggi, "[Saudi Arabia's crown prince wants to 'crush extremists.' But he's punishing the wrong people](#)," *The Washington Post*, October 31, 2017.

¹¹ Jamal Khashoggi, "[By blaming 1979 for Saudi Arabia's problems, the crown prince is peddling revisionist history](#)," *The Washington Post*, April 3, 2018.

¹² Abdel Azuz Aluwaisheg, "[Freedom of Expression was my friend Jamal's defining principle](#)," *Arab News*, October 22, 2018.

¹³ John Hudson, Souad Mekhennet, and Carol D. Leonnig, "[Saudi crown prince described journalist as a dangerous Islamist in call with the White House, officials say](#)," *The Washington Post*, November 1, 2018.

¹⁴ Kristian Ulrichsen, "[The Tragedy of Jamal Khashoggi](#)," October 12, 2018.

¹⁵ Joseph Dubroff, "[Saudi Arabia's Vision 2030 Economic Reforms in Light of Recently Assertive Foreign Policy Choices](#)," *Iqtisadi*, The Moshe Dayan Center for Middle Eastern and African Studies, November 25, 2018.

relationship between the Saudi royal family and the Saudi people on a new footing.¹⁶ With the erosion of the rentier economy and the Saudi state's ability to sustain the welfare state in the early 1990s, the Saudi royal family maintained its grip on power by carefully applying a combination of cooption and coercion to generate support and manage dissent.¹⁷ The relatively high price of oil during the past fifteen years provided some additional breathing space to find an alternative to the unsustainable rentier social contract that had served the kingdom from the early 1960s to the early 1990s.¹⁸ The Khashoggi affair will make implementing the full scope of change outlined in Vision 2030 far more challenging because it has frightened foreign investors.¹⁹

Crown Prince Mohammed's reform program is intended to transition the kingdom from a rentier economy based on oil revenues to a diversified market driven economy. The logic for the ambitious program is straightforward. The Saudi population has grown exponentially and the kingdom's oil wealth is diminishing, and it is no longer capable of sustaining the state's generous welfare programs, "Faysal's Order," that supported the population from the 1960s through the 1980s.²⁰ The kingdom needs to find new ways of generating revenue and creating jobs for Saudi young people.

The population has grown from approximately 3 million in 1950 to 25 million today. Seventy percent of the population is estimated to be below the age of 30, with 40 percent under the age of 24. Saudi Arabia's GDP per capita doubled between 1968 and 1978, halved in the early 1980s, and then remained stagnant between 1987 and 2002. Between 2003 and 2014, real GDP per capita grew by 40 percent, thanks to the spike in oil prices.²¹ However, from August 2014 through 2017, as the price of oil sharply declined and military spending dramatically increased, the kingdom

¹⁶ Brandon Friedman, "[Saudi Arabia's Crown Prince Mohammed bin Salman: Between Transformation and Confrontation?](#)" *Tel Aviv Notes*, The Moshe Dayan Center for Middle East and African Studies, November 27, 2017.

¹⁷ Joshua Teitelbaum, "[Saudi Arabia Faces a Changing Middle East](#)," *Middle East Review of International Affairs (MERIA)* 15, October 26, 2011.

¹⁸ Joseph Kostiner and Joshua Teitelbaum, "State-Formation and the Saudi Monarchy," in Joseph Kostiner, ed., *Middle East Monarchies: The Challenge of Modernity* (Boulder, Colorado: Lynne Rienner Publishers, 2000), pp. 131-150.

¹⁹ Matthew Martin, Alaa Shahine, Layan Odeh, Netty Idayu Ismail, "[Saudi money lost faith in prince long before Khashoggi's murder](#)," *Bloomberg*, November 27, 2018; David Butter, "[After Khashoggi Disappearance, Business Sours on Mohammed bin Salman](#)," Chatham House: The Royal Institute of International Affairs, October 15, 2018.

