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PRINCE FAISAL'S FIRST STAGE
IN HIS RISE TO POWER

A Thesis submitted in partial fulfillment
of the requirements for a Master's degree in Arab
Studies from the American University of Beirut

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Ralph R. Hoppe

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INTRODUCTION

" The normal condition of Arabia is, or has been, one of constant fratricidal warfare- man against man, family against family, tribe against tribe, or principality against principality. But ever and anon across this lurid background of warring elements there flashes an illuminating streak of lightning - a spark of divine quality in man, which for a moment, longer or shorter, stays the sorry pageant of human strife or directs it into more profitable channels, or seems to galvanize the striving factions into union for the purpose of a common onslaught on richer pastures where all can browse at the expense of others. Then slowly but surely the fire begins to glow less brightly and the common harmony fades away. Arabia lapses into the barbarism of tribal conflict..."¹

For nearly a thousand years after the center of Islamic activity moved northward in the seventh and eighth centuries, the scene in the Arabian peninsula had been listless and shifting. Islam had lost its dynamism among the people and the cult of local saints and pre-Islamic animistic practices re-emerged. Here and there along caravan routes and oases, villages and towns were in existence, and occasionally a tribal leader or a family established some sort of rule over a group of scattered towns, but with few exceptions there were no permanent states. The tribal inhabitants were possessed with a sense of local or parochial loyalty which overrode the greater patriotism and public spirit necessary for the maintenance of an ordered realm.

1) H.St.J.B.Philby, "The Triumph of the Wahhabis", Journal of the Central Asian Society, Vol.XIII (October, 1926).

Two powerful forces were again to change the listless Arabian scene: Wahhabism², which was to revive a vibrant Islam; King Ibn Saud, who was to provide the effective leadership for the Wahhabi energy.

We may say that Wahhabism began in 1745, when a petty, but ambitious prince of Dar'iya, Muhammad ibn Saud, gave asylum to the spiritual enthusiast of Unainah, Muhammad ibn Abd al-Wahhab, and espoused his religious cause. True Islam, according to Abd al-Wahhab, was that of the first generation, the "Companions", and in their name he protested against all those later innovations which had brought other gods into Islam. His creed was not only a call to repent, it was also a challenge to the dominant social forces. It preached the replacement of the customs of the jahaliyya by the Shari'a, and the 'asabiyya of the tribes with the sense of Islamic solidarity, by force if necessary. His followers called themselves Muslimun, or to be more specific Muwahhidun (monotheists), and made it clear that all others who became lax in their observances were Mushrikun (polytheists).

Wahhabism, alone, was not enough to transform the listless Arabia into one with a unified purpose. It needed continuity of dominant leadership. The expansion which began with the collaboration of Muhammad ibn Saud and Abd al-Wahhab, and reached to great heights under Saud the Great, collapsed after the defeat by Muhammad Ali in 1818. The defeat left the Saudi nation broken and

2) The use of the term "Wahhabism" does not imply that it is a new religion, sect or separate school of Islamic law. It is used here only as a convenient term to describe the puritanical Islamic movement started by Shaikh Muhammad ibn Abd al-Wahhab.

the Sauds returned to Riyadh, where they lived throughout the most of the nineteenth century, replaced as the real power in central Arabia by the Rashid family. Efforts by Turki ibn Saud and Faisal ibn Saud to reclaim the ancestral territory were lost when Faisal's children began fighting over succession. Riyadh was taken by Muhammad ibn Rashid, of the Shammar tribe, in 1885, and Abd al-Rahman, head of the Saudi family, fled into the desert. After a period of wandering, he found refuge in the little Shaikhdom of Kuwait. There he renounced his claim to the leadership of the House of Saud in favor of his eldest son, Abd al-Aziz ibn Abd al-Rahman Al-Faisal Al Saud.³

That ibn Saud unequivocally accepted all the tenets of Wahhabism may be debatable; that he applied Wahhabism successfully to unite the nation is beyond dispute. As claimant to the leadership of the House of Saud, he also assumed leadership of the Wahhabi community and responsibility for reclaiming the ancestral territory. The Wahhabis, his potential source of strength, were defeated and dormant, but possessed enormous exploitable energy. They only needed direction and renewed confidence. Ibn Saud's phenomenal success in recapturing Riyadh in 1902, with only a handful of men, demonstrated how victory could again be achieved against overwhelming odds by a determined leader. It created visions of further conquests. In ever increasing numbers, tribesmen again rallied under the banner of Wahhabism.

3) He was almost universally known as Ibn Saud. Lately, it has become increasingly common to refer to him as Abd al-Aziz Al-Saud, or simply Abd al-Aziz, to avoid confusion between his name and the name of his son, ex-King Saud.

During his campaigns, Ibn Saud was a brilliant warrior and a master of desert politics. He consolidated his personal position, both among friendly and conquered tribes, by entering into a great number of "political marriages", designed to bind the tribes to the House of Saud by ties of blood, the strongest ties in all of Arabia. He prohibited the customary raiding, but in turn subsidized the tribes liberally. He encouraged the Ikhwan movement, in an effort to replace the traditional tribal loyalties with a single loyalty toward him as supreme religious and temporal leader, but later crushed elements of it when they challenged his power. His remarkable ability to arouse in the tribes a spirit of fighting for a cause, with a bonus of booty, while at the same time canalizing their warlike energies, proved to be a winning formula. Within three decades, Ibn Saud's herculean efforts had not only been instrumental in reclaiming the entire land of his ancestors, but in conquering most of the remaining Arabian peninsula as well. In 1932, he proclaimed the Kingdom of Saudi Arabia, which was to unite the most Arabian territory since the early years of Islam⁴.

The story of Ibn Saud's efforts to consolidate and organize his Kingdom, unfortunately, was a sad sequel to the legends of his conquests. Unlike his campaigns, where he was an expert in every

4) In 1921, Ibn Saud became known as Sultan of the Najd and its dependencies. When the Hijaz was acquired in 1926, its citizens swore allegiance to Ibn Saud as King. In January, 1927, Ibn Saud was proclaimed King of the Hijaz and Najd and its dependencies. The final step in creation of the nation was taken on September 22, 1932, when the Kingdom of Saudi Arabia was proclaimed, with Ibn Saud as King.

aspect of desert-craft, he embarked upon his duties as a head of state as an amateur, with scarcely a trained administrator on his staff. While undoubtedly the most qualified man in the country to perform the difficult task of ruling the new country, he made costly errors in judgment, particularly in financial affairs, which, compounded by the ineptness of his heir, King Saud, were later to bring his country to the brink of disaster.

Ibn Saud dominated the internal affairs of the new Kingdom. As King and central figure in the government, Ibn Saud was simultaneously religious leader (imam), tribal leader (shaikh), and head of a territorial state (malik). In his person he combined the supreme executive, legislative and judicial functions of the Kingdom. There were no individuals or families in the Kingdom who could effectively contest his leadership. Political parties were prohibited because they lacked justification under the Saudi system of government whose basic principle was, and for that matter still is, that all political power resides in and emanates from the King. He maintained his position over the three special interest groupings (royal family, ulema, and the tribes) through great force of personal prestige, military power and a complicated system of cash subsidies.

During the creation of the nation, Ibn Saud's method of obtaining acceptance of the new and previous unaccepted form of government control and administration was to establish them within the framework of the customary forms of society with which his

subjects were already acquainted. In the more primitive areas, such as the Najd and al-Hasa, as an example, Ibn Saud retained sole personal authority, bound only by the Qur'an and the Shari'a. When he occupied the Hijaz, he found a more complex system of government, previously established by the Ottomans and Hashemites, requiring a more elaborate legislation on his part. Accordingly, he established a new set of Organic instructions in 1926 and a Council of Ministers in 1931, which were to be applied in the Hijaz only. The government of Saudi Arabia thus had a dual character, with the unifying authority of the King extending over the whole. Later, the authority of the Council of Ministers of the Hijaz gradually extended into the other regions, but, for the most part, efforts to define relationships between the Najd and Hijaz, or standardize institutions and administration for the entire country, were not successful until promulgation of the royal decree of October, 1953, which set up the Council of Ministers for the whole Kingdom.

One of Ibn Saud's major problems throughout his reign, and one which still exists today, was his inability to reconcile Wahhabism with the demands placed upon the state by the twentieth century. As a matter of policy, Ibn Saud believed that Wahhabism was the backbone of the Kingdom and therefore kept the prestige and the authority of the ulema unimpaired. On the other hand, he recognized that the Wahhabi version of a closed state, the perfection of which had been reached thirteen centuries before, was impractical in modern times. Accordingly, he kept very clear the limits of the

proper sphere of the ulema. Where the Islamic law was precise and specific, the King led his subjects in enforcing and obeying it. If the divine law required interpretation, it was referred to the ulema in the time honored tradition. In spheres where the divine law did not have direct application, the will of the King came first. When his interest came into direct conflict with those of the ulema, he would sometimes use persuasion, or, at other times, use force to win over the opposition, but in many cases was forced to compromise with these reactionary forces.

Ibn Saud's foreign policy was mainly concerned with the preservation of the Saudi domain and, later, the guaranteeing of the continuous flow of oil. For this reason he did his best to maintain friendly relations with the United States and accepted as a fait accompli Britain's pre-eminence on the southern and eastern fringes of the Arabian peninsula. To be sure, he was concerned with the Palestine problem, a champion of an Arab North Africa, and advocate of Yemen's claims to the disputed areas in the Aden borderland, and an opponent of the Hashemite bloc, but he never seemed to allow these problems to overshadow the vital interests of his country.

The political and religious institutions, which developed under Ibn Saud, may have been considered crude and unrealistic in the twentieth century, but surprisingly enough have survived, with only slight modifications, to the present time. Also, his foreign policy achieved its purpose. It was essentially only his fiscal and monetary (or perhaps we should say lack of) policy,

plus his inability to react positively to problems caused by these policies, which was to expose him and his peculiar governmental apparatus as inadequate to handle the affairs of state.

Modern fiscal practices were almost unknown in the new Saudi Kingdom. The financial control of the nation was characterized by personal manipulation by a few individuals rather than the regular operation of an administrative apparatus. During most of his reign, Ibn Saud made the major financial decisions, and there was no conception of impersonal budgetary or fiscal planning and management. The King's obligations encompassed the maintenance of the charitable institutions, the religious administration, the consolidation of his regime through gifts to the tribes, costly burdens of hospitality, his personal requirements, and the requirements of the royal household. Since there was little distinction between the revenues of the monarch and those of the state which he governed, the payments appeared as the largess of a benevolent tribal leader to the less fortunate followers.

Until 1952, no governmental machinery had been established for the control of currency or foreign exchange. The new nation established the silver riyal as the official medium of exchange, but the de facto monetary unit of the country was the English sovereign, which was used widely for both government and private interests as a means of payment. The continued dependence on foreign coins and silver riyals, whose bullion value had a tendency to fluctuate widely in world markets, made it impossible for the Saudi Arabian Government to supply currency to meet the demands of

industry and trade. Coupled with the chronic currency problem, was the need to establish the currency in relation to the foreign exchange. Sharp fluctuations in exchange rates made it difficult for the government to budget its revenues and expenditures in riyals. Without control, the nation's reserves were being reduced to the barest minimum.

The discovery of oil only compounded the problem. First millions, then tens, scores, and hundreds of millions of dollars a year poured into the royal treasury. The new wealth encouraged unlimited spending. "The situation", states Don Peretz, "was as though the Saudis had suddenly broken centuries of fasting to indulge their every conceivable appetite"⁵. Misappropriation of state funds, heretofore petty and overlooked, if not accepted, became pronounced. The change from a simple pastoral economy to one based upon astronomical wealth required a complete revision of fiscal procedures, which Ibn Saud neither understood nor desired. The rising prosperity of the country demanded modern monetary and banking procedures, which were neglected by the King because they were inimical to the prevailing beliefs. After a decade of astounding prosperity, the Saudi government was left with little monetary reserve, while carrying a public debt of millions of dollars.

Ibn Saud, perhaps for the first time in his life, was unequal to the problems facing him. Finding himself unable to control the financial situation, he chose to delay or ignore it. He neglected the obvious solution for controlling the situation - the establish-

5) Don Peretz, The Middle East Today (New York: Holt, Rinehart and Winston, Inc., 1963), p.406.

ment of a stable, efficient government - because he was not prepared to delegate that much authority. The last minute creation of the Saudi Arabian Monetary Fund and a centralized Council of Ministers was too late to remedy within his lifetime the deteriorating condition of the country. In perhaps the greatest hour of his reign, Ibn Saud had failed his country. He not only left his heirs with a serious financial problem, he also left it at a crucial time when an emerging Arab socialism was providing an alternate solution to this problem.

Despite his mistakes, the Saudi State was never threatened during the reign of Ibn Saud for he automatically commanded loyalty and respect by virtue of his personal attributes. His demise, however, put the Saudi State to the test. Unless a leader, another "streak of lightning", emerged to solve the country's pressing problems, the State was faced with the prospect of returning once again to internal conflict or falling prey to Arab socialism.

It was Ibn Saud's second oldest son, Faisal ibn Abd al-Aziz Al Faisal Al Saud, who, despite strong resistance from the designated heir, ex-King Saud, was to rise to power in two stages and preserve the Saudi State. During the first stage, corresponding to the period March 22, 1958, to December 21, 1960, King Saud was forced to relinquish governmental authority to Prince Faisal to solve the country's chronic problems and avoid a confrontation with the United Arab Republic, but again resumed full authority when the immediate problems had been solved. During the second stage, corresponding to the period November, 1962, to November, 1964, a desperate King

Saud again relinquished power to his brother, Prince Faisal, to take over the reigns of government in the face of the Yemeni crisis, but, unlike the first stage, was at the end stripped of all his powers and deposed as King.

Of the two stages in his rise to power, Prince Faisal's first stage was the most critical. It was during this period that both he and the State were on trial. Inability to solve the crises at hand could well have spelled doom for both. It is to Prince Faisal's credit that he was successful.

Prince Faisal's solution to the country's pressing problems, during the first stage, was simple and effective. First, he made peace with his Arab neighbors in general and the United Arab Republic in particular, by assuring them, both by word and deed, that Saudi Arabia would pursue a policy of passive neutrality and Arab solidarity. Freed from the external threat, he then tackled the country's immediate internal problem by introducing a program of financial reforms simple enough to be executed within a slightly modified governmental framework, but sufficiently sophisticated as to enable the country to adapt itself to modern fiscal and monetary practices. Doggedly executed, the program of reform not only succeeded in solving the country's immediate problem, but established an effective pattern for the future. It became another milestone in the history of the Saudi nation. Its success preserved the Saudi State.

CHAPTER I

SAUD FAILS; FAISAL EMERGES

The death of Ibn Saud on November 9, 1953, caused no problem of succession. By royal decree, his son Saud ibn Abd al-Aziz Al Saud had been appointed heir apparent on May 11, 1933, after confirmation by the Ulema and the Consultative Assembly. The heir apparent had played an effective and important role in the early formative periods of the Kingdom and had become quite well versed in the affairs of the Kingdom. By October, 1953, Saud had, for all intents and purposes, taken over the reigns of government from his ailing father when he was appointed President of the newly-established Council of Ministers. The succession, therefore, raised not the slightest argument. There were only the simplest of ceremonies.

