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Framing and Charting the Region's Issues, Interests, Challenges, and Opportunities: Implications for Arab and U.S. Policies

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Luncheon Keynote Address

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[Ambassador Westphal] Thank you, Your Royal Highness [Introduction by Prince Abdulaziz bin Talal bin Abdulaziz al Saud]. It's a pleasure to be here. I was told I was going to give a speech at twelve o'clock. I don't know what kind of train you're running, but it's a little behind. So we'll make it up.

Ambassador Jubeir, good to be with you as always. Thank you.

There's been a lot of talk of change, and I will add to that dialogue. Saudi Arabia is a country that is undergoing great change. Some of it is visible, some of it is transparent, some of it is well understood, and some of it is subtle, uneven, vague, and sometimes in doubt.

Saudi Arabia presents a unique dilemma I believe for Americans who follow foreign affairs. Of all the truly important strategic partners of the United States around the world, Saudi Arabia may be the least well understood by the general public in our political circles in America.

In my first eight months as a U.S. Ambassador, the country I have come to know is one in the midst of rapid change. It's a country of young people who are asking bolder questions to their elders. It's a country increasingly eager to integrate into the international community and adapt to international norms. It's a country rushing to embrace technological advancement. It's a country seeking ways to play a bigger role and a more positive and stabilizing role in the world's most turbulent region. It's a country trying to find a balance between tolerance and social modernization on the one hand, and security and stability on the other.

And most crucially for American policymakers, it is a country which has relied on the United States as its most important partner for eight decades, and which continues to look at the United States for assistance in managing its current phase of rapid change.

Indeed, only a partnership of two countries as strong as ours can command such an attention of our government. Just in 2014, since I've been there, Saudi Arabia has hosted visits by President Obama, Secretary of State on three separate occasions, the Secretaries of Defense, Commerce, Energy, Homeland Security, as well as the FBI Director, leading members of Congress, senior military leaders, senior business leaders, and many more officials of our government.

Why do they come to Saudi Arabia? There's a lot of reasons for that. Today, Saudi Arabia is America's largest trading partner in the Middle East and North Africa, and our ninth largest trading partner in the world.

Bilateral trade with the Kingdom reached 71 billion in 2013. U.S. exports to Saudi Arabia grew by 313 percent between 2003 and 2013. This year alone, more than 100 American companies did business for the first time in Saudi Arabia.

American companies have strong presence across the Saudi market, from American brand franchises, to consumer products, to large investment projects. Multi-billion dollars investment projects with the U.S. companies are underway in petrochemicals, aluminum, and phosphate fertilizers.

Just two weeks ago, an open skies agreement between the United States and Saudi Arabia went into effect, creating new aviation opportunities, encouraging competition among airlines, and promoting a U.S.-Saudi commitment to aviation security. Saudi Arabia is refurbishing 1,500 schools across the country and constructing 465 new schools, in addition to more than 1,540 existing school construction projects. A huge undertaking and a huge priority of the King – to rebuild its educational system.

It is also building new universities and investing in technical vocational education to meet the challenges of employment for more Saudis. Education is a high priority for the Kingdom. Our embassy and consulates in Saudi Arabia issued more than 140,000 visas in 2013, helping Saudis to visit, work, and study in the United States. There are currently partnerships between Saudi universities and over eight United States institutions, and the King Abdullah Scholarship Program, as was mentioned earlier, enables thousands of Saudi students to engage in studies in the United States and further exchanges between our two countries.

There is much more spending earmarked for new infrastructure. In the last two years Saudi Arabia has pledged over 40 billion to rail and metro development

projects. U.S. firms are helping Saudi Arabia to build new education and health care facilities, new public transportation systems, new financial districts, full skyscrapers, and new industrial cities.

When I recently asked the Governor of Saudi Arabia General Investment Authority about what type of U.S. investment he wanted to bring to the Kingdom, his enthusiastic answer was, "Everything." SAGIA is opening its doors to everything.

Saudi Arabia is actively seeking American investment partners in petrochemicals, in transportation, in health care, information and communications technologies, pharmaceuticals, automotive and renewable energy, and other economic sectors. So the United States and U.S. businesses have a vital role in building Saudi Arabia's future and in keeping the U.S. and Saudi partnership strong.

As all of you know as the world's largest oil exporter, a stable reliable supplier of energy to the world markets, the Kingdom has long played a vital role in a sustainable global economic growth.