²⁰ Joseph Kostiner and Joshua Teitelbaum, "State-Formation and the Saudi Monarchy," in Joseph Kostiner, ed., *Middle East Monarchies: The Challenge of Modernity* (Boulder, Colorado: Lynne Rienner Publishers, 2000), pp. 131-150.

²¹ John Kemp, "[Saudi Arabia's dwindling oil revenues and the challenge of reform](#)," *Reuters*, January 21, 2016.

burned through a significant portion of its cash reserves, seeing them decline from \$737 billion to well below \$500 billion, before rebounding, thanks principally to rising oil prices, in the first half of 2018.²²

If oil revenues would no longer sustain government hand-outs to a large and youthful population, the crown prince's Vision 2030 was designed to build a job creating-economy for a young and educated population. Another 4.5 million Saudis are expected to join the job market by 2030,²³ which means the state will be facing enormous pressure to foster a growth-oriented, market driven private sector that generates attractive jobs. While the government has touted a new emphasis on transforming the domestic tourism and entertainment industries, the construction sector, and extracting natural resources, it recognizes that in order to create a "knowledge-based economy,"²⁴ there needs to be substantial foreign investment in the private sector to generate consistent growth.²⁵ But the Khashoggi affair has scared foreign investors, leading to \$650 million flowing out of the kingdom in October 2018.²⁶ While some see the success of the crown prince's late October "Davos in the Desert" conference as a sign that it is back to business as usual with the Saudis,²⁷ total capital outflows for the year are expected to rise by 13 percent from 2017 to \$90 billion.²⁸ The Saudi government has used its sovereign public investment fund to inject billions into the Saudi stock market (*Tadawul*) to counter the sharp sell-offs following the Khashoggi affair and the crown prince's earlier foreign policy missteps.²⁹ All of this is to say that the Khashoggi affair has put the ultimate success of Vision 2030 at risk.³⁰

²² Dania Saadi, "[Saudi foreign reserves to rise thanks to privatization, inclusion in emerging market indexes](#)," *The National*, June 1, 2018; Karen E. Young, "[Spending to Grow in Saudi Arabia](#)," The Arab Gulf States Institute of Washington, August 10, 2018; For a somewhat different interpretation, see: Ellen R. Wald, "[Signs Point To Trouble Ahead For Saudi Economy](#)," *Forbes*, July 25, 2018.

²³ "[Saudi Arabia Beyond Oil: The Investment and Productivity Transformation](#)," McKinsey Global Institute, December 2015, p. 5.

²⁴ Mohammad S. Khorshed, "[Saudi Arabia: From Oil Kingdom to Knowledge Based Economy](#)," *Middle East Policy* 22: 3 (Fall 2015).

²⁵ Brandon Friedman, "The Imperative of Saudi Reform: Conspiracy or Necessity?" *Inglorious Revolutions: State Cohesion in the Middle East After the "Arab Spring"* (Tel Aviv: The Moshe Dayan Center for Middle Eastern and African Studies, 2014), Brandon Friedman and Bruce Maddy-Weitzman, eds., pp. 151-170.

²⁶ Filipe Pacheco, "[Foreigners Are Dumping Saudi Stocks Like Never Before](#)," *Bloomberg*, October 22, 2018.

²⁷ James Dorsey, "[Khashoggi Killing: As Saudi Turns To China, For MbS It's Business As Usual](#)," *South China Morning Post*, October 27, 2018.

²⁸ Matthew Martin, Alaa Shahine, Layan Odeh, Netty Idayu Ismail, "[Saudi money lost faith in prince long before Khashoggi's murder](#)," *Bloomberg*, November 27, 2018.