The new King began his reign with considerable determination and energy. ⁶ He lost little time, following his accession, to set out on a personal tour of inspection of the far flung confines of his Kingdom. He attended to the problems that confronted each of the regions and gave necessary instructions for reform and improvements. In many cases, King Saud inaugurated new schools, hospitals,

6) For a resume of King Saud's contributions to his country, by a devoted servant, see Omar A. Khadra, The Kingdom of Saudi Arabia (New York: Crest Service, n.d.), p.5-24.

medical and agricultural centers and military installations. He directed local groups to form Committees of Reforms and asked them to assume the initiative in preparing plans for that purpose. He appealed to his subjects not to falter in appealing to him in person against cases of iniquitous and unfair treatment. On March 7, 1954, amid considerable fanfare, he presided over the inaugural session of the Council of Ministers and delivered a speech discussing the domestic and foreign policy of Saudi Arabia and the reforms necessary to carry out his plans.

Despite his early attempts to introduce a new era of enlightenment and advancement into his country, King Saud was to fail, as his father had before him, because he circumvented the country's most critical need - economic reforms. He failed because he did not wish to delegate sufficient authority to carry adequate reforms to a successful conclusion, nor did he wish to impose upon himself, or the royal family, the discipline necessary to establish a permanent basis for economic reforms. This failure, plus his ineptness in foreign affairs, was to bring Saudi Arabia to the brink of disaster in the spring of 1958.

The establishment of the Saudi Arabian Monetary Agency on April 20, 1952, by the ailing Ibn Saud, had been a forward step for solving the country's financial problem. During its first few years,

7) The Agency was established by royal decree in accordance with recommendations made by Arthur N. Young (cited elsewhere in this paper), then of the U.S. Technical Cooperation Administration (Point Four). Mr. George Blowers, an American, served as first Governor of the Agency from the time it became operational in October, 1952, until early 1955. It functioned as a modified central bank and a bank of issue, controlling as far as possible the circulation of

the Monetary Agency introduced many improvements into the Saudi monetary system. The riyal was stabilized at a de facto, not official, rate of \$0.27 per dollar⁸. The Agency also provided stable internal rates for gold by issuing the Saudi gold sovereign, fully backed by dollars, as a fiduciary coin equal to 40 riyals. In July, 1953, the Agency began issuing "Pilgrim Receipts" intended to provide elasticity to the currency at the time of the pilgrimage, which is accompanied by greatly increased demand for money. The "Pilgrim Receipts" were popular as they met the need for currency of larger denominations and soon became a large part of the circulation.

currency. The major purposes of the Monetary Agency were to strengthen Saudi currency, stabilize its value, fix this value in relation to foreign currencies, assist the Ministry of Finance and National Economy in centralizing government receipts and expenditures, and control all disbursements authorized by an official budget - the last function of which it soon ceased to be responsible. In accordance with the charter, the Agency could not advance money to the government or private parties, engage in trade or hold any interest in commercial, agricultural, or industrial enterprises, buy or hold fixed property, except what was actually essential to its operations, or issue currency notes.

8) Arthur N. Young, "Financial Reforms in Saudi Arabia", The Middle East Journal, Vol.14 (Autumn, 1960), p. 467, explained the solution for the stabilization of the riyal as follows: "It was necessary to effect in 1953 reform using the 'full weight' silver riyal, since there was a strong feeling that the Islamic law forbade substituting the fiduciary coins, which would circulate at the value above that of their metallic content. Fortunately, the way to exchange stability was reasonably clear, since the American Treasury had the will and the means to prevent the price of silver from exceeding 90 cents per fine ounce. The solution was to hold the riyal at the level of exchange (about \$0.27) at which it would not pay to export it or to melt it for use as silver bullion".

The monetary situation of the Kingdom began to deteriorate again in 1956. Early in 1955, King Saud had issued a royal decree removing the restriction of advancing money to the government and issuing paper money, as well as reducing the power of the Governor of the Monetary Agency. The nature of the Agency's reserves changed from dollar to non-dollar currencies as a result of ARAMCO's marketing policies⁹. A slight rise in the world price of silver¹⁰ and a developing shortage of dollars, later aggravated by the Suez crisis in late 1956, encouraged Saudis with foreign exchange to purchase silver riyals domestically and sell them at a profit in the international silver market. At the same time, "Pilgrims Receipts" were causing inflation. During 1955, these notes began to go to a discount against silver riyals. At the beginning, the rate of these notes was about 4.00 per dollar, a discount rate of six per-cent, and by the end of the

9) Since 1953, ARAMCO'S sale of oil and petroleum had been for currencies other than the dollar. The policy, initiated to maintain the company's competitive position among other Middle Eastern oil producers, resulted in a shortage of dollars for Saudi Arabia and a subsequent shift to non-dollar suppliers. See George A. Lipsky, Saudi Arabia (New Haven: Hraf Press, 1959), p.252.

10) Arthur N. Young, op cit., p.468, explains the rise as follows: "Early in 1955, Saudi Arabia set an official rate of 4 riyals 16½ qirsh (3.75) per dollar, or about \$0.27. This amounted to a depreciation of little over one per cent from the former de facto rate, and widened the margin between the value of the silver content of the full-weight riyal and the world price of silver. The fullweight coins were already worth more as silver than as money - though the difference was less than the 10-15% which would cause them to be smuggled abroad. Also, early in 1955, Saudi Arabia ordered in Mexico silver coins equivalent to about 17 million ounces. This demand for silver was a factor in causing the New York price to rise by 4½ cents on March 15, 1955, to 89 3/4 cents. That figure was close to the ceiling of about 90 cents imposed by American Treasury policies, and subsequently the general demand for silver was that even that ceiling was at times slightly exceeded."

year about 4.40 per dollar.

In the meantime, King Saud began to rely less and less upon the one governmental body which could have assisted him through this crisis - the Council of Ministers¹¹. His declining interest in this body is difficult to understand. He had been instrumental in establishing the body and had presided over the inaugural session. Yet, he never presided over another meeting, although he remained President of it until the following August. Reminiscent of his father, he began to rely more and more on a small group of advisers¹² to run the country. Finally, during 1957 and the early part of 1958 the Council became virtually dormant because of Prince Faisal's prolonged absence from the country for reasons of health.

11) The creation of the Council of Ministers, in 1953, was a development of major significance for the country. For the first time in the nation's history, an attempt had been made to create a central governing authority in terms other than the traditional system in which the monarch arbitrarily makes all the the decisions. Additionally, it facilitated the grouping of ministers into a coordinating body. Crown Prince Saud was named President of the newly created Council with the right of supervision and control over all the work of the ministries. Prince Faisal was named Vice-President initially, but was later appointed President by his brother on August 15, 1954. The remaining membership of the Council consisted of three categories: first, the heads of the various ministries, but not necessarily the heads of the smaller agencies, unless specifically appointed; second, the King's advisers, whom he elected to appoint; third, anyone, regardless of rank or title, who was valuable to the Council and whom the King appointed to the Council. By pronouncement, the Council of Ministers was responsible to the King. The Ministers were responsible to both the King and the President of the Council of Ministers. For additional information concerning the Council of Ministers, see Charles W. Harrington, "The Saudi Arabian Council of Ministers", The Middle East Journal, Vol. 12 (Winter, 1958).

12) The most notable of whom were HRH Prince Abdullah ibn Abd al-Rahman, Shaikh Yusuf Yasin, Shaikh Khalid Gargoni abu al-Walid, Al-Sayid Jamal al-Husaini, Shaikh Ibrahim ibn Muhammad, and HRH prince Mishal ibn Abd al-Aziz.

Lacking will and direction, the government let the financial condition of the country continue to deteriorate. After 1956, severe domestic repercussions were felt. The amount of money in circulation had increased sharply in response to internal economic expansion, while at the same time the exchange reserves held by the Monetary Agency to back the money in circulation melted away to no more than 14 per cent. With the Agency's obligations to local banks equalling this backing, the reserves were reduced to nil.¹³ The urban population, earning larger incomes than ever before, were unable to satisfy their demands for goods which could only be met by imports, without paying higher prices. Between 1956 and 1958, prices rose by some 40 per cent, and real wages fell¹⁴. The value of the riyal on the free market had fallen at times as low as 6.4 riyals to the dollar¹⁵. Business confidence gradually evaporated and commercial activity slowed to a standstill. Capital left the Kingdom in large amounts. The crisis was so crushing, so said a Council of Ministers statement later, "had not this matter been coped with in time the country would have been hit by a financial disaster of God knows what magnitude"¹⁶.

13) From a "Statement of the Council of Ministers" broadcast over Radio Mecca on January 3, 1960, reviewing the 1958 crisis. The Statement was quoted by ARAMCO, Government Relations Arabian Research, Current Affairs Radio Broadcasts, Dhahran, Saudi Arabia (hereafter cited as CARB), January 4, 1960.

14) Ibid; see also George A. Lipsky, op cit., p. 200.

15) Ibid; see also New York Times, April 4, 1958.

16) Ibid.

The King made his first positive move to correct the financial situation in January, 1958. At this time, two royal decrees, reflecting the advice of International Monetary Fund Experts, invited to the Kingdom in late 1957, were issued. Under the first, the government published a new budget which was to be used to pay off government commercial arrears. The second revised the bylaws of the Monetary Agency so that it might perform the role for which it was originally established and gave it more of the functions of a central bank. On January 13, 1958, Radio Mecca commented on the
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corrective measures as follows:

"With the publication of the Royal Decree on the State Budget for 1377 A.H. (28 July 1957 to 17 July 1958) and the details of the budget itself, the financial situation in the country should become more stable. The passing phases of the financial crisis began with the aggression against Egypt and Saudi Arabia's decision to stop oil exports to the countries responsible for the aggression. King Saud assisted Egypt during her economic crisis and gave other financial assistance to many Arab countries. In addition to that, development projects in the country consumed a large part of the state revenue. Under these circumstances, expenditures rose above revenues.

"To meet this financial situation, King Saud, several months ago, called for an economic and financial congress which met in Jeddah. As an outcome of the congress, import committees were formed and were authorized to issue permits for allocating hard currency for necessary imports. Several weeks ago, King Saud solicited the assistance of world-famous economists to study the financial situation under his immediate guidance.

"As a result of these measures it was found necessary to reduce state expenditures and withhold a part of the state income to settle government debts. His majesty began with himself and reduced his personal expenses. The expenditures estimated at more than SR 2,000 million were reduced to SR 1,500 million. The surplus of SR 125 million will be allocated to the Saudi Arabian Monetary Agency in the form of dollars and other hard currency which will back Saudi currency. The Agency will receive

17) As quoted by K.S. Twitchell, Saudi Arabia (Princeton: Princeton University Press, 1958), pp. 185-188.

in the next few months additional sums of money for this purpose. New regulations have been set forth for the Monetary Agency and they shall be applied in accordance with the general budget. On the basis of these measures and within the next few months, the restrictions imposed on currency and on imports will be lifted. The rate of the Saudi riyal will be fixed at the official rate as approved by the International Monetary Fund. The riyal will thus have an internationally recognized purchasing power".

The austerity program was a realistic step in the direction of solving the country's problems. But, it was only a point of departure. It needed effective execution. King Saud, however, was never given a chance to completely bring his program to conclusion because in the meantime he had become embroiled in a serious dispute with the United Arab Republic, which was to become the "final straw" needed by the royal family to demand that he turn over the reins of government to his brother, Prince Faisal.

King Saud, unlike his father, committed Saudi Arabia to an active position in Arab affairs and made a serious bid for leadership in the Arab World. Drawing ever closer to Egypt, despite a radical difference in their internal political systems, King Saud emerged as a proponent of neutralism, a champion of Arab Palestine and North Africa, an advocate of Yemen's claims to the disputed areas in the Aden borderland and an enemy of the Baghdad Pact. He took his first major step in this direction in October, 1955, when he entered into a five-year mutual defense pact¹⁸ with Egypt and Syria and publically declared his opposition to the Western-sponsored Baghdad Pact. In December, 1955, the Saudi army, together with the Syrian army, was put under joint command headed by an Egyptian com-

18) See "Egyptian-Syrian Mutual Defense Pact (October 20, 1955); Egyptian-Saudi Arabian Mutual Defense Pact (October 27, 1955)", The Middle East Journal, Vol. 10 (Winter, 1956).

mander-in-chief. In January, 1957, Saudi Arabia agreed with Egypt and Syria to underwrite a E £ 12,500,000 annual subsidy to Jordan¹⁹, after Great Britain had dropped this subsidy. The purpose of the subsidy was ostensibly to permit Jordan to resist Israel pressures, but, at the same time, it kept Jordan out of the Baghdad Pact.

Toward the latter end of 1956, the Saudis began having some doubts over their close association with Egypt. The Suez crisis had put the Egyptian-led alliance to a severe test because neither Syria or Saudi Arabia, apparently, was consulted concerning the nationalization of the Suez Canal Company. The invasion of Egypt, which followed, not only disrupted the flow of oil but also demonstrated the consequences of Saudi Arabia's close association. At the same time, King Saud began to realize that the influx of a large amount of Egyptians into the country was potentially dangerous to the traditional political system.

In 1957, taking advantage of Egypt's post-Suez troubles, King Saud made an apparent effort to disengage himself from too close an association with Egypt. During a visit to the United States in January, 1957, he declared his general support of the United States policy in the Middle East as expressed in the Eisenhower Doctrine. During his trip to the United States, he also had an

19) See "Text of Solidarity Accord Among Jordan, Syria, Saudi Arabia and Egypt of January 19, 1957", The Middle East Journal, Vol. 11 (Spring, 1957), pp. 194-195.

opportunity to meet Prince Abd-al-Ilah, Crown Prince of Iraq, thereby opening a new phase of rapprochement with the Hashemite monarchies of Iraq and Jordan. The rift between Saudi Arabia and Egypt was further widened following the formation of the United Arab Republic on February 1, 1958. Although outwardly congratulated by King Saud, the union of Syria and Egypt was feared by King Saud because it was strengthening the general revolutionary trend in the Middle East. Lastly, the thin facade of friendship between the two countries was ripped off by the alleged assassination plot.

On March 8, 1958, President Nasir accused King Saud of plotting to assassinate him²⁰. President Nasir charged that King Saud, through the father of one of his wives, had handed three checks worth a total of 1,900,000 pounds sterling to Lieutenant Colonel Abdul Hamid Sarraj of Syria. This amount was to be part payment for carrying out a plot to blow up President Nasir's plane when the Egyptian leader was on his way to Damascus and to lead a coup in Syria that would break up the newly formed United Arab Republic. Colonel Sarraj, the powerful young pro-Nasir Chief of Syrian Intelligence, said he reported the plot to President Nasir. Photostats were displayed of cancelled checks with allegedly represented the down payment.

