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### **U.S.-Saudi Relations**

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#### **Introduction**

An alliance that survived the oil embargo in 1973 and the attacks of September 11, 2001, in which fifteen of the nineteen passenger jet hijackers were Saudi citizens, is coming under new strains. Saudi Arabia is adjusting to what it sees as a resurgent Iran and a retreating United States, which has announced a strategic rebalancing to Asia. Some analysts point to the limited coordination over the Saudi-led military intervention in Yemen in the spring of 2015 as a signal of a new era of U.S.-Saudi relations.

#### **Seventy-Year Alliance**

Modern Saudi Arabia traces its roots to an alliance between the Saud family and descendants of Sheikh Mohammed Ibn Abdul Wahab, a prominent Hanbali Muslim cleric, who follow the most conservative school of jurisprudence in Sunni Islam. This [pact has endured for centuries](#), influencing the country's domestic and foreign policy. Saudi authorities ban women from driving cars and deny them other rights, and its government champions its interpretation of sharia, or Islamic law, by funding religious schools around the world.

The United States, first through its oil industry and then via government contacts, established a relationship with Saudi Arabia's founder, King Abdulaziz, and his successors that evolved into a close alliance, despite a stark clash in values. U.S. businesses have been involved in Saudi Arabia's oil industry [since 1933](#), when Standard Oil of California (now Chevron) won a concession to explore in eastern Saudi Arabia and discovered oil in 1938. U.S. companies were preferred to European drillers operating in Iraq and Iran because Saudi Arabia's founder was wary of colonial powers that controlled much of the region at the time.

President Franklin D. Roosevelt's [meeting with King Abdulaziz](#) aboard the USS *Murphy* in Egypt in 1945 solidified the relationship. Saudi Arabia was officially neutral during World War II but allowed Allies to use its airspace, [according to Rachel Bronson](#), author of [Thicker Than Oil: The U.S. and Saudi Arabia](#). The question of Israeli statehood was discussed during the meeting, with King Abdulaziz voicing concerns that have continued to trouble the relationship.

Since then, Riyadh has been Washington's closest Arab ally in the Middle East. Differences on the Palestinian-Israeli conflict, and later on policies related to the Arab protest movements in 2011 and Iran, have strained ties over the years, but officials on both sides have stressed the importance of

the relationship and common interests. "When push comes to shove, [this relationship is unshakable](#)," Adel al-Jubeir, Saudi Arabia's ambassador to the United States (later named foreign minister), told the *Washington Post* in March 2015.

## Oil

The [Arabian American Oil Company, or Aramco](#), established by Standard Oil and three partners—who would later become Texaco, Exxon, and Mobil—in 1944, discovered the kingdom's reserves and made it into the world's largest oil exporter. Saudi Arabia gradually bought out foreign shareholders by 1980, and the company is now known as Saudi Aramco, but U.S. energy companies maintained business interests in Saudi Arabia. Chevron, Dow Chemical, and ExxonMobil continue to be involved in refining and petrochemical ventures.

Saudi Arabia is the world's largest holder of crude reserves. It produced 10.36 million barrels of oil and exported [7.28 million barrels in July 2015](#), according to the [Joint Organizations Data Initiative](#), which compiles information about global energy production. The scale of the kingdom's energy output gives it great influence over energy markets, and protecting Saudi Arabia and other Persian Gulf producers has been a cornerstone of U.S. foreign policy objectives for decades.

Since the early 1970s, Saudi Arabia and the Organization of Petroleum Exporting Countries, or OPEC, tried to steer oil markets, first by setting prices and then adjusting supply. OPEC actions, such as keeping prices high in the 1970s and in the run-up to the 2009 global recession, directly affected U.S. consumers and prompted [President George W. Bush to complain to Saudi Arabia's king](#) about its oil policies in 2008. Saudi Arabia's ability to quickly boost production led to the collapse of oil output in the United States in the 1980s as prices plummeted by more than 60 percent over a six-month period.

In 2014, Saudi Arabia and OPEC faced a new challenge: the U.S. shale revolution. Saudi oil exports to the United States declined more than 50 percent from April to December 2014, dropping to 788,000 barrels per day in January 2015 before rebounding to over a million barrels per day in June 2015, [according to the EIA](#). Rising [U.S. shale production](#) also began to weigh on prices. Oil prices crashed from a June 2014 peak of \$110 per barrel to less than half that in 2015. [Goldman Sachs predicted in September 2015](#) that prices could dip to \$20 per barrel by 2017. Estimates from other economists weren't as bearish, but the consensus forecast is that oil prices will be lower for a few years.