²⁹ Justin Scheck, Bradley Hope, and Summer Said, "[Saudi Arabia Pumps Up Stock Market After Bad News, Including Khashoggi Murder](#)," *The Wall Street Journal*, December 13, 2018; See, also:

This may have unintended secondary effects on the prospects for social and cultural change in the kingdom. While the crown prince hasn't offered greater political participation as part of his reform program, he has supported greater social and cultural freedom for young people, which, when viewed through the prism of modern Saudi history, is an unprecedented development. These aren't "token" or "minor" gestures. In the Saudi context, they are a major development. The government published a "Quality of Life Program" in May 2018 that called for gender mixing "to enhance social cohesion" and permitting stores to remain open during the five daily prayer times.³¹ Saudi women no longer need permission from a male guardian to start a business. The government had already lifted a ban on movie theaters, given women the right to drive, and permitted gender mixing at music concerts. The government has promoted allowing women to attend public sporting events for the first time and removed the requirement that women wear the abaya and niqab in public.³² There have been public media reports of the first woman restaurant chef, the female tour guide, and the first female veterinarian in the kingdom. Most recently, at a three-day entertainment festival in Diriyah, a female singer joined Enrique Iglesias on-stage during a concert to sing a duet in front of a mixed-gender Saudi audience, something that would have been unheard of in the kingdom several years ago.³³

There is an economic and political logic to these changes, which make them more than a sop to the West. These reforms provide incentives to young people and mobilize women as full stakeholders in Saudi society by maximizing their economic participation as both producers and consumers. In other words, the new social contract embodied in Vision 2030 appears geared towards offering young people (particularly women) more social and cultural freedoms in exchange for taking a greater stake in the economic productivity of the kingdom. At the same time, by socially and economically empowering a new generation of Saudis, the crown prince bolsters his popularity among young Saudis and legitimizes his claim to the throne.

Brandon Friedman, "[The Khashoggi Affair: Whither the Kingdom?](#)" *E-Notes*, Foreign Policy Research Institute, December 12, 2018.

³⁰ Karen E. Young, "[After Khashoggi, Saudi Arabia's future uncertain](#)," *The Washington Post*, October 23, 2018.

³¹ Vivian Nereim, "[Saudi Program Calls for Gender-Mixing, No Prayer Closure](#)," *Bloomberg*, May 4, 2018; See, also: Sarah Dadouch, "[Saudi body appears to retract call to end gender segregation](#)," *Reuters*, May 5, 2018.

³² Jerry Feierstein, "Saudi Arabia: Liberalization Not Democratization," *The Foreign Service Journal*, May 2018; Tariq A. Al Maeena, "Saudi Arabia is basking in real change," *Gulf News*, November 24, 2018.

³³ Noor Nugali, "[King of Latin pop Enrique Iglesias launches Ad Diriyah festival](#)," *Arab News*, December 14, 2018.

Yet these changes have also generated serious opposition and backlash from the traditional elements of Saudi society. The crown prince was able to sweep the challenges aside due to his popularity and power both at home and abroad. The Khashoggi crisis has left the crown prince more vulnerable. If it leads to Vision 2030 grinding to halt, will the government still view controversial social and cultural liberalization as a risk worth taking, given the fact that it would no longer be part of a coherent plan to contribute to greater socio-economic stability of the kingdom? If not, does the crown prince possess enough experience to manage the delicate balance between cooption and coercion necessary to insure stability?

These are the stakes of the Khashoggi affair, when viewed through the lens of Saudi domestic politics. An early sign of how the kingdom has reacted to the crisis was King Salman's visit to the al-Qassim and Ha'il provinces in early November. The hundreds of billions of dollars in development projects that the king promised to these regions should be seen in terms of traditional patterns of co-opting support for the ruling family.³⁴ Similar to the tactics employed by the late King Abdullah after the Arab Spring uprisings in 2011, King Salman was distributing the kingdom's cash to domestic constituencies in order to insure continued loyalty to his line of succession.

³⁴ Vivian Nereim, "[Saudi rulers rally support on home front as U.S. pressure mounts](#)," *Bloomberg*, November 14, 2018; Sam Bridge, "[Saudi king unveils \\$1.8bn in Hail projects during nationwide tour](#)," *Arabian Business*, November 8, 2018.