Following the announcement, President Nasir's propaganda guns turned full blast against King Saud. The details of the charges were repeated over and over in the press and on the radio. At the

20) As reported by New York Times, March 9, 1958.

same time, Muhammad Haykal, President Nasir's mouthpiece, threw in some extra blows against the monarch. One of these, in an obvious move to cause a propaganda furor among Arab neutralists, was the charge that Saud had agreed to permit the United States to stockpile atomic and hydrogen bombs at the United States military air base at Dhahran and the United States bomber patrols carrying nuclear weapons were using that base in Saudi Arabia²¹. The propaganda campaign was halted in April 13, reportedly in hopes that King Saud would come through with some kind of conciliatory declaration, but was resumed on April 15, when it became evident that such a declaration was not forthcoming.²²

As for King Saud, he made no clear denial of the charges. He did appoint a commission to investigate, but it reportedly resigned indignantly when Riyadh bankers refused to answer questions, apparently on his orders.²³ Also, in an apparent attempt to retaliate for the propaganda attack against him, King Saud ordered a strong guard placed around the Egyptian Embassy in Jidda to "protect the mission from the growing anger of the populace".²⁴

The true nature of the plot has never been satisfactorily disclosed. Certainly, the nature could have been exactly as described by President Nasir. On the other hand, the timing of the announcement

21) As reported by the New York Times, March 9, 1958.

22) New York Times, March 16, 1958.

23) As reported by Time, April 7, 1958.

24) As reported by New York Times, March 16, 1958.

by President Nasir was almost too timely. It came right after King Saud had announced his neutrality between blocs. It coincided with the period when Saudi Arabia was drawing very close to the United States. It was also a time when Saudi Arabia's economic problems could be fully exploited. This situation, then, suggests the possibility that the plot may have been planned by the United Arab Republic, itself, to embarrass both King Saud and the Saudi ruling system. President Nasir's description of the plot states that the initiative was taken by King Saud. Could it not also be that Colonel Serraj took the initiative by making the initial suggestion to a gullible King Saud? In either case, King Saud's reaction, one of apparent embarrassment and hesitation, would necessarily have been the same. Yet, whether or not the charges were true, they were widely believed, and there was widespread indignation in the Arab world at this "treacherous plot".

The two crises demanded action. On March 17, 1958, in a huge tent in the desert near Riyadh, some three dozen princes of the Saudi royal family - brothers and nephews of the King - met in a tense family reunion to debate the situation.²⁵ The princes agreed that for the first time since 1902, when Ibn Saud began the consolidation of Arabia, the Saudi monarchy was in danger. People were beginning

25) There are various, yet similar, versions of the historic meeting. The version described here is essentially the one given by Richard Nolte, "Faisal Takes over in Saudia Arabia", The Reporter, vol.18 (May 1, 1958).

to speak openly against the King. Saud's "evil advisers" who were responsible for the "total corruption" in the country, had to be removed. In the midst of proposals that the King be required to abdicate in favor of Prince Faisal, the latter broke silence to state that he had sworn at his father's deathbed to serve his brother as King as long as he lived and would therefore take no part in forcing abdication. The compromise solution was to present King Saud with a demand that Prince Faisal, in his hitherto nominal capacity as Prime Minister, be given plenary powers to "restore the prestige and dignity of the House of Saud". Aware of the forces arrayed against him, the King yielded. On March 22, the following royal decree made it official:

In the name of God the Merciful, the Compassionate; after putting our trust in God, We, Saud ibn abd al-Aziz al-Saud, King of Saudi Arabia; and in view of the steps which our young government has so far taken; and being desirous of strengthening the system of government and centralizing responsibilities in the light of the experience our government has gained in its formative stage; have ordered the following:

Article 1 : We grant the President of our (Council of) Ministers full authority to formulate the internal, external, and financial policy of the state and to supervise the execution of this policy.

Article 2 : The constitution of the Council of Ministers shall be reviewed and existing regulations amended accordingly.

Article 3 : The President of our (Council of) Ministers shall carry out this order, and may God grant us success.

(Signed) Sa'ud²⁶

CHAPTER II

THE NATURE OF THE FIRST STAGE

Shaikh Abdullah Tariki²⁷ smiled enigmatically and made an astonishing statement to Associate Press Correspondent, William M. Ryan:²⁸ "We in Saudi Arabia", he said, "have taken a long step forward toward constitutional monarchy". Warned that he would be quoted, Shaikh Abdullah nodded, smiled and continued:

"Something is happening here. It is something nobody or nothing can stop. This nation is just beginning to go forward. Religion and tradition still may be in the way, but they won't stop it".

In a nation under autocratic rule, such a statement would ordinarily be considered reckless. What he was speaking of was nothing less than a revolution in the political life of a nation accustomed for centuries to a feudal existence.

Shaikh Abdullah undoubtedly felt that he had good reason to make such a statement. The granting of full authority to the President of the Council of Ministers to formulate the internal, external and financial policy of the state was revolutionary in

27) University of Texas trained Shaikh Abdullah Tariki was at the time 38 years old and Director General of the Saudi Government's Petroleum Affairs. He was elected to the Board of Directors of ARAMCO in January, 1959. He became Minister of Petroleum and Mineral Resources in 1960. On March 16, 1962, the same day that Prince Faisal was reappointed Deputy President and Foreign Minister, Shaikh Abdullah was removed from his ministerial position. He has become a prominent exponent of the Arab claims to share in oil refining, transport and marketing.

28) As quoted by the New York Times, June 4, 1958.

itself. The additional proviso that "the Constitution of the Council of Ministers should be reviewed and existing regulations amended accordingly" was tantamount to the abdication of the royal prerogative. The immediate promulgation of far-reaching reforms by the Council of Ministers seemed to remove all doubt that Saudi Arabia was indeed experiencing a revolution in its political system.

The prediction of Shaikh Abdullah may have expressed the hope of a rising group of young educated men in Saudi Arabia, but these hopes were premature and destined soon to fade. His estimate of the situation had not taken into consideration the true nature of the change. He had not only overlooked the reason for the change, but had improperly evaluated Prince Faisal's role in the change.

The royal decree which implemented the changes was understandably vague and, hence, open to various interpretations. The country was faced with a serious crisis. The nature and means of action had yet to be defined. Desperately groping for a solution to the problem, the Royal Family had turned to Prince Faisal. The royal decree was merely a hasty means of legitimizing his role in solving the crisis by granting him authority as President of the Council of Ministers. It was not meant to have complicated political implications. The degree of authority and means of solving the crisis still had to be worked out between the King and the Crown Prince.

Similarly, the objectives of the new change were poorly defined. These objectives were stated by Prince Faisal during his broadcasted address to the people over Radio Mecca on March 23, 1958.²⁹

29) As quoted by CARB, March 24, 1958.

"His Majesty has issued his order to reorganize the system of government in such a way as to guarantee prosperity and internal security to preserve the stability of the financial system, and to adopt a government policy which will be in the interest of the Arabs".

Although vague in nature, the objectives obviously represented a desire to solve the country's two most pressing problems - the financial crisis and averting a confrontation with the United Arab Republic - because it was to these problems that Prince Faisal was to mainly address himself during the next two and one-half years.

Prince Faisal did not at first elaborate on his plans for attaining the objectives. He simply asked all government employees and members of the general public to assist him in carrying out the important matter. At the same time, he gave warning to those who would not cooperate:

" I request that every government employee examine himself, if he finds that he is doing well, he may be proud; but if he finds he is doing wrong, he will assist. He who is doing wrong will be punished without mercy; he who is doing well will be rewarded".

The governmental momentum, in reaction to its new authority, began at 5:00 P.M., Sunday, March 23, 1958, when the Council of Ministers held their first meeting after the issuance of the royal decree.³⁰ The meeting was presided over by the President, Prince Faisal. The Crown Prince opened the meeting by thanking God for allowing him to return to work safe and sound after his recent illness. He then ordered that the royal decree issued on 2 Ramadhan (March 22, 1958) be read. After the reading of the royal decree, Prince Faisal offered

30) The details of the meeting were contained in an announcement from the Office of the President of the Council of Ministers, which was broadcast over Radio Mecca on March 23. For text of announcement, see CARB, March 24, 1958.

9 A.M. to 13 hours under the presidency of H.R.H. Amir Faisal, Heir Apparent and President of the Council of Ministers; and the Council debated the important matters brought before it, so that disposal of the most of them was completed. Then the session adjourned to be resumed today!³²

On May 11, the Council brought forth the first product of its labors, a new statute for the Council of Ministers. The document made no pretense of having tackled the many problems of urgent administrative reform confronting the country. Rather, it only established a point of departure by providing the Council of Ministers with authority to carry out the nations's objectives.³³

Within the next eighteen months, the Council of Ministers, empowered by the new statute to manage the affairs of state and enact legislation in the entire spectrum of government activities, concentrated mainly on financial reforms. The Council, in succession, enacted Import Regulations and Currency Control Regulations, submitted two realistic budgets, and stabilized the riyal. These reforms were limited in number, but wide in scope; they went right to the heart of the financial problems which had tormented the country. By the beginning of 1960, when the feud between King Saud and Prince Faisal was to begin to inhibit further governmental reform activity, the country had overcome its financial crisis and established a sound fiscal and monetary system for the future.

The success for overcoming the financial crisis in such a short

32) As quoted by H.St.J.Philby in his commentary to "Saudi Arabia : the New Statute of the Council of Ministers", The Middle East Journal, Vol, 12 (Summer, 1958), p. 318. See, also, CARB during the same period.

33) For a discussion of the new Statute of the Council of Ministers, see chapter IV.

his thanks to the King and said:

"This is noble guidance; I wish to thank His Majesty for his priceless confidence and his wise leadership. I am one of you, and with your assistance we shall work together toward our guarantee for the interest of our country to the satisfaction of God and in accordance with His Majesty's guidance".

Afterward, the Council discussed ways and means for carrying out the royal decree. They decided to form committees to study it. They further agreed that these committees would continue to meet to carry out the matters entrusted to them.

The Council of Ministers first tackled the country's external problem. Hastily and expediently, Saudi Arabia was committed to a policy of passive neutrality and Arab solidarity. Early assurances by deed, as well as word, that this policy³¹ would be diligently pursued, apparently placated President Nasir because the propaganda campaign, halted after King Saud delegated governmental authority, was never renewed. At the same time, it kept Saudi Arabia at peace with her other Arab neighbors, thereby permitting Prince Faisal and the Council of Ministers to devote their attention to their primary objective - reform of the country's financial system.

The scene thus set, the President and his Council of Ministers embarked upon the remaining task prescribed for them. The public was kept informed at frequent intervals of the meetings of the Council, without, however, disclosing the nature of the matters discussed. The regular formula of such announcements were:

"The Council of Ministers continued its sessions yesterday from

31) For a discussion of Prince Faisal's foreign policy, see Chapter III.

time can be attributed to three main factors: (1) the King and royal family submitted to the discipline necessary to carry out the required changes; (2) the acceptance of sound advice from International Monetary Fund experts; (3) Prince Faisal's will and determination in carrying out the changes.

The serious crisis had shocked the King and the royal family into realizing that drastic changes must be made. The King was faced with either accepting the new reforms and carrying them to fruition or determining another course of action. The King, however, realized that his other courses of action, previously tried, had not been successful. He, therefore, had little choice but to approve the recommendations of the Council of Ministers and provide the authority necessary for the successful execution of these reforms.³⁴

In November, 1957, Mr. Anwar Ali, a Pakistani, who headed the Middle East Monetary Fund, and Mr. Zacki Saad, who represented all the Middle East countries on the Board of Directors of the International Monetary Fund, had visited Saudi Arabia to assist in the preparation of a budget. At the height of the financial crisis, in 1958, they were again called back by Prince Faisal to become the architects of Saudi Arabia's fiscal reforms. Mr. Saad became personal counselor to King Saud on March 22. Mr. Ali, taking a six months leave of absence from the Monetary Fund Headquarters in Washington to do so, arrived in Saudi Arabia on April 4 to become acting governor of the

34) For a discussion of financial reforms, see Chapter III.

Saudi Monetary Agency.³⁵ The two experts diagnosed Saudi Arabia's difficulties as a case of overspending, especially since 1954, and recommended an immediate stabilization program³⁶. The program, they felt, should be based, first, on making the state live within its means; second, reform of the exchange system; and third, permitting only necessary food and drugs to be imported at the official rate of exchange while all other imports had to use the higher free-market rate. Prince Faisal and the Council of Ministers readily approved the recommendations of the experts and used them as the basis for their fiscal reform regulations which were to follow.

Prince Faisal's personal characteristics were appropriate for solving the country's problems. The cosmopolite of the family, thoroughly versed in world affairs, as well as quick-thinking, shrewd and self-assured, Prince Faisal brought stature to his new role. As a leader in the country's previous reforms, he also brought essential experience to the task of preparing further reforms. A thrifty man in a society where nobility and popularity are commensurate with open-handed prodigality, Prince Faisal was bakhil (stingy), a quality sorely needed to attack the country's financial problems. He was a formidable "in-fighter", as attested to by his father, who used to say:³⁷

35) A royal decree, dated October, 1958, retroactively appointed him Governor of the Agency as of April 1, 1958. He has held this position ever since.

36) From comments later made by Mr. Anwar Ali, as quoted by the New York Times, November 21, 1959.

37) As quoted by Richard Nolte, op cit.

"Saud is an open heart who can never keep a secret or hide an emotion.. But Faisal ! God help those who fight him for he is like moving sands- the deeper you plunge your hands into them, the less you know where they end".

He was also objective, yet demanding, as evidenced by his announcement at a meeting of the Council of Ministers:³⁸

"I am fully aware of my shortcomings, and value most he who points out to me my errors. I would welcome being admonished of fault or omission by any person outspokenly, not by hint. I vow by Allah that I bless the moment in which one comes to say: 'You are mistaken or deficient, and yet I have never heard this from you '. I ask you: Is this trustworthy on you part?"

But, above all, he possessed the will and determination to carry out the country's reforms.

Prince Faisal's first step toward insuring the execution of the proposed reforms was to reshuffle the government. The King's foreign advisers,³⁹ the alleged link between the throne and the Council of Ministers, were barred from attending Council meetings by Article 3 of the new Statute of the Council of Ministers, which stipulated that only Saudis could be members.⁴⁰ Shaikh Muhammad Serour al-Saban, a former slave who rose to enormous power under King Saud,

38) As quoted by George Kheirallah, Arabia Reborn (Albuquerque: University of New Mexico Press, 1952), p. 270.

39) The most prominent of whom were: Syrians, Yusuf Yasin and Rashid Pharaon; Palestinians, Ahmad Shukairy and Ahmad al-Huseini.

40) The first press announcements of Prince Faisal's conditions for cooperation with the King was that the King's foreign advisers should be excluded from cabinet meetings (see Times, March 25, 1958; New York Times, March 26, 1958). These foreign advisers had been under Egyptian press attacks since announcement of King Saud's alleged assassination attempt (see New York Times, March 16, 1958). The Egyptians hailed Faisal's elevation as the first step in ridding Saudi Arabia of its evil foreign advisers (see New York Times, March 25, 1958). Prince Faisal, on his part, did not make any public comments on the reasons for excluding the foreigners.

was replaced as Finance Minister by Prince Faisal, himself.⁴¹ By March 29, 1959, Prince Faisal had also taken personal direction of the Ministries of Interior and Commerce and Industry⁴². With the exception of the Ministry of Commerce and Industry, Prince Faisal retained these key ministries until he was forced into resigning on December 21, 1960⁴³. In the meantime, at Prince Faisal's elbow stood Prince Fahd and Prince Sultan, the Ministers of Education and Communications, respectively, who were considered to be among the most able of Ibn Saud's sons. The new change in government was summed up as follows:

"A local wag has remarked that it is all to the good for the owners of the firm to be back in control of its affairs. In the old days, when the foreign advisors were in power, their interests were strictly short term. The firm of Faisal and Brothers has more at stake⁴⁴."