Oil revenues are also driving strong economic growth and massive investment boom, yet the Kingdom faces some very real challenges on the energy front. This is due to a number of trends that may affect Saudi Arabia's strategic position over time.

First, domestic energy consumption is rising quickly so that the Saudis are consuming more of their oil at home. To address this growing concern and to conserve oil for export, the Kingdom has launched a robust energy efficiency program to control consumption, and is working to formulate a strategy to develop alternative energy sources.

Second, the Kingdom's spending on social programs and public investments have increased dramatically over the past three years, since the uprisings in Egypt, Tunisia, and elsewhere, a trend that is expected to continue.

Third is the question of oil prices. Oil is far and away the government's largest source of revenue. As spending on infrastructure and social programs grows, the government requires higher and higher returns per barrel of oil to balance its budget.

In this context oil prices are naturally important and there's been a lot of speculation in the last few weeks in the media and outside about the impact of recent price declines on the oil producing states.

As for Saudi Arabia, the Kingdom has put itself in an outstanding position to weather even an extended downturn in oil markets by building up foreign exchange reserves and virtually eliminating debt. Nonetheless, all of these trends – rising energy demand, increasing government spending, and all direction of oil prices – bear careful watching. Thus, in the commercial, educational, investment, and energy sectors, Saudi Arabia is experiencing significant growth and considerable change. You will not hear this on the U.S. newscast, however, because they're all about the breaking news. But these trends and resulting changes from both internal Saudi governance and politics and external relations with the United States are significant and in my opinion highly beneficial to us as a nation.

What is breaking news every day is the fight with ISIL, and here again little is made of the significance of the partnership with Saudi Arabia. Here's what we have done. When President Obama ordered targeted strikes against ISIL in Iraq back in early September, we have been encouraging Saudi Arabia and others in region to support a more inclusive government in Iraq. This was a dialogue we have been having with the Saudis for months, and we strongly agreed on the need to support Iraqi leaders as they completed their government formation process towards a new, more inclusive government. A new government that would reach out to all Iraqis, diverse communities, was a crucial step that leads the way in an effort to build a coalition to degrade and defeat ISIL.

As the President developed and shaped a strategy, Secretary Kerry began a process of forming an international coalition to wage this fight. The President and the Secretary of State had it right. It needed to be a comprehensive strategy that included denying terrorist financing, shutting off the source of foreign fighters, and had clear goals and objectives of how to complete the mission.

Beginning with the GCC region, Saudi Arabia hosted a meeting of foreign ministers that also included Turkey, Lebanon, Jordan, and Iraq. This meeting in Jeddah, led by Secretary Kerry and Foreign Minister Prince Saud al-Faisal, followed an important conversation between the President and His Majesty King Abdullah, who agreed to the strategy and called for this historic gathering. I say historic because in the end this meeting produced the Jeddah Communiqué, which outlined the support of these countries for the strategy and explained how they would actively participate in various aspects of the mission to defeat ISIL.

Saudi pilots have flown numerous missions and have been an integral part of the overall campaign. And I was just briefed in Doha by CENTCOM on those missions, and was told that the Saudi pilots performed excellently and conducted the operations as expected – did very, very well.

So this capability and effectiveness has been an impressive aspect of the relationship, and they continue to be significant elements in all aspects of military operations on a broader set of goals and strategies as we move forward.

We are working together to counter the spread violent extremism, to secure national borders, to combat terrorism finance and trans-national crime, and protect critical energy infrastructure from conventional and cyber attacks. And all of those visits that I outlined earlier, from the President on down – all of those visitors include deep and committed discussions on how to address – how to do this. How to stop the terrorism financing. How to seal the borders. How to move away from this violent extremism. How to deal with the deepening rift between the conservative religious communities and the rest of the society that wants peace and opportunity for their citizens.

We provided Saudi Arabia with advanced military equipment, including F-15Ses – the most sophisticated F-15 ever made – munitions, packages, and sophisticated missile defense systems.

As we work together, we – the U.S. and Saudi Arabia – view our role as important in the region, and I think you can go back to the address that President Obama gave in 2014 at West Point – this was in May of 2014. The President stated his vision, and this is what he said. And think about these words as you think about the things that have been happening. “When crisis arises that steers our conscious or pushes the world in a more dangerous direction, we must mobilize allies and partners to a collective action.” He did that. “We have to broaden our tools to include diplomacy and development.” He’s doing that. “Sanctions and isolation.” We’re doing that. “Appeals to international law.” We’re making them. “And if just, necessary and effective multilateral military action.” We’re doing that.