*The two greatest successes of U.S.-Saudi cooperation, coordinated support for the Afghan jihad against Soviet occupation and the Gulf War, created the conditions needed for the September 11, 2001, attacks.*

Balancing the oil market, or making the price "fair" for producers and consumers, is the stated goal of Riyadh's energy policy, with a [price of \\$100 per barrel considered fair](#). As oil crude topped \$100 in the previous decade, [U.S. officials urged Saudi Arabia to boost supply](#) and bring down prices. Those calls became muted this decade, as high prices helped spur investment in U.S. shale and tight oil. In 2014, facing a glut in supply, Saudi Arabia and OPEC were once again facing calls to curb production.

In November 2014, Saudi oil minister Ali al-Naimi persuaded OPEC to keep pumping to force

high-cost producers, those exploiting shale, oil sands, and deep sea resources, to reduce their output. Naimi **called this a "historic decision"** whereby OPEC no longer controls price as a swing producer, or balancer of supply and demand, but instead relies on market forces. The kingdom's subsequent increase in output **helped force drillers in the United States to idle almost half the rigs** in the country six months after the OPEC decision.

## Defense and Counterterrorism

Providing security for the oil-rich Persian Gulf region has been a U.S. foreign policy priority since World War II. U.S. companies were responsible for much of the oil produced in the region through the 1970s, and after Saudi nationalization of its oil industry at the end of that decade, the Saudis became an important U.S. partner in the Cold War with the Soviet Union. The United States had for many years relied on Iran under the rule of the Shah as part of a "Twin Pillar" policy of stabilizing the region, but Iran's Islamic revolution in 1979 upended that approach. Saudi Arabia has been the main U.S. ally in the region for the past three decades.

U.S.-Saudi military cooperation peaked in the first Gulf War in 1991 under a U.S.-led coalition that expelled Iraqi forces from Kuwait. More than half a million U.S. troops flooded into the region, with many based in Saudi Arabia. The presence of U.S. soldiers in the kingdom irked conservatives there and boosted jihadi arguments that the Saudi elite was too accommodating to Western and non-Muslim interests.

*Saudi Arabia was the top destination for U.S. arms in 2014, and the trade is expected to grow 52 percent in 2015 to \$9.8 billion.*

The United States, Saudi Arabia, and Pakistan supported the cause of Afghan resistance to Soviet occupation of Afghanistan that lasted from 1979 to 1989. Cash and weapons flowed to the Afghan jihad, which attracted thousands of Sunni Muslims from the Middle East. Saudi-born Osama bin Laden, son of the founder of the largest construction company in the region, joined the jihad in the 1980s and was an important recruiter of Saudi fighters to Afghanistan.

Bin Laden returned to Saudi Arabia a hero, and his years of service in Afghanistan gave him close links to the kingdom's intelligence officials. But his experience in Afghanistan made him more critical of Arab states. He left the country by early 1992 and was stripped of citizenship in 1994. From his new base in Afghanistan, and protected by that country's new Taliban leadership, he declared jihad on "**Americans occupying the land of the two holy mosques (PDF)**," or Saudi Arabia, in 1996. Al Qaeda, the terrorist network established by Bin Laden, announced plans to attack the United States in Saudi Arabia and accused King Fahd of governing outside of sharia and being hostile to Muslims.

Saudi Arabia was defensive about its role in the rise of global jihadi terrorism, and a wave of popular anti-Saudi sentiment in the United States following the September 11, 2001, attacks **damaged relations between the countries**. But senior officials in both governments worked quietly together to maintain the alliance. The United States ended its military operations in Saudi Arabia in 2003, a move that tempered domestic criticism against Saudi rulers, while the kingdom improved its cooperation on intelligence with the United States, which helped thwart attacks. Saudi Arabia maintains a "robust counterterrorism relationship with the United States,"

according to a June 2015 [State Department report \(PDF\)](#).

Saudi Arabia was the [top destination for U.S. arms in 2014](#), and the trade is expected to grow 52 percent in 2015 to \$9.8 billion. The kingdom has signed agreements to purchase \$90.44 billion worth of F-15 fighter jets, Apache Longbow helicopters, Patriot Air defense systems, and many other weapons, munitions, and training services since October 2010 (including \$5.4 billion in Patriot missiles in July 2015), according to a [2015 report by the nonpartisan Congressional Research Service \(PDF\)](#). The U.S. also helps Saudi Arabia secure its oil assets by providing training and advisers to Saudi security forces.

## Divergence

U.S.-Saudi relations have never been in complete harmony. The Israel-Palestine conflict has been a source of contention from that first meeting between King Abdulaziz and President Roosevelt in 1945. Terrorism financing, the export of the kingdom's austere interpretation of Islam, human rights abuses against women, and the lack of democratic representation ([as documented annually by the State Department](#)) have created friction in the relationship. But the U.S. response to the Arab Spring, the nuclear negotiations with Iran, which resulted in a [July 2015 deal](#), and a commitment by President Barack Obama's administration to pivot to Asia have created cracks that may not be mended, some analysts say.