The next step taken by Prince Faisal was to find a "watchdog" to insure that the reforms were carried out according to plan. For this task he assigned the responsibility to the Saudi Arabian Monetary Agency, the Governor of which was one of the architects of the fiscal reforms. By simply controlling the currency transactions, both internal and external, the Monetary Agency was able to insure

41) The dismissal of Shaikh Muhammad was rumored as early as March 29, (see New York Times, March 29, 1958), but was not confirmed until July 28, 1958, by royal decree (see CARB, July 30, 1958, for text of royal decree).

42) For a resume of governmental officials during the period 1958- 1960, see Appendix A.

43) Once, when asked at an interview, on July 22, 1959, if he considered reshuffling the cabinet and reassigning his work load, he replied: "Sincere cooperation among all citizens is my aim. I believe that government is the work of a loyal team working in the service of noble aims. Studies are now being made for assigning responsibilities". For text of interview, see CARB, June 25, 1959.

44) As quoted by The Economist, December 12, 1959.

compliance with the austerity measures of the new reform regulations.

Lastly, Prince Faisal, using every bit of authority he could muster, doggedly enforced acceptance of his key reform. He insured that the Monetary Agency had the authority to continue their key role unimpeded. Also, despite considerable friction provoked by his radical departure from previous practice,⁴⁵ he demanded and obtained respect for budget estimates. At the same time, he realistically recognized that practical considerations prevented him from accomplishing all his goals at one time. As an example, he stated that it was within the Government's means at an early date to restore the riyal to its official rate, but that it would hurt the public.⁴⁶ In answer to a question as to the government's intended action to curb the flight of capital during his austerity program, Prince Faisal replied:⁴⁷

"The government has already studied the matter and decided that if necessary legislation to stop this flow was adopted, capital would continue to be smuggled from the country by illegal means. Instead, the government decided to concentrate on developing and consolidating the national economy through careful planning."

Similarly, Prince Faisal delayed the submission of the first budget. "The reason for the delay in completion", he said,⁴⁸ "is that

45) The New York Times, November 20, 1959, reported that one of the twelve of Saud's sons had lately been married in groups of four to avoid excessive expense, and that the King, to avoid the indefinite proliferation of royal family costs, had begun to pay off some princes in lump sums with the understanding that they would be thereafter on their own.

46) CARB, January 17, 1959.

47) Ibid, October 25, 1958.

48) Ibid.

this year there is every intention of drafting a stable budget, one which is not to be subject to various changes in the course of the year". Those reforms which he felt feasible, however, he methodically followed to completion.

At this point, one might pose two interrelated questions:

(1) Why did Prince Faisal concentrate his efforts only on financial reforms ?(2) Why did he stop short of constitutional monarchy when the enactment of the new Statute of the Council of Ministers had indicated that he was indeed headed in that direction?

In answer to the first question, it must be remembered that it was one of the most pressing problems facing the country. It was, then, only appropriate that it be given top priority. When the nation had arrived at the point where it had solved its immediate financial problems, and would be ready to concentrate on other reforms, the feud between King Saud and Prince Faisal was to inhibit any reforms which Prince Faisal would have deemed appropriate.

The answer to the second question lies in a number of factors; first, King Saud continued to retain considerable power despite his delegation of authority; second, Prince Faisal had sworn allegiance to his brother on his father's deathbed and did not seem to want to participate in any action that would seem contrary to this oath; third, Prince Faisal's political philosophy was opposed to a radical political change.

The true relationship between King Saud and Prince Faisal during those fateful days following the issuance of the royal decree will undoubtedly remain a secret within the royal family. We only know that the two maintained a precarious balance. As for Prince Faisal, he had initially obtained unprecedented authority. He had reorganized

the governmental machinery to suit himself. His reforms increasingly undercut the royal prerogative. On May 18, a major foreign policy statement emanated from him,⁴⁹ not from King Saud. It was Prince Faisal who sent the message of recognition to the new Iraqi Republic on July 24,⁵⁰ and congratulated the establishment of the Algerian Republic on September 30. It was also he who travelled to Egypt during the period August 15-18 to "clear the atmosphere" between the two countries.⁵¹ For over a year, Radio Mecca was to concentrate almost entirely on Prince Faisal's activities, while neglecting King Saud.⁵²

During the same period, however, King Saud retained the power of veto over all actions of the Council of Ministers and signed all decrees implementing major administrative action. By virtue of his generosity, he retained the loyalty of the tribes. His confidence in his retention of supreme power is evidenced by a message he gave to Iraq's roving ambassador, for King Faisal, stating that Prince Faisal's duties were clearly defined and limited, and that he, King Saud, continued to exercise authority⁵³. It was undoubtedly in recognition of King Saud's de facto retention of power that Prince Faisal made every effort to publicly acknowledge the supreme authority

49) For discussion of the statement, see Chapter III.

50) CARB, July 26, 1958.

51) Ibid, September 21, 1958.

52) See Ibid during the period March, 1958 through July, 1959.

53) Times (London), April 10, 1958.

of the King.⁵⁴

Prince Faisal was a traditionalist every bit as much as his father, Ibn Saud, or his brother, King Saud. His concept of freedom, government, and constitution may not be easily understood by one reared in the West, but it represented his deep belief in the traditional Saudi way of life. As an example, he had expounded upon liberty and freedom as follows:⁵⁵

"We have seen in different countries people who mount the rostrum, criticizing the head of the government and its leaders. This is not current in our land, and it is said that we have no freedom of expression. This can claim the liberty we possess? Any man may stop the King on the road and voice his complaint. Is there any greater freedom than this? Does one mean by freedom the establishment of a tournament of personal quarrels and an exchange of vilification? This is not freedom. Freedom consists in giving free vent to sincere views".

The constitution which Prince Faisal visualized was not one which defined the limits of the government and rights of the governed, as one expects in the West, but rather was based strictly upon his strong Islamic beliefs. His position was quite clearly stated during a press conference on January 25, 1960:⁵⁶

" Our country, as you know, is based on a very sound foundation, the Shari'ah of Islam. This gives us a spiritual constitution: the Koran. We should uphold our constitution and draw the attention

54) As an example, all announcements from the Council of Ministers stated, in effect, that this body was carrying out the wishes of a benevolent, yet all powerful King. Also, on May 25, 1958, Prince Faisal, along with members of the Council of Ministers and leading Saudi Princes, took an oath of loyalty to the King in the Dhahran hospital, where the King had been admitted a week previously for rest (see New York Times, May 26, 1958). By August 31, the Prince had started taking pains to indicate to visitors, both by word and gesture, that he considered his brother, the King, head man of Saudi Arabia (see the New York Times, August 31, 1958).

55) As quoted by George Kheirallah, op. cit., p.270.

56) As quoted by CARB, January 26, 1960.

of and lead the people to the Shari'ah of the Prophet of God. This is the duty of all of us..."

Prince Faisal could see little use for open discussions on political issues. "Everyone knows that Saudi Arabia is different from any other country in the world", said Prince Faisal,⁵⁷

" by its special status and circumstances. God should be thanked because we do not have in this country any political parties or conflicting elements because we are loving brothers working in reform or construction for we are still at the beginning of our road. We are in need of guidance in all fields, and I personally accept every opinion and idea that is presented to me even though, I myself, may think otherwise".

Similarly, in response to a request for the opening of clubs to train young men in public speaking, Prince Faisal replied:⁵⁸

"Training young men is a job for the Ministry of Education. It is not a matter of words and public speeches, but a matter of goals and missions. We do not forbid anyone from speaking in public, but restraint is advisable if we are to avoid the pitfalls of over-enthusiasm".

It becomes clear, then, that the nature of the change which Prince Faisal was instrumental in bringing about was indeed revolutionary for Saudi Arabia, but fell considerable short of a political revolution. It was perhaps an irretrievable step toward a constitutional monarchy, but only insofar as it reoriented the existing government. Prince Faisal was obviously not a revolutionist nor a constitutionalist. His sole aim was to implement necessary reforms within the existing political framework to avert a financial crisis and, at the same time, reorient Saudi Arabia's relations with its Arab neighbors. The changes were, in fact, instituted to preserve the traditional Saudi ruling system.

57) Ibid.

58) As quoted by CARB, January 17, 1959.

CHAPTER III

AN ANALYSIS OF FAISAL'S FOREIGN POLICY DURING THE FIRST STAGE

The first order of business for Prince Faisal and the Council of Ministers, after King Saud's delegation of authority, was to overcome the country's external threat. President Nasir had called off his propaganda offensive immediately after King Saud had issued the royal decree, which effected the governmental changes, but there were no assurances from Cairo that the campaign would not be resumed. To overcome the external threat, Prince Faisal had essentially three courses of action open to him: first, he could resist any pressure by the United Arab Republic; second, he could submit to President Nasir's pressure; third, take a position somewhere between the two. Prince Faisal chose the latter by establishing a policy of passive neutrality⁵⁹ and Arab solidarity. This policy was obviously designed to placate President Nasir, but, at the same time, was sufficiently aloof from him as to maintain a precarious peace with Nasir's foes as well.

The first foreign policy decision made by Prince Faisal, after his assumption of power, was to withdraw the aid to Jordan,⁶⁰ which Saudi Arabia had pledged previously under the Arab Solidarity Agree-

59) Prince Faisal called it positive neutrality, in line, no doubt, with the position which had been claimed by the United Arab Republic. To avoid a discussion in semantics, as posed by some recent authors, I would prefer to define Prince Faisal's policy of neutrality, which I call passive, as "aloofness in both the Cold War and the internal and external affairs of the other Arab countries".

60) Saudi Arabia reportedly gave Jordan 18 million before the aid was withdrawn, see The New York Times, March 30, 1958.

ment of 1957. The reason for the discontinuance of this support is not too clear. It was variously attributed to the pro-Nasir sentiments which for a while were ascribed to Prince Faisal, the financial difficulties which were facing the country, and to the recognition of the fact that Iraq, before the overthrow of the monarchy in that country, was giving necessary support to Jordan⁶¹. It is perhaps more likely that Prince Faisal had decided, at this early date, to make his first step toward passive neutrality.

Prince Faisal defined his foreign policy on April 10, 1958, in a statement broadcast over Radio Mecca⁶². The statement⁶³ began by emphasizing that Saudi Arabia would continue to follow a policy of positive neutrality. This policy, he said:

"tries to deal with every state in the world in accordance with the dictates of its interests and general Arab interests, without being bound by any attitude or ties with any foreign country which are incompatible with its interests or Arab interests".

The statement then went on to define Saudi Arabia's general relationships with the East and West. "Although there is not political representation between Saudi Arabia and the Eastern States", the

61) For suggested reasons for curtailing this aid, see George A. Lipsky, op cit, p. 143; Times (London), March 29 and April 10, 1958; New York Times, March 26 and 30, 1958.

62) It is interesting to note that Prince Faisal established the government's foreign policy a month before the new Statute of the Council of Ministers, under articles 19 and 20, had granted the Council a well-defined authority to do so. It is not clear whether the authority which he assumed to make this statement was derived from the Royal Decree of March 22, or whether it came from the King himself.

63) For text of his foreign policy statement, see CARB, April 21, 1958.

statement said:

"relations exist between it and these states on the basis of the United Nation's charter. At the same time, His Majesty's Government does not allow any ideology which is contrary to the principles of Islamic law to appear in our country".

"Saudi Arabia's relations with the Western States", the statement went on to say, "vary according to the dictates of Saudi Arabia's interests, the requirements of its safety and security, and the requirements of the general Arab interests". "Therefore", the statement emphasized, "His Majesty's Government feels it is incumbent upon it to define its position toward some of the Western States...".

Saudi Arabia's relations with the British Government, Prince Faisal's statement asserted, had deteriorated due to British aggression in the Buraimi area and against Egypt in collusion with Israel in 1956. As for the Buraimi dispute,⁶⁴ the statement claimed that "His Majesty's

64) The principals in the dispute are Saudi Arabia and Great Britain, while minor participants on the side of the latter are the Sultanate of Muscat and the Shaikhdom of Abu Dhabi. The dispute centers around eight villages, with an estimated population of 25,000 in the Buraimi Oasis. Six of the villages are claimed by the Shaikhdom of Abu Dhabi and the remaining two by the Sultanate of Oman and Muscat. The Saudi Arabian demand for sovereignty over this region, which was first seriously raised in 1949, is based on the claim that the inhabitants of the Oasis owed allegiance to the Saudi rulers of Najd in the 18th and 19th centuries. The political allegiance of the area in question was not determined by the 1927 Jeddah Agreement between Britain and Saudi Arabia, which fixed, though not finally, the frontiers of the latter. Sporadic arbitration and negotiations over the years did not lead to a settlement of the dispute. There have also been attempts to solve it by force. A Saudi Arabian force entrenched itself in the disputed area in 1952 and was expelled in 1955 by an Omani force under British command. For two points of view on the Buraimi dispute, see J.B.Kelly, Eastern Arabian Frontiers (New York: Frederick A. Preager, Inc, 1964), pp.142-303; and Kingdom of Saudi Arabia, The Buraimi Dispute, Permanent Delegation of the Kingdom of Saudi Arabia to the United Nations, n.d. (The latter document is distributed by Saudi Arabian Embassies throughout the world).

Government was working by peaceful means to solve this problem, but all its efforts were in vain".

In response to the aggression against Egypt, the statement declared:

"His Majesty's Government found itself obliged in defense of Arab interests and in support of Arab collective security, to sever its political relations with Britain and France and prevent their being supplied with oil".

The statement admitted that " when British aggression against Egypt stopped, and the forces of the aggressors withdrew from Egyptian territory, the immediate reason for which relations were severed no longer existed", but maintained that a solution to the Buraimi dispute would remain the major consideration for the resumption of normal relations between the two countries.

As for France, the statement indicated that progress was being made to resume normal relations, which also had been severed during its aggression against Egypt.⁶⁵ The statement verified that "discussions were held between the two parties which culminated in the return of sums of which had been handed to French Agencies as the cost of arms which the French Government had forbidden the export of". This, the statement concluded, left only two outstanding problems: compensation for electric plants destroyed by French employees at the al-Kharj factories, and independence for the Algerians. In regard to these, the statement said:

65) After the break of diplomatic relations, commercial relations continued uninterrupted. The Italian Ambassador looked after the French interests.

"It has been agreed that compensation will be paid for the electric equipment, and after that there will be nothing to prevent the Saudi Arabian Government from resuming relations with the French Government when there are no indications that our brothers in Algeria will be given their rights of freedom and independence".

Prince Faisal's position toward the United States was friendly, but reserved. "His Majesty's Government", he said, "is interested and is pleased to strengthen friendly relations with the United States Government in view of certain economic interests". On the other hand, he stated that:

"His Majesty's Government hopes the United States will reconsider its position, since this position conflicts with the previous declaration made by responsible persons in the United States that the aggressor will not benefit from his aggression... United States support in this position is considered to approve the tripartite aggression, to perpetuate its results, and to threaten the Holy places and the pilgrims going to them".

In the same statement, he clarified the Air Base Agreement as follows:

" His Majesty's Government wishes to announce that there is no American base in Dhahran, and the Dhahran Airport is a Saudi airport and a Saudi base. All that the United States Government has at this airport are facilities for passage to some planes and for refueling. This airport is not a station for any military forces, nor is it a depot for military weapons of any kind. Furthermore, military arms and ammunition are not allowed to pass through".

The Crown Prince concluded his statement by discussing the country's position toward the rest of the Arab world. Predictably, he began his resume of Arab affairs with a diatribe against Israel:

"His Majesty's Government believes that what causes evil in this part of the world is the existence of what is known as Israel in Palestine, which is part of the Arab countries. The solution to this problem is the return of their rights to its people- the Arabs of Palestine- in a manner acceptable to them, and the end of this aggression which has been committed against them. His Majesty's Government will work toward this goal with the people of Palestine themselves, with all the Arab states, and with all states that love justice and oppose injustice and aggression".

He then went on to reaffirm his country's ties with the other countries in the Arab World:

"His Majesty's Government is bound by a number of ties to the Arab League and is bound by various other ties to the state of the Arab League. It is also very anxious to cooperate with the states with which it made these treaties in carrying them out".

The statement also reaffirmed Saudi Arabia's position of neutrality in regard to the Arab groupings. The statement said:

"Our brothers in Syria and Egypt have agreed to unite and our brothers in Yemen have agreed to enter into union with them. Our brothers in Iraq and Jordan have also agreed to enter into union with each other. The position of His Majesty's Government regarding this has already been announced on 5 Sha'ban (23 February 1958) and it offers its best wishes for success to all those brothers". 66

At the same time, Prince Faisal's statement acknowledged that there were dissensions within the Arab World and that he would do everything within his power to restore good feelings. "His Majesty's Government", he said,

"expressed its regrets at the storm which is blowing over a group of Arab countries in a way which is not to the interest of the Arab countries and is contrary to the interest and dignity of the Arabs in their countries. No one benefits from this except the enemy which is menacing us. In this matter, His Majesty's Government will do its best to abate the blowing of this storm so that it will clear up since this is what the Arab nation wants and what is required for its interest. His Majesty's Government will exert every effort to restore feelings between it and its sisters when it finds this aim reciprocated. It will also do its best to clear the atmosphere among all the Arab states".

The foreign affairs position of Saudi Arabia, as defined by Prince Faisal on April 18, was essentially the same position as had been expressed by the country previously. It was perhaps signifi-

66) The statement of 5 Sha'ban 1377 affirmed Saudi Arabia's intention of not joining any Arab grouping. See the New York Times, March 2, 1958.

cant that it, too, was expressed by Prince Faisal, thereby curtailing speculation on the true nature of his policy. But what was most significant is that Prince Faisal, unlike King Saud, made every effort to follow this policy to the letter within the next two and one-half years.

Prince Faisal's espoused policy of neutrality was put to its first critical test on July 14, 1958, by the Iraqi revolution. The revolution had not only overthrown one monarch, King Faisal, but was threatening the monarchy in Jordan as well. Prince Faisal's decision was to let matters in each country take its own course without interference. He denied requests for planes to carry oil from Bahrein over Saudi Arabian territory to Jordan during the crisis in that country.⁶⁷ When the revolution in Iraq was found to be an accomplished fact, he recognized the new regime on July 24, 1958.⁶⁸

During the period August 15 through 18, Prince Faisal went to Cairo to confer with President Nassar. Rumors were rife that the meeting was a preparatory move toward union between the United Arab Republic and Saudi Arabia and that Saudi Arabia had agreed not to renew the Air Base Agreement, when it would expire in 1962, as a condition for eventual union.⁶⁹

67) See CARB, July 8, 1958.

68) For text of the telegram granting recognition to the new Iraqi Republic, see *ibid*, July 26, 1958.

69) See New York Times, August 21, 1958.

If these rumors were true,⁷⁰ the final communique did not specifically confirm them. The communique merely reaffirmed Prince Faisal's foreign policy statement of April 10. It stated:⁷¹

"The meeting was aimed at clearing the atmosphere between the two sister countries, consolidating the ties of cooperation and brotherly love between them, and strengthening the pillars of Arab Nationalism on the basis of non-alignment and positive neutrality. The international situation and the present circumstances in the Arab countries were also discussed in these meetings. The two countries announced that they do not approve of the presence of foreign troops in the territories of any Arab country, and condemned the interference of any state in the affairs of another state as a threat to the peace and security of the world. The exchange of views has led to complete agreement and to the stressing of the ties of brotherhood and friendship between the two countries".

The joint communique was especially noteworthy because it not only publicly announced a rapprochement between the countries, but also because it marked the apparent acceptance of Prince Faisal's policy by President Nassir.

At a press conference on October 23, 1958, Prince Faisal reiterated his policy of Arab solidarity and neutrality.⁷² "During the last seven months", he said,

"His Majesty's Government has been able to make what may be called an accomplishment. It has placed our country in a stable, consolidated position that does not vacillate between the right and left, the West and East. Our foreign policy has given an independent, Arab identity, and is designed to serve the interests of the whole Arab nation regardless of occasional inter-Arab disputes. Our principle is that of neutrality and of serving true Arab nationalism. The comprehensive political statement of His Majesty's Government of last Ramadhan serves as the basis of Saudi Arabia's foreign policy".

70) The Air Base Agreement was indeed terminated in 1962, as rumored, but obviously not as a condition for union between the two countries.

71) As quoted by CARB, August 19, 1958.

72) As quoted by *ibid*, October 24, 1958.

In the final analysis, Saudi Arabia's foreign policy did not undergo a significant change during the period 1958 through 1960. Prince Faisal's declaration of a policy of positive neutrality and Arab solidarity was essentially the same policy which King Saud had announced previously. Yet, this policy was of great importance for the country. By consistently following this policy, both by word and deed, Prince Faisal maintained peace with his Arab neighbors, thereby giving him the opportunity to devote his attention to the internal crisis.

CHAPTER IV

AN ANALYSIS OF FAISAL'S REFORMS DURING THE FIRST STAGE

Prince Faisal's Government introduced six major internal reforms, in essentially three phases, during the period March 22, 1958, through December 21, 1960. The major reforms, in succession, were: (1) a new Statute of the Council of Ministers; (2) Import Regulations; (3) Currency Control Regulations; (4) first budget; (5) second budget; (6) devaluation of the riyal and establishment of paper currency. The first reform, representing the first phase, established a point of departure for the other reforms; the second, third and fourth reforms constituted the second, or austerity phase; the last two reforms marked the beginning of a long range reform program. The third phase was inhibited during all of 1960 by the feud between King Saud and Prince Faisal and was finally cut short by the resignation of Prince Faisal and his Council of Ministers on December 21, 1960.

The Statute of the Council of Ministers.⁷³ The new statute of the Council of Ministers was enacted on May 11, 1958, by royal decree, superceding the statute previously enacted on March 24, 1954.

73) For provisions of the statute, see H.St.J.B.Philby, "Saudi Arabia: The New Statute of the Council of Ministers", The Middle East Journal (Summer, 1958).

The new statute was essentially a modification of the old one, but it made some bold departures from previous practice. Like the previous one, the new statute limited its purview to matters of procedure.⁷⁴

Undoubtedly the most revolutionary feature of the new statute was the limitations it placed upon the royal prerogative. Previously, the ministers were responsible both to the King and the President of the Council, thereby permitting the King to circumvent the authority of the Council as a whole. This practice was corrected by Article 8, which made the ministers solely responsible to the President, who in turn, became responsible to the King. Article 11 permitted the King to appoint his advisers members of the Council, as he had heretofore, but stipulated, at the same time, that appointments would be based upon recommendations of the President. This provision eliminated the possibility of the King "loading" the Council with his own advisers.⁷⁵ To diminish the influence of the King's foreign advisers, Article 3 forbade them from becoming members

74) Two infringements of procedure seemed to have marked its inauguration. Under Article 47, the statute, when approved by the Council, required the approval of the King and the signature by him and the President of the Council before publication in the official gazette, to become effective as from the date of publication under Article 49. Yet, it was published with the King's signature only as a royal decree and without the signature of the President of the Council. Also, under Article 4, the members of the Council were debarred from operating as such until they had taken an oath of allegiance to God, King and country. Yet, they appear to have continued their tasks without this formality for two months, as it was not until the middle of May that they appeared before the King to take the oath during the latter's period of hospitalization at the Dhahran Hospital. See *ibid.*

75) It should be pointed out that the exact membership of the Council of Ministers, either before 1958, or after, has not been divulged to the public.

of the Council. Article 23 required the King to either approve decree and orders submitted to him or return them with a statement explaining the reasons for not approving them. Further, to eliminate the possibility of a "pocket veto", the same article permitted the President of the Council to take such action as he deemed appropriate if the order or decree was not returned to the Council within thirty days after it was submitted to the King. Article 19 prohibited the King from issuing laws or entering into international treaties and agreements without the Council's approval.

Concurrently with the limiting of the royal prerogative, Article 18, of the new statute, greatly increased the scope of the authority of the Council of Ministers. The article granted the Council authority to establish the policy of the State, internal and external, financial and economic, educational and defense, and in all public affairs. The same article gave the Council executive, legislative and administrative authority. It also granted the Council the role of arbiter in all financial affairs and in all the affairs committed to the other Ministries of the State and other departments. Article 18 also stipulated that all decisions of the Council shall be final, except those which require the issue of a royal command or decree, in accordance with the rules of the statute. Article 19 through 46 further clarified the authority which had been granted by Article 18. These articles made it abundantly clear that all laws and statutes, as well as their administration, were meant to emanate from the Council of Ministers, solely. In short, the statute centralized the authority of managing the affairs of State in one body, the Council of Ministers.

The new statute also made an effort, for the first time, to define the jurisdiction of the individual ministers with portfolio. Article 9 stated that "A Minister shall be regarded as the immediate chief and final resort in the affairs of his Ministry" and "shall perform his functions in accordance with the rules of this Statute, and the internal Statute of his Ministry". To insure that the authority of the ministers would not be usurped by others, Article 10 stipulated that "Only another Minister shall deputize for a minister: and that in accordance with a royal decree issued on the recommendation of the President of the Council".

The most controversial provisions of the new statute, and the ones which provided the crucial test of the new statute, were those which attempted to correct some of the more flagrant abuses of governmental authority. Article 32 stated that "It is not permissible to grant a monopoly or concession or the exploitation of any resource of the country, except in accordance with a special statute, and with due consideration of the public interest". Article 35 required that "All Receipts of the State must be handed over to the unified public treasury and their entry and disbursement must be in accordance with the principles laid down by Statute". Article 36 prohibited the allocation of a salary, grant of compensation, or expenditure of any sum out of State funds, except in accordance with the Statute and by decisions of the Council of Ministers". Other provisions dealt with the personal affairs of governmental officials. Under Article 5, membership of the Council became a full-time job, and excluded the

holding of other Government offices, except if the President of the Council should consider it necessary. Article 6 precluded members from securing any State property by purchase, etc., and from disposing of their property to the Government by sale or lease. The execution of these articles was not a simple task, as evidenced by the fact that the King, himself, violated the provisions of Article 32 within two years.⁷⁶

The new statute reflected the Council's concern with the financial problems facing the country. Articles 28 through 43, in particular, dealt with a great number of critical financial reforms. Articles 28 through 36, some of which have been cited previously, established general rules for efficient and ethical handling of the State's finances. Articles 37 through 43 proposed a well controlled State budget. The most notable departures from budgetary practices were contained in Articles 41 and 42, which, respectively, required an audit and a presentation of the final account of the financial administration for the past year.

The statute was obviously considered by the Council of Ministers as only an *interrum* measure for overhauling the whole Saudi governmental machinery. Article 48 disclosed that the Council was considering the enactment of a series of six more governmental reforms. For some unknown reasons, these reforms were never accomplished before Prince Faisal's resignation in the latter part of 1960. One can only suspect that the Council was too preoccupied with financial reforms to devote their energies to other government reforms.

76) See Chapter V.

In summary, the statute, first, represented the first realistic effort to define the relationship between the King and the Council of Ministers. In effect, it shifted authority from one man to a small group. Implicit in this shift was the denial of an absolute monarchy. Second, the statute established a governmental framework with which to tackle the country's problems. All the agencies concerned with influencing the affairs of government were brought together in one coordinated body. At the same time, this body was granted sufficient authority to manage the affairs of State. Without this reorientation of government, it is doubtful whether any meaningful reforms could have been implemented. Third, the statute established a basis for sound financial reforms. It attempted to correct some of the more flagrant abuses of governmental authority which had previously aggravated the country's financial condition. It also established far-reaching rules for handling the State's finances in an efficient and ethical manner. Basically, the statute was designed to correct the immediate problems at hand. But, what was probably more important, the statute set a pattern for future governmental reforms.

The Import and Currency Control Regulations.⁷⁷ For two weeks after the introduction of the new Statute of the Council of Ministers, the Council debated behind closed doors, while the public awaited the outcome of its endeavors. "It must have been with surprise", says author Philby,⁷⁸ that:

77) For provisions of the two regulations, see Appendices B and C.

78) H.St.J.B.Philby, loc cit.

"instead of expected procedural statutes regulating the affairs of Ministries and Municipalities, it was treated to a first class piece of administrative legislation in two statutes, dated May 25th, 1958, both signed by the King and neither by the Chief Minister, which go right to the heart of the financial and currency problems which have been exercising all sections of the population for many months past".

These two documents dealt with the control of currency and imports, respectively. Together, these two documents inaugurated Prince Faisal's austerity phase.

An official communique from the Office of the President of the Council of Ministers announced the enactment of the two regulations.⁷⁹

The communique began by describing the problem facing the country:

"The Government views with grave concern the current financial distress. After careful investigation, it discovered that the causes of the crisis go back to continuous deficits in the budgets of the past years, a profusion of projects, and excessive spending which reached the point of overburdening the State and forced it to conclude extravagant loans, both foreign and domestic. The Government has become fully determined to put an end to this continuous deficit without resorting to further loans... The Government has been overwhelmed with foreign currency obligations because of the continued issuance of import licenses and transfers of foreign currencies without the necessary cover of foreign currency".

The communique then described the nature of the new regulations as follows:

"Inasmuch as foreign currency has been handled in a disorderly fashion, and a large part of it has been spent on luxury items, it has now been decided to organize all of this in order to make foreign currency available, at the official rate, for (importing) the necessities of the country, such as all kinds of foodstuffs, popular material for clothing, all kinds of medicines, agricultural implements and machines, industrial capital equipment and implements, and necessary spare parts for them. Foreign currency will be made available for buying all government requirements, after it has been ascertained that it is in the interest of the public, and public utilities, (to buy) them. Also, foreign currency transfers will be facilitated for those foreign technicians and experts who are employed by the government and who are indispensable to

79) For text of communique; see CARB, June 5, 1958.

every country, big or small, and especially to those countries who are on the threshold of their renaissance... . In this way, foreign currencies will be available for buying necessities which affect the condition and economy of the people. A significant portion of these currencies will also be available for use in the free market to eliminate possible harmful competition, to stabilize the riyal, and to avoid sharp fluctuations in its rate, so that a unified, stable rate can be reached soon."

Tourist trips and purchases of automobiles were singled out as examples of items which would not be considered as essential within the purview of the regulations:

"with regard to other personal transfers, such as those for tourist trips abroad, etc., however, the government will not undertake to issue any (foreign currency) at the official rate... As the country is already filled with cars and has ample supply of them, the government has decided to suspend the import of cars for a six month period which is renewable for another six months period.⁸⁰

The implementation of the Import Regulations called for the coordinated efforts of the Minister of Finance and National Economy, the Governor of the Saudi Arabian Monetary Agency, and the newly created position of Comptroller General. The Minister of Finance and National Economy concerned himself with the list of necessary goods to be permitted to be purchased with foreign currencies; the Governor of the Monetary Agency determined the amount of foreign currency which could be made available for purchasing the essential goods; the Comptroller General, through his Import Offices in Jedda, Riyadh and Dammam, controlled the allocated funds by issuing licenses to the banks to carry out only the necessary transactions. According to the

80) On July 17, 1959, the ban on import of passenger cars was lifted. Concurrently with the lifting of the ban, a 15% increase, or a total of 48%, in custom dues was imposed on passenger cars valued at 18,000 riyals or over; Buses and pick-up trucks remained at 22%. Cars under 18,000 riyals remained at 33%. See Middle East Economic Digest, July 17, 1959.

regulations, the amounts of foreign currencies to be allocated to the three areas were to be determined by consultation between the Minister of Finance and National Economy and the Governor of the Monetary Agency, on the basis of available foreign currency and the requirements of the three areas. When the transactions were completed, the Monetary Agency was charged with immediately compensating the banks for money issued.

The implementation of the Currency Control Regulations was charged to the Saudi Arabian Monetary Agency, subject to the limitations and conditions set forth by the Minister of Finance and National Economy. Its major function, under the regulations, was to determine the amount of foreign currency to be allocated for the purchase of essential goods in connection with the Import Regulations, as already mentioned. In addition, it was given permission to buy and sell gold and foreign currencies in the free market for the purpose of stabilizing the Saudi Arabian currency .

The success of these two regulations can be attested to by periodic announcements. On October 25, 1958, Prince Faisal announced that "progress has been achieved is demonstrated by the fact that Saudi Arabia has been able to regain the confidence of international banks, which, for a time, would not accept drafts on the Saudi Arabian Government".⁸¹ On November 28, 1958, MEED announced that "SAMA has been selling foreign currency to the banks at the rate of 14 riyals and 15 piastres per sterling pound, 5 riyals 7 piastres per U.S. dollar,

81) CARB, October 25, 1958.

a reduction of 5 piastres and two piastres, respectively, on the previous rates.⁸² On January 15, 1959, Prince Faisal announced that Saudi currency was backed 51% by gold, silver, and hard currencies.⁸³ Also, on January 15, when announcing the implementation of a new budget for the country, Prince Faisal could boast that "the debts of the Saudi Arabian Monetary Agency have been reduced by about 313.5 million Saudi riyals during the first six months of 1378. The reduction consists of 197.5 million riyals which represent savings in the budget, and of 115 million riyals which resulted from SAMA's operations in the free market. This compares with 115 million riyals which, it was hoped, would be the amount of budget saving for the whole year 1378". At the same time, Prince Faisal stated that "only 16 million dollars (debt) are left now, and are to be paid in due time". With this progress, Prince Faisal further said: "We have seen the dollar exchange rate drop from six riyals and four qirsh to five riyals and four qirsh."

First Budget.⁸⁴ Article 37, of the Statute of the Council of Ministers, had promised a State budget. Article 38 through 43, of the same statute, had outlined the procedures for implementing the

82) Middle East Economic Digest, November 28, 1958, p.380.

83) CARB , January 17, 1959.

84) Ordinarily, one would suppose, a budget would not necessarily be considered a reform. For Saudi Arabia, however, the first fully executed budget for 1378/1379 was revolutionary in nature and completely revised the existing financial procedures. The second budget, for 1379/1380, in turn, refined greatly the procedures previously established by the first budget. For these reasons, the two budgets are referred to as financial reforms in this paper.

new budget. On June 3, 1958, the Council of Ministers announced that "the government will soon publish a draft budget for the year 1378, thereby proving to all that it has been able to set a balance between expenditures and revenue". This same announcement further stated that "the budget will provide a surplus that will be received by the Saudi Arabian Monetary Agency for the purpose of strengthening and stabilizing the Saudi currency". On October 25, 1958, Prince Faisal announced that "the reasons for delay in its (budget's) completion, is that this year there is every intention of drafting a stable budget, one which will not be subject to various changes in the course of that year". On the same date, Prince Faisal pointed out "that budgets submitted by various ministries were nearly all too high, and had to be cut down". It was not until January 15, 1959, however, that the first budget was officially announced.

Official announcement of the first budget was made by a Council of Minister's statement which was broadcast over Radio Mecca⁸⁵. The statement first divulged that the Saudi Government would adopt a new fiscal year:

"The Government has decided to start the fiscal year at the beginning of Rajab instead of Muharram, because government employees will be preoccupied with pilgrimage affairs in the months preceding Muharram and because Government offices will then be moved to the Western Province in Dhu al-Jijrah".

Having conveniently changed the dates for the fiscal year, the state-

85) For text of statement, see CARB, January 17, 1959.

ment then went on to explain that " The Government has been able to study the budget and issue it on time for the first time in the history of the country". Lastly, the statement outlined the nature of the new budget as follows:

"Expenditures include 55 million riyals devoted to public (development) projects which do not include various ministries' projects such as the construction of new roads, hospitals, and schools. A list of those dependent projects will be issued in the near future. The Government will continue to fight excessive spending, and will devote more funds for public projects only after the currency has been completely stabilized and consolidated. Experts are of the opinion that the present allocation for development projects is the maximum that can be allowed without endangering the currency stabilization program. Expenditures also include 130 million riyals which are to be paid to SAMA in monthly installments to stabilize the currency and repay some of the debt. The Royal Decree provided that all budget savings and all revenue surplus will be paid into the general reserve and be used in repaying public debts. It is hoped that the budgeted amount of 130 million riyals plus the savings to be made will enable the Government to stabilize the riyal permanently at a rate that suits the economic situation of the country. It should be noted that the budgets of the Ministries of Health and Education and the other Ministries that deal directly with the public have been increased. On the other hand, H.M., the King, has ordered that the budget of the Privy Purse reflect a large reduction this year. This was made possible only by the devotion of His Majesty and the members of the Royal Family, and in their desire to help the people to achieve happiness and progress".

At first glance, one can see little difference between the budget submitted during 1377, as part of King Saud's austerity program, and the budget for 1378/1379.⁸⁶ Estimated receipts and expenditures were 1,500,000,000 and 1,410,000,000 riyals, respectively. The difference between these two figures can almost entirely be accounted for by the higher estimate of oil receipts for 1377. As for expenditures, the 1377 budget had allocated less than the 1378/1379 budget to the Privy

86) See Appendix B for Saudi Arabian budgets during 1958-1960.

Purse and Royal Family, but considerably more for Tribes, Mujahidin, Royal Guests and Public Expenses. For the most part, however, receipts and expenditures remained essentially the same. Also, the method for collecting receipts were the same. Both instructions accompanying the two budgets stated that "all revenues shall continue to be collected in accordance with the regulations and instructions in force and shall be deposited in the Saudi Arabian Monetary Agency and its branches for the account of the Ministry of Finance".⁸⁷

The big differences between the two budgets became apparent in the methods for handling expenditures. The instructions covering the 1378/1379 budget, unlike the 1377 budget, stated: "Expenditures shall be paid by the Saudi Arabian Monetary Agency in accordance with the budget and the instructions covering it". This implied that the Council of Ministers intended to have the budget handled as previously specified in Articles 37 through 43 of the Statute of the Council of Ministers. But, what was equally important, the Council of Ministers appointed one agency as "watch-dog" to insure that expenditures were made only in accordance with amounts specified in the budget. This procedure for handling expenditures was a radical departure from previous practice and was the key to success for implementation of the budget.

The success of the first budget must be considered in conjunction with the previous two reforms of the austerity phase because all three were interrelated and designed, collectively, to solve the country's

87) For instructions accompanying the 1377 budget, see K.S.Twitchell, *op cit*, p. 185; for instructions accompanying the 1378/1379 budget, see CARB, January 17, 1959.

immediate financial problems. Their collective success was summed up by a statement from the Council of Ministers broadcast over Radio Mecca on January 4, 1960:⁸⁸

"The credit in avoiding this disaster goes first to God and then to His Majesty the King who realized the dangers threatening the country. As a result, financial experts were called in and a program for stabilization of the currency was drawn up in Shawwal 1377. The resulting achievement was matchless and admirable. In 18 months, the government is pleased to announce, the reserves rose from 24 million dollars to 186 million dollars. The Saudi riyal has steadily risen in the free market until it reached now 4.5 riyals per dollar. Prices have in the meantime decreased by 15% to 20%. The budget deficit has been turned into a large surplus, made still larger by the profit realized from selling foreign currencies at the free market rate. All this surplus has been devoted to paying SAMA's debts of 677,750,000 riyals all settled by the end of Jumada II of this year. Thus all SAMA's funds have been restored and the backing in gold and foreign currency that can be converted into gold has become 100 per cent".

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Second Budget :- The second budget and the statute which devaluated the riyal and established paper currency, dated December 30 and 31, respectively, marked the beginning of the long range reform phase. Both reforms reflected the increased experience and confidence of Prince Faisal and the Saudi Arabian Government.

The figures of the new budget for 1379/1380 were again almost identical to the one preceding it. Estimated receipts and expenditures for 1379/1380 were SR 1,405,000, as compared with SR 1,410,000,000 the previous year. The estimated oil revenues were higher than the previous year, but were balanced by a lower estimate for income tax.

88) For text of statement, see CARB, January 4, 1960.

89) For budget figures, see Appendix B; for instructions accompanying the budget, see CARB, January 4, 1960.

The most noticeable changes in expenditures were found in only two areas: (1) an 80% reduction in the allocation for expansion of the two Holy Mosques and general projects; (2) a 50% reduction of mounts for Monetary Fund debts.

The most striking feature of the second budget, for fiscal year 1379/1380, was that it reflected the experience gained by the implementation of the budget for 1278/1379, the first Saudi Arabian budget to be carried to fruition. These features were particularly manifested within articles 5 through 10 of the instructions which accompanied the budget figures. These six articles, which were not included in the instructions accompanying the budget for 1378/1379, gave more detailed guidance on the transfer of funds, unforeseen commitments, utilization of allocations, future fiscal projects and keeping salaries within budgeted ranges. Article 5, of the instructions, prohibited the transfer of budgeted funds from a division, a sub-division, or an item to another except by a decision of the Council of Ministers. Article 6 tackled the problem of additional allocations and over expenditures by placing the responsibility upon the ministry or department concerned. Article 6 stated:

"If anything occurs to necessitate the opening of an additional allotment or cover overexpenditures in a subdivision, the ministry or department concerned should find in other subdivisions of its budget an amount equal to these overexpenditures, and then the issuance of a decision by the Council of Ministers on this transfer should be requested".

Article 7 unequivocally stated that "Commitment for any expenditures which do not have an allotment in the budget is not permissible; any

commitment which is greater than the fixed allotment is not permissible". Utilization of allotments was covered by Article 8 as follows:

" The use of an allotment for a purpose other than what it was allotted for or the commitment for an amount or the issuance of pay order for more than the allotment for a specific time is not permissible, except when in other items in the same subdivision there are enough savings to cover this over-expenditure and after the issuance of authorization from the authority concerned".

Article 9 stipulated that commitments for future fiscal projects will be made for a maximum period of three years by a decision of the Council of Ministers in which the kind of work required is determined together with the amount and specifications of commitment. Article 10 implied that allocations for salaries for government employees⁹⁰ had provided a problem during the implementation of the previous budget. It stated:

"The appointment or promotion of employees within or outside an organization is not permissible except in accordance with grades specified in the budget and the conditions and provisions specified in the Government Employees Regulations and the appointment and promotion is void; moreover, it is not permissible to amend the number of positions or grades except in accordance with regulations".

That the Council was confident that these articles would eliminate the difficulties encountered previously is evidenced by the fact that only 2,000,000 riyals were allocated for "Unforeseen Expenses and Emergencies" for 1379/1380, as compared with 75,000,000 and 39,000,000, respectively, for 1377 and 1378/ 1379.

The second budget was implemented with considerably less fan-far than the previous budget. Unlike the previous year, periodic

90) For a discussion of standardized government salaries and wage scales, see Khalil al-Ghalayini, Civil Service in Saudi Arabia (Riyadh: Public Service Institute, 1962).

announcements were not made outlining the progress of the budget. One would err, however, to consider this a lack of interest on the part of the government. Financial reports for this year⁹¹ indicate that the budget was enforced every bit as much as for the previous year. Rather, it would seem to be more appropriate to consider that the Government and the nation had, by this time, considered enforcement of budgets as a matter of course.

Devaluation of the Riyal and Establishment of Paper Currency.⁹²

On January 3, 1960, the Council of Ministers confidently proclaimed that the country was ready for a devaluation of the riyal and establishment of paper currency. In a statement, read over Radio Mecca, the Council of Ministers said:⁹³

" The Government decided that the time has come to stabilize the Saudi riyal once and for all and to decide upon a fixed rate for it in order to go ahead with economic development. Experts have advised that a rise in the value of the Saudi riyal beyond the present exchange rate of 4.5 riyals to the dollar would be just as detrimental to the national economy as the depreciation of the riyal. Both inflation and deflation may lead to economic bankruptcy, although in different ways. With the country's yearly revenues in dollars and foreign currency leveling off at about 300 million dollars a year, an increase in the price of the riyal would lead to a decrease in the amount of riyals that could be bought by this foreign currency. But with the price fixed now at 4.5 riyals to the dollar, the government will have enough to cover the payroll, settle its debts, undertake the necessary productive work , and face the natural increase in budget obligations over

91) See Saudi Arabian Monetary Agency, Statistical Summary, Riyadh, Saudi Arabia, Rajab 1383 (December, 1963) (hereafter cited as SAMA Statistical Summary). The summary included financial statistics for period 1960 through 1963.

92) For text of Statute, see "Saudi Arabian Royal Decree on Devaluation of the Riyal and the Establishment of Paper Currency", The Middle East Journal, Vpl.14 (Spring, 1960), pp.203-205.

93) See CARB, January 4, 1960.

the coming years".

To effect the stabilization of the riyal at 4.5 to the dollar, the new statute established the value of the riyal as equivalent to 0.197482 grams of pure gold, with the stipulation that it " may not be altered except by Royal Decree and in accordance with the international agreements to which the Su'udi Arabian Kingdom is a signatory". This new stabilized riyal was then divided into 20 qirsh, instead of the 22 previously, and the qirsh, in turn, was divided into 5 hillah.

Simultaneously with stabilizing the riyal, the new statute granted approval for the establishment of paper currency. Under the statute, the paper currency would be covered completely by gold or gold equivalent of such foreign currencies as are convertible to gold. The gold coverage was to be securely deposited in the Kingdom, while coverages other than gold could be deposited in safe custody of foreign banks of the first order. "The paper currency of one riyal, and any multiple thereof", according to Article 7 of the statute, "shall become negotiable legal tender to unlimited values, for the payment of personal and public debts and dues, provided that no one shall be required to accept sums more than the value of ten riyals in fractional units of a riyal...".

The implementation of the statute was entrusted to the Saudi Arabian Currency Board, which, in turn, was subordinated to the Minister of Finance and National Economy. The Board, according to Article 3, was given the right of minting and printing of Saudi Arabian currency. In Articles 4 and 5, the Board was given the authority to decide upon the paper and metal currency units to be made, the designation of banks into which the currency would be

deposited, and investment of foreign reserve funds in foreign stock markets, as well as the authority to determine the means of disposing of the currency which had become unfit for circulation. Additionally, Article 13 gave the Currency Board authority to issue all instructions in accordance with the decree.

The statute also imposed certain mandatory requirements upon the Currency Board. It was required, under Article 6, to insure that all currency would be backed by gold or gold equivalent. Article 10 charged the Board with the responsibility for keeping a detailed record of all paper currency and metal coins in its custody, as well as those which had been issued for circulation, and those which had been withdrawn from circulation. Article 11 required publication of a fortnightly and annual financial statement.

The degree to which the Currency Board carried out its task is best attested to by a report later prepared by the Saudi Arabian Monetary Agency in 1963⁹⁴. This report indicated clearly that the Board was indeed insuring that all currency was properly covered and a detailed record was kept of its financial situation. As an example, the report included detailed information on money supply, currency in circulation, a general statement of financial affairs, gold and foreign exchange holdings, as well as other financial data which could only have been collected if the Currency Board was indeed performing its task properly.

94) SAMA Statistical Report.

Conclusion. Three features of the overall internal reform program are particularly notable. First, the Council of Ministers confined their efforts particularly to financial reforms, although the new Statute of the Council of Ministers had given this body broad authority in all governmental activities. Second, the Council of Ministers overcame the immediate financial crisis facing the nation with relative ease. Starting with only a vague objective, the Council promulgated a reform simple enough to be effectively executed within the governmental framework, but sufficiently sophisticated as to enable the country to adopt modern fiscal and monetary practices. Third, Prince Faisal maintained a key role in the reform program. As President of the Council, he could effectively influence the enactment of the necessary reforms. As Minister of Finance and National Economy, with all the country's financial machinery under his personal control, he could also insure execution of the reforms.

CHAPTER V

SAUD RE-EMERGES; FAISAL RESIGNS⁹⁵

For months after Prince Faisal had taken over the reigns of government in March, 1958, King Saud loafed, moody and myopic, amid the wreckage of the prestige he had inherited from his father. Everything he had touched had ended in political disaster. His extravagance and indifference to economic reform had exhausted the treasury. His regime had become ridiculed and isolated in the Arab World. The crowning blow had fallen when his brothers had spoken against him in a private family council and forced him to turn over the reigns of government to his brother, Prince Faisal.

As the royal fortunes began to mend again, in early 1959, King Saud began to go back to his spending ways and authoritarian habits. The palace noted that Faisal's new budget made inadequate provision for paying off retainers and began denouncing Faisal as a "penny pincher". King Saud himself took off on a tour among the desert shaikhs, paying out blood money and passing out money on a grand scale. This brought him squarely into conflict with Prince Faisal, who was trying to substitute a modern budget for the royal purse.

95) The story of the feud between King Saud and Prince Faisal remains cloaked in considerable secrecy. The main protagonists denied any rumors of the feud. The first official acknowledgement that a feud did, in fact, exist is contained in the "Decision of the Royal Family", which accompanied the Royal Decree of March 30, 1964, making Prince Faisal regent (for contents of the Decision, see Shaikh Hafiz Wahba, Arabian Days (London: Arthur Baker, Ltd., 1964), p. 178). The remaining story of the feud is based :

Stiffly the King demanded fresh funds to replenish his overdraft, grown to a reported \$30 million. As stiffly, Faisal refused.⁹⁶

The King's next challenge to the brother came with the arrest of Mohammad al-Jasir, the editor of Riyadh's weekly newspaper, al-Yamamah, who had been casually tossed into jail, in the old way, by King Saud. Prince Faisal heatedly protested the arbitrary action because it infringed on his powers as Interior Minister. The King stood his ground. Prince Faisal turned in his resignation.⁹⁷

Once again a royal family council was called.⁹⁸ The princes warned Faisal that, if he quit, the younger brothers, might depose or kill the King, and told the King that civil war and bankruptcy might ruin the land if Faisal stepped down. After hours of debate, the Council patched up a compromise: the King approved Faisal's budget and Faisal assumed responsibility for the King's debts; editor al-Jasir was freed from jail, and the King conceded the importance of going through channels.

In the summer of 1959, news stories from Saudi Arabia and other Arab sources disclosed rumors, and denials of rumors, that a dispute between the two brothers was taking place. On June 10, 1959, Radio Mecca declared:⁹⁹

= upon unsubstantiated rumors which have been repeated so often, and by so many sources, that one cannot help but accept them with some credence. It is upon these sources that this chapter is based.

96) See Time, June 22, 1959.

97) Ibid.

98) For story of the meeting, see ibid.

99) CARB, June 13, 1959.

"Radio London announced this morning that according to the Arab News Agency there is a dispute between King Saud and HRH Amir Faisal, the President of the Council of Ministers. The above-mentioned broadcasting station continued to quote from the agency allegations of a number of developments, all indicating falsehood and fabrications. Since everything in this report is completely untrue, the Saudi Broadcasting Station denies it categorically, and announces that the brotherly relations between His Majesty and HRH the President of the Council of Ministers are based on sincerity, agreement, and affection".

On July 23, 1959, Radio Amman made a similar announcement:¹⁰⁰

" A spokesman for HM King Saud denied on Thursday any rift between the King and his brother Amir Faisal. There is complete agreement between the Saudi monarch and his brother, the President of the Council of Ministers, said the spokesman. King Saud is to spend two weeks in Germany for medical consultations. The West German papers stated on Thursday that the King's trip to Germany was caused by the rift between the King and his brother over the country's administration. Shaikh Yusuf Yasin, a member of the King's entourage, told newsmen that King Saud has authorized him to deny these rumors categorically."

Again, on August 15, 1959, Radio Mecca, quoting a statement from a United Press International release from Bad Neuheim, denied rumors of the rift between the two brothers:¹⁰¹

"His Majesty King Saud stated on Friday that he is confident of the continuity of his regime under the leadership of his brother HRH Amir Faisal. His Majesty said that his regime rests on sound bases and furthermore is supported by the people. His Majesty added that HRH succeeded in restoring stability to Saudi currency and that the last year HRH Amir Faisal assumed the duties of his position as Prime Minister amid rumors that he was in disagreement with HM the King over supervision of the Privy Purse. These rumors became current again when King Saud left his country last month for Germany for health reasons".

100) Ibid, June 25, 1959.

101) Ibid, August 16, 1959.

In 1960, the feud became more obvious. In fact, the whole year is essentially a history of a struggle for power which went on within the royal family. To provide himself with a cause with which to attract the progressive elements in the Kingdom, King Saud let himself be linked with a movement for a constitutional monarchy. At the same time, he assiduously cultivated the tribes, and kept the religious interest on his side by stressing his adherence to tradition in word and deed. He progressively obstructed Prince Faisal in the execution of his functions.

The first intimations of King Saud's intentions to initiate reforms began in early 1960. On January 4, it was reported that King Saud "intended to institute, some time in 1960, elections to the first Legislative Council of his State".¹⁰² In March it was rumored that "responsible quarters in Saudi Arabia are considering the gradual introduction of parliamentary government, i.e., a senate comprising notables of the state and religious leaders, all members of which would be appointed by royal order."¹⁰³ In April, it was reported that emissaries who had been sent to Holland, Western Germany and Sweden on economic missions, were showing interest in democratic procedures there.¹⁰⁴ The people with whom they talked felt that they came as representatives of Saud rather than of Faisal. King Saud's

102) Rose al-Yusuf (Cairo), January 4, 1960.

103) Musawwar (Cairo), March 18, 1960.

104) For a report on the activities of the emissaries, see the New York Herald Tribune, April 26, 1960.

emissaries spent a particularly long sojourn in Sweden, where they collected information on three aspects: (1) the workings of a constitutional monarchy; (2) trade unions; and (3) a free press.

By late May, 1960, rumors of King Saud's intended reforms were describing in more detail the alleged nature of the reforms. On May 30, King Saud was reported to be planning the creation of provincial assemblies, half elected and half appointed. The representatives of these would constitute the General Assembly, which would advise the Council of Ministers and approve the budget.¹⁰⁵ On June 12, it was reported that the King intended to create a Supreme Advisory Council of six, composed of two members, each, from the provinces of Hijaz, and al-Hasa.¹⁰⁶ A draft speech reportedly prepared by King Saud, but not delivered owing to Prince Faisal's opposition, to the opening of the summer session of the Council of Ministers on June 12, had supposedly included the following points:¹⁰⁷

"The passing of a law providing for provincial administrations and assemblies with sufficient powers to manage local affairs must be dealt with speedily. The necessary steps must be taken to enable the Saudi Arabian people to play their part in the administration, so that they may be able to re-examine existing customs and practices which no longer meet the nation's needs and have them amended for its benefit".

One of the major exponents of the new reforms, and one who seemed to link the reforms to King Saud, was one of the King's

105) Time, May 30, 1960.

106) Hayat, (Beirut), June 12, 1960.

107) Anwar, (Beirut), July 22, 1960.

brothers, Nawwaf ibn Abd al-Aziz. During a visit to Cairo in May, he declared that "there is a tendency to establish, for the first time in Saudi Arabia, a constitutional assembly, to prepare the State's first constitution and also to establish a Supreme Court and a Supreme Planning Board".¹⁰⁸ "The problem was now", he went on to say, "how to put this experiment into operation". Similarly, during the first half of July, while visiting Beirut, Prince Nawwaf spoke of the objects of the proposed reforms, while at the same time attacking their opponents:¹⁰⁹

"We are working for the realization of reforms which the country needs, but those who are motivated by personal gain wish to foil our efforts and represent us as striving for personal interests... His Majesty King Saud once proclaimed that the rule of the Kingdom would rest on love and not on force. The King is right. We are endeavoring to implement his statement by the most positive means... The intention is to find the means by which the executive powers of the King will be suited to the needs and development of the nation".

King Saud, on his part, never positively declared his intentions for the new reforms, nor did he deny them. In May, observers believed that King Saud was using support for the proposed reforms as a means of strengthening his own position at Prince Faisal's expense.¹¹⁰ Others felt that King Saud, while apparently not in favor of instituting complete democratic control, accepted the views of the more advanced Princes that the monarchy would be safer against subversive activity by more advanced circles if constitutional reforms were effected. A correspondent in the Economist¹¹¹ stressed

108) Jumhuriyya (Cairo) , May 25, 1960.

109) Hayat (Beirut), July 10, 1960.

110) Ibid, May 26; June 12, 1960.

111) The Economist, April 30, 1960.

both motives: "King Saud", he said, "has chosen to join sides with the forces of revolution he feels he cannot beat". "In the struggle for power", he added, "the King has struck a masterly blow by marshalling the forces of change on his side". Yet, it was reported, in September, that the princes had submitted to the King a draft constitution, prepared by lawyers in Cairo, but Saud rejected it as being too radical.¹¹²

Meanwhile, King Saud had also begun to cultivate the tribes. He spent the biggest share of 1960 paying visits to various parts of the country, sometimes several weeks at a time. These trips were always accompanied by publicity in the local newspapers, and royal receptions in the encampments of the Bedouin tribes, as well as in the villages and towns, where he distributed money to the needy. King Saud travelled with his own tents, setting up camp alongside a Bedouin tribe and then moving to another one. During most of January and the early part of February, the King traveled through the district of the Mutair and Subai tribes, in the eastern part of the Kingdom.¹¹³ In the second half of February, he encamped at al-Kharj, taking part in receptions and ceremonies, and paid out thousands of riyals to cover the debts of poor citizens who had been thrown into prison for non-payment.¹¹⁴ In March, King Saud journeyed to Hijaz, Jedda and Mecca, again paying the debts of imprisoned debtors and visited Bedouin tribes on his return to Riyadh.¹¹⁵ In April, he toured towns, villages and tribes on the east coast, where

112) Hayat (Beirut), September 9, 1960.

113) Bilad (Jedda), Feb. 3, 1960; Umm al-Qura (Mecca), Feb. 12, 1960.

114) Bilad (Jedda), Feb. 16, 19, 22, 29, 1960.

115) Ibid, March 22; April 5, 1960.

conspicuous in welcoming him was Saud ibn Jalawi, the Governor of the Eastern province.¹¹⁶ From the end of May through most of June, the King stayed in Mecca for the Pilgrimage, where princes, dignitaries, religious leaders, senior officials and heads of tribes came to pay homage, and he received leaders of pilgrimages from all over the world.¹¹⁷ In September, he again visited al-Kharj, where he again settled the debts of the poor and distributed food and clothing to needy families affected by the drought in the northern part of the district.¹¹⁸ In November, King Saud visited Medina, "where the enthusiasm of the population knew no bounds", and received tribal and religious leaders, dignitaries and senior officials from all over the Hijaz.¹¹⁹ Afterwards, he visited the Bedouin tribes and the small towns of Nejd, northeast of Riyadh. During this latter trip he was the guest of Prince Fahd, on his estate.¹²⁰

Throughout the year 1960, King Saud also was careful to retain his position as religious leader. As was his custom, he received the Ulema, led sometimes by the Grand Mufti, every Thursday when he was at his palace in Riyadh. He also continued another custom of his, "leading the pilgrims" during the Hajj. Wide coverage was given in the local press of all information connected with the King as a functionary. He was referred to as "Guardian of Religion and Prime

116) Umm al-Qura (Mecca), April 22, 29; May 6, 1960.

117) Bilad (Jedda), May 27; June 19, 1960.

118) Ibid, Sept. 16, 1960; Umm al-Qura (Mecca), Sept. 28, 1960.

119) Bilad (Jedda), November 20, 22, 1960.

120) Ibid, November 25, 27; December 4, 14, 1960.

Defender of its Lofty Precepts", "Keeper of the House of the Lord", and "the Arab-Muslim King".¹²¹

King Saud's efforts to regain his lost positions was aided by Prince Faisal's policy of retrenchment, which alienated powerful tribal interests, as well as commercial circles who were accustomed to the spendthrift ways of the former regime. Moreover, Prince Faisal, though not averse to administrative reforms and a measure of civic freedom, was opposed to a constitutional monarchy. This was becoming the dernier cri in political circles - mainly, of course, in towns and oil centers - and among those members of the royal family who were afraid that autocratic rule might speedily lead to social and political upheaval, unless abandoned in time.

Prince Faisal's attitude toward a constitutional monarchy has been previously discussed.¹²² It was further reported that he and his followers were opposed to constitutional reform for the next ten years at least, as they believed the nation was not yet ready for it. The Economist saw in Faisal's attitude to this matter a political liability: "Maneuvered into the company of a few old reactionaries and bigoted religious leaders, he cannot cry aloud for long against more popular sentiments".¹²³

In what seemed like an attempt to counter his critics, concerning his opposition to proposed governmental reforms, Prince Faisal gave an

121) Umm al-Qura (Mecca), February 12; August 19; November 12, 1960.

122) See Chapter II.

123) The Economist, April 30, 1960.

interview to the newspaper, al-Nadwah, early in June.¹²⁴ During the interview, he asserted that the Government "has a plan to introduce new elements into the existing advisory Council" and "hoped the plan would be implemented soon". At the same interview, he also attacked the critics who charged him with concentrating in his own hands more authority than he could effectively exercise, considering particularly his poor health. He said he had "sacrificed my health in the service of my country and King", but would welcome "competent help to occupy important positions in the State".

Three particular incidents during the year 1960 were singled out as bringing the two protagonists into a major confrontation: (1) King Saud's arbitrary decision to award his son, Prince Sa'ad, a concession; (2) controversy over a temporary substitute for Prince Faisal; (3) the refusal of King Saud to approve the budget for fiscal year 1380/1381.

In June, 1960, King Saud, without apparent approval of the Council of Ministers, authorized his son, Sa'ad, a concession to set up the first locally-owned refinery in the country. The plant was to be owned by the Saudi Arabian Refining Company (SARCO). It was to be built in the Jedda area at an estimated cost of \$20 million and have a capacity of 20,000 barrels a day. Fifty-one per cent of the 40 million riyal capital was subscribed by a group including members of the royal family, and the remaining shares were offered for public subscription by Saudi Arabian citizens only. The company was to enjoy the exclusive right to distribute oil products in the western part of the country for 40 years.

124) As reported by the New York Times, June 12, 1960.

The award of the concession not only seemed to violate the terms of the ARAMCO concession,¹²⁵ but it challenged the authority of the Council of Ministers, headed by Prince Faisal. According to Article 32, of the Statute of the Council of Ministers, "it is not permissible to grant a monopoly or concession of the exploitation of any resources of the country, except in accordance with a special statute, and with due consideration of the public interest". The King, by granting the concession by a royal decree, disregarded this provision. Despite Prince Faisal's protests, the royal decree remained in effect up to the time of his resignation from office in December.

The controversy over naming a temporary substitute came up at the beginning of May, when Prince Faisal decided to travel to Europe for medical treatment. It was reported that he had requested King Saud to empower him to appoint two princes of his choice to replace him during his absence, but that the King had refused. According to the Lebanese press at the time,¹²⁶ Prince Faisal had proposed that the powers and duties of the President of the Council of Ministers should devolve on Prince Fahd ibn Abd al-Aziz, Minister of Education, who was regarded as his chief supporter, and Prince Musa'id ibn Abd al-Rahman, King Saud's uncle, who was regarded as neutral. According to the reports, King Saud had denied Faisal's right to appoint replacements with executive powers. He claimed that he had conferred these powers on Prince Faisal personally, and in his absence they should revert to their source, i.e., the King. Throughout the month, Ahmad

125) ARAMCO reportedly considered it a violation of the concession agreement. See the New York Times, June 12, 1960.

126) Hayat (Beirut), May 22, 24, 27, 1960; Anwar (Beirut), June 5, 1960.

Shukairy, Saudi Arabian representative to the United Nations, and others tried to mediate between the King and Prince Faisal.¹²⁷ It was proposed that King Saud appoint Prince Fahd as acting Prime Minister, jointly with King Saud's son, Muhammad, with the latter as Director of the Royal Office in addition, but this proposal was rejected.

During the second half of May, twelve of Ibn Saud's other sons met in Riyadh at Prince Fahd's house.¹²⁸ After a heated argument, nine of them signed a memorandum to the King warning him against mistakes in financial and political matters that would arise if the present situation, with its lack of clarity as to the executive powers, were to continue, and if he continued to be guided, or misguided, by his alien advisers. The memorandum also demanded the appointment of Musa'id and Fahd as substitutes for Prince Faisal. The Princes Nawwaf, Talal and Bandar supported the King and declined to sign the memorandum. Prince Faisal also reportedly denounced and disclaimed the memorandum.¹²⁹

Towards the middle of June, the King appointed Prince Khalid ibn Abd al-Aziz as "permanent acting Prime Minister".¹³⁰ However, Khalid did not have an opportunity to take up his duties, as the King and Prince Faisal agreed to shelve the whole matter until mid-September.¹³¹ Towards the middle of September it was again reported that Prince

127) Hayat (Beirut), May 27, 1960.

128) For the story of the meeting, see Hayat (Beirut), May 31, 1960; Anwar (Beirut), June 5, 1960.

129) Hayat (Beirut), June 7, 1960.

130) Ibid, June 15, 1960.

131) Ibid, July 27, 1960.

Faisal had decided not to leave Saudi Arabia, in spite of his urgent medical need, until the problem of his replacement was satisfactorily settled. Thus the question remained in abeyance.¹³²

The final confrontation between King Saud and Prince Faisal began on December 18, 1960, when Prince Faisal submitted to the King, for his approval, as usual, the draft budget for 1380/1381.¹³³ The King reportedly refused to sign the order, maintaining that the details of the budget were not given. Prince Faisal reportedly explained that the detailed budget was still at the printers, but the excuse was not accepted. The same evening, Prince Faisal sent a note of protest to the King, in which he declared that the conflict was one of principle, and not personal. "As I am unable to continue, I shall cease to use the powers vested in me as from tonight and I wish your every success", he declared. Prince Faisal and his supporters reportedly did not regard this note as a letter of resignation, as the word was not mentioned. The King, however, interpreted the words "cease to use the powers vested in me" as a resignation, and accordingly issued three decrees on December 21, 1960, by which he accepted Prince Faisal's resignation and, consequently, that of his entire government, took over the presidency of the Council of Ministers, and appointed a new government.¹³⁴

The King's action drew immediate criticism. Prince Fahd declared that the princes refused to admit the validity of Faisal's resignation

132) Ibid, September 9, 1960.

133) For the story of the dispute over the budget, see Hayat (Beirut), January 1, 1960; New York Times, December 22, 23, 1960.

134) For texts of the three orders, see appendices E, F and G.

and that they would not accept anybody else in his place. They regarded the governmental changes as having injured the interests of the monarchy.¹³⁵ It was also reported that Prince Faisal, Prince Fahd and others of the same group had decided to continue their opposition by publishing a statement in the Lebanese press. The King forestalled the action, however, and by sending intermediaries to appease them he succeeded in persuading them to confine the dispute within the family circle.¹³⁶

King Saud, in an effort to placate Prince Faisal, offered to appoint the latter as Deputy President and reconfirm his status as Crown Prince, which had not been formally affected by his resignation as President of the Council of Ministers.¹³⁷ Faisal, it was reported, did not wish to become Deputy President as long as his responsibilities in the government were not clarified.¹³⁸ He did, however, retain his status as Crown Prince.

Three of Ibn Saud's sons, in addition to the King, were included in the new government, as well as one of his sons, all of them under 30 years of age. Outstanding among the princes who then joined the government was Talal ibn Abd al-Aziz and Muhammad ibn Saud, Ministers of Finance and Defence, respectively. Talal was known as the leader of the section in Saudi Arabia which was in favor of changing from

135) Hayat (Beirut), December 22, 1960.

136) Hayat (Beirut), January 1, 1960.

137) Ibid. Rumors had also been spread that the King intended to withdraw the title of Crown Prince and transfer it to his son, Muhammad (see Daily Express, December 23, 1960).

138) Ibid.

theocratic to constitutional rule. Muhammad was regarded as the most promising of Saud's sons and the most likely successor to the throne. His appointment was interpreted by some commentators as designed to placate Faisal, one of whose daughters is Prince Muhammad's wife. The most distinguished of the commoners, was Abdullah Tariki, the new Minister of Petroleum and Mineral Affairs, who was also a member of the Board of Directors of ARAMCO ¹³⁹.

With the establishment of the new government, the prospects of reform began to dim. The Saudi Arabian Director of Broadcasting and Publications denied that the King had ever submitted the draft constitution.¹⁴⁰ This denial, and the fact that, in his speech from the throne at the first session of the new government,¹⁴¹ the King did not even hint at any intention to introduce constitutional reforms, were regarded as indications that he had retreated from his previous support for the reformist program. Observers then believed that Saud had indeed only used the support of the reformers in his struggle against Prince Faisal.¹⁴² They did not expect (and time proved them to be correct) that Talal and the other reformers, both inside and outside the royal household, would simply accept the new position. As a consequence, three principle groups began to compete in Saudi Arabia's internal politics: (1) the King; (2) Prince Faisal, his royal

139) For previous reference to Abdullah Tariki, see Chapter II.

140) For text of speech, see Umm al-Qura (Mecca), December 30, 1960.

141) CARB, December 23, 1960.

142) The Economist, January 14, 1961.

supporters, and the reactionary circles, particularly the religious groups; (3) the princes led by Prince Talal, who advocated a program of constitutional reform, supported by the young intelligentsia - graduates of foreign universities - and Hijaz's growing commercial and professional middle class.

The resignation of Prince Faisal ended his first stage in his rise to power. It had been a critical, but fruitful stage. Prince Faisal had been brought to power to solve pressing external and internal problems. In less than three years he had not only solved the pressing problems, but had accomplished it in the face of considerable opposition by his brother, the King. He had demonstrated remarkable ability, courage, and understanding. He had proven himself as a worthy successor to his father, Ibn Saud.

APPENDIX A

THE SAUDI ARABIAN GOVERNMENT

March 22, 1958 - December 21, 1960

Ministry	22 March 1958	26 March 1959	2 July 1960	21 December 1960
Prime Minister	Prince Faisal ibn Abd al-Aziz	Prince Faisal ibn Abd al-Aziz	Prince Faisal ibn Abd al-Aziz	King Saud
Foreign Affairs	Prince Faisal ibn Abd al-Aziz	Prince Faisal ibn Abd al-Aziz	Prince Faisal ibn Abd al-Aziz	Shaikh Ibrahim as-Suwayl
Finance and National Economy	Shaikh Muhammad Surour as-Sabban	Prince Faisal ibn Abd al-Aziz	Prince Faisal ibn Abd al-Aziz	Prince Talal ibn Abd al-Aziz
Defense & Aviation	Prince Fahd ibn Saud	Prince Fahd ibn Saud	Prince Musaid ibn Abd ar-Rahman Saud	Prince Muhammad ibn Saud
Interior	Prince Abdullah Al-Faisal	Prince Faisal ibn Abd al-Aziz	Prince Faisal ibn Abd al-Aziz	Prince Abd al-Muhsin ibn Abd al-Aziz
Communications	Prince Sultan ibn Abd al-Aziz	Prince Sultan ibn Abd al-Aziz	Prince Sultan ibn Abd al-Aziz	Prince Badr ibn Abd al-Aziz
Education	Prince Fahd ibn Abd al-Aziz	Prince Fahd ibn Abd al-Aziz	Prince Fahd ibn Abd al-Aziz	Shaikh Abd al-Aziz ibn Hasan
Agriculture	Khalid as-Sudairi	Khalid as-Sudairi	Khalid as-Sudai- ri	Abdullah ad-Dabbagh
Health	Dr. Rashad Pharaon	Dr. Rashad Pharaon	Dr. Rashad Pharaon	Dr. Hasan Nasif
Oil and Mineral Resource				Abdullah Tariki
Commerce & Industry	Khalid Gargoni abu al-Walid	Prince Faisal ibn Abd al-Aziz	Ahmad Salah Jamjum	Ahmad Shata

APPENDIX B

SAUDI ARABIAN BUDGET ESTIMATES
(in thousands of riyals)

Receipts	<u>1377/1378¹</u>	<u>1378/1379²</u>	<u>1379/1380³</u>
Oil Revenues	375,000	294,750	353,521
Income Tax	866,000	850,250	795,622
Zakah	1,600	1,500	3,700
Customs Duties	126,000	120,000	120,000
Harbor fees	4,500	4,000	8,600 ⁴
Port Fees	500	500	
Duties from the Governate of the Capital and Municipalities			
Quarantine Fees	7,506	6,750	7,200
Government Press	1,100	500	8,000
Saudi Airlines	32,000	24,000	2,000
Railroad and Damman Port	36,000	35,000	23,000
Services of Development Companies	5,276	5,276	28,500
Posts, Telephone and Telegraph	6,500	5,500	5,276
Residence Permits	1,500	1,500	7,500
Passports	1,600	1,500	3,500 ⁵
Vehicle Fees	1,500	1,500	
Drivers' Licenses	500	500	2,500 ⁶
Stamps	4,500	5,000	3,000
Airport Fees	1,500	500	540
Road Tax	5,000	8,000	14,000
Ministry of Agriculture			
Services	1,500	500	500
Nationality Booklets	16	10	
Commercial Registry and Trade- marks	1,000	500	300
Company Registration Fees	10		

	35	70	90
Certification of Deeds	1,500	5,500	6,330
Rental of State Property	2,500	1,500	2,000
Government Sales			
Instalments on Employee's Houses			1,000
Pension Deduction	10,000	8,000	8,321
Miscellaneous	2,607	1,394	
Revenues from Previous Months			
Revenues from Previous Years	2,000	16,000	
Carried Over		<u>20,000</u>	
	<u>1,500,000</u>	<u>1,410,000</u>	<u>1,405,000</u>

Expenditures.

Privy Purse and Royal Family Expenses	70,000	235,921 ⁷	247,861
Royal Cabinet	8,000	5,221	4,955
Royal Guard	16,000	10,925	13,859
Cabinet of the Presidency of the Council of Ministers	2,380	4,713	4,392
Secretariat of the Council of Ministers	1,650	2,506	2,574
Military Branch			859
Personnel Office			1,035
Sharhah (Money Grant) Office			216
Grievance Board			2,201
Office of the Comptroller General	1,670	1,586	
Consultative Council	2,570	3,869	3,687
Ministry of Foreign Affairs	900	984	927
Ministry of Defense and Aviation	20,000	18,822	28,139
Saudi Airlines	280,000	190,250	191,497
Civil Aviation	27,000	35,045 ⁸	33,203
Ministry of the Interior	3,000	90,159	5,825
Public Security	86,700		23,817
Ministry of Education			55,112
King Saud University	87,000	108,667	114,596
			5,425

Ministry of Communications	109,600	107,356	3,809
Ministry of Agriculture	21,000	20,409	19,154
Ministry of Finance	35,000	38,683	39,100
Ministry of Health	44,700	59,617	55,261
Ministry of Commerce	3,000	3,472	3,970
National Guard	60,000	55,062	54,435
Allocations for Tribes and Mujahidin	192,000	43,702	47,174
Royal Guests and Public Expenses	30,000		
Intelligence	5,000	3,616	2,242
Judiciary of the Hijaz and the Mutawwis	12,000	13,121	12,512
Judiciary of Najd and Dependencies	6,000	5,224 ⁹	5,274
Office of the Mufti	500	10,354 ⁹	644
Religious Institutes	10,500		8,280
Committees for Public Morality in Najd	5,000	5,199	
Imams and Muezzins in Najd	1,500	3,589	3,730
Amirates of the Najd Dependencies	18,000	19,586	21,110
Broadcasting, Press and Publications	6,000	5,894	15,649
Labor Department	2,000	1,926	1,951
Riyadh Electricity	4,000	5,000	7,100
Pensions and Severance Allowances	2,000	7,000	7,953
Schools, Orphanages and Homes for Old People	7,330	7,345	
Waqfs			6,020
Expansion of the Two Holy Mosques and General Projects	76,000	55,000	11,025
Secondary Projects and Public Expenditures	14,000		
Passports and Nationality			6,468
Fire Departments			3,674
Coast Guard			8,190
Imam al-Da'wah Institute			949
Dar al-Hadith in Medina			128
Estimate