In such circumstances we have to work with others because collective action in these circumstances is likely to succeed, more likely to be sustained, less likely to lead to costly mistakes.

Today, about 50 countries as allies and partners are mobilized against terrorism, most notably ISIL, Da’esh, and AQ. Saudi Arabia and four other Arab countries have flown missions in Syria. Saudi Arabia has pledged \$100 million to the United Nations Counterterrorism Center and provided \$500 million in humanitarian assistance to Iraq.

The United States has made significant contributions to humanitarian assistance, both in Iraq and in Syria, and also committed significant dollars to the coalition to fight ISIL.

It is also agreed – Saudi Arabia has also agreed to assist in an effort to train the Syrian opposition. King Abdullah has plans to open an embassy in Iraq, which will have a very positive impact on the efforts to influence greater unity among Iraq's various factions.

As President Obama has said, American power can make a decisive difference, but we cannot do for Iraqis or Syrians what they must do for themselves, nor can we take the place of the Gulf and Arab partners in securing the region. But as all you know, instability around Saudi Arabia does not end with Iraq and Syria. The U.S. and Saudi Arabia are very concerned about the ongoing instability in Yemen, and threats posed by both the Houthis and al Qaeda in the Arabian Peninsula.

We consult closely and regularly with Saudi Arabia and the GCC on ways we can work together to help the Yemeni people. Senior officials from the United States and Saudi Arabia meet regularly to discuss events in Yemen and to coordinate our respective assistance programs, and we consult closely with President Hadi and his government on ways we can help Yemen through this very difficult period.

We also understand the concerns of our allies for Iran's activities in the region, especially in the Gulf. We seek to negotiate a comprehensive solution by November 24th that ensures the international community of the exclusively peaceful nature of Iran's nuclear program. We will remain very mindful of the Gulf concerns, and will intensify consultations and cooperation with our Gulf partners as we move forward. But whether or not a nuclear deal is reached, we will continue to voice our concerns about Iran's policies that undermine regional stability. Engagement on the nuclear issue does not mean we will be silent on all those other issues.

Finally in summary, let me just say I have focused on the more significant aspects of our near-term relationship. The issues are tough, but I'm an optimist and I do believe in always looking at the glass being half full. To me the glass is half full.

The horrible brutality of ISIL, Da'esh, the persistence of al Qaeda and other terrorist groups, the tremendous displacement of people and their humanitarian needs makes one feel no hope, but I believe there is much more goodness going on that we often dismiss and not cover and not see. There is change coming with respect to the role of women in the workplace, education, and their role and participation in communities. The law to counterterrorism is strong and applied sometimes without impunity. We become concerned about that when these laws are used simply for dissent, so we monitor judicial proceedings, and we engage to ensure that our presence and voices are noted. We believe that we make this

effort and other efforts to promote human rights because we believe it is important to protect the rights of people everywhere. But we also believe it because we believe in the partnership and the relationship, that it will in the long term enhance the ability of Saudi Arabia's growth and development and future greatness as a society.

We must never forget that partners, allies, friends, brothers will argue, will debate, will share different ideas in the context of religion, of culture, of social differences, and others, but always we must have a dialogue, and that's what we have with Saudi Arabia. An open, a clear, a transparent, a warm dialogue, and a honest dialogue. We should remember the words of President Obama – another great statement he made back in Cairo in 2009, where he said, “For we have learned from recent experience that when a financial system weakens in one country, prosperity is hurt everywhere. When a new flu infects one human being, we're all at risk. When one nation pursues a nuclear weapon, the risk of nuclear attack rises to all nations. When violent extremists and extremism operate in one stretch of mountains, people are endangered across an ocean. When innocents in Bosnia and Darfur are slaughtered, that is a stain on our collective conscious.”

That is what is meant to share this world in the 21st century. That is the responsibility we have to one another as human beings.

So, I would say I am convinced that the United States and Arabia are in fact sharing that world in this century, in this twenty-first century, and that relationship will spread and give hope to what this region can contribute to the world as it did many, many centuries ago.

Thank you very much.

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