Saudi intervention in Yemen, despite support from the United States in intelligence, diplomacy, and arms, marks a shift in how the kingdom pursues its interests. "Saudi Arabia is no longer tethered to the American alliance," writes [CFR Senior Fellow Ray Takeyh](#). "The House of Saud is beginning to rely on its own resources. It is hard to see what role, if any, the [United States has in this evolving foreign policy](#)."

Although the United States and Saudi Arabia share objectives of containing Iran and regional stability, they have differed on core issues over the past five years. In Egypt, Saudi Arabia was dismayed by the lack of U.S. support for ousted president Hosni Mubarak, and the kingdom urged a greater U.S. role in toppling Syrian President Bashar al-Assad, a regime aligned with Iran. And Saudi Arabia was not included in initial negotiations on Iran's nuclear program that were conducted in secret in Oman in 2013. These differences may even lead the kingdom to conclude that it can no longer rely on a security arrangement with the United States, Takeyh writes, and may push Saudi Arabia to acquire nuclear weapons to protect its sparsely populated, oil-rich country.

Saudi analysts view the shift in the kingdom's foreign policy as a reflection of the [growing power of a new generation of princes and technocrats](#) whose power was solidified in the April 2015 appointment of Muhammed bin Nayef as crown prince and Prince Mohammed bin Salman as second-in-line to the throne. Still, analysts say both men will likely maintain close ties to the United States and share Washington's core security concerns, especially in confronting al-Qaeda and the self-declared Islamic State, which has attacked both [Sunni and Shia mosques in the kingdom in 2015](#).

Saudi overtures to Russia, which has clashed directly and indirectly with Riyadh's proxy forces in Afghanistan and Syria, and the pursuit of interests that may conflict with the United States are the latest signs of a new Saudi foreign policy. Examples of this shift include a June 2015 meeting between the deputy crown prince and Russian President Vladimir Putin, where they [signed investment and cooperation deals](#), and [hints by a Saudi official](#) that the kingdom [could](#)

[\*\*develop its own nuclear weapons\*\*](#). The nuclear stance, however, was tempered by King Salman's visit to the White House in September 2015 during which his foreign minister said Saudi Arabia is [\*\*"satisfied" with the Iran nuclear deal\*\*](#). And attempts to forge closer ties with Russia, at the expense of the U.S.-Saudi relations, may be strained by [\*\*Moscow's direct intervention against rebels\*\*](#) fighting the Iranian-backed Assad regime in Syria in September 2015.

## **Business Opportunities**

Even as Saudi Arabia diverges from U.S. foreign policy objectives in the region, the combination of common economic, security, and geopolitical interests are likely to maintain strong ties between the countries for the foreseeable future.

Saudi government officials and businessmen, both royals and commoners, have deep ties to the United States. Its finance, economy, and petroleum ministers all have degrees from U.S. universities. Fahad al-Mubarak, the central bank governor who controls over \$700 billion in reserves, mostly in U.S. Treasuries, was previously chairman of Morgan Stanley's unit in Saudi Arabia. Prince Alwaleed bin Talal, the kingdom's most famous billionaire investor, owns stakes in Citigroup and Twitter.

These ties, along with the large number of wealthy families in Saudi Arabia, have long made the country a source of investments in U.S. companies. No international fundraising "road show" for private equity firms or hedge funds is complete without a stop in Riyadh, or at least with the bankers who manage money for Saudis in Dubai.

As the kingdom's economy expanded over the past decade and with its stock market opening up to investors in 2015, many U.S. and European banks are expanding operations in Saudi Arabia. Bank of America has been preparing for the Saudi market opening for years, and Morgan Stanley and Credit Suisse [\*\*have shifted staff from Dubai to Riyadh\*\*](#). U.S. investment funds such as Providence Equity Partners and Apollo Global Management are also seeking to acquire stakes in Saudi companies.

## **Additional Resources**

With Saudi Arabia on the verge of a historic leadership change, Bruce Riedel examines the country's power structures in this [\*\*Brookings Essay\*\*](#).

This [\*\*Bloomberg Markets\*\*](#) article examines Saudi Arabia's oil policy over the past two decades.

This [\*\*Congressional Research Service\*\*](#) report explores U.S.-Saudi relations.

CFR Senior Fellow [\*\*Philip Gordon\*\*](#) outlines the [\*\*gaps between Saudi Arabia and the United States\*\*](#) before the King's visit to Washington in September 2015.

Defense, trade, energy, education, and environmental ties between the United States and Saudi Arabia are summarized in this [\*\*White House statement\*\*](#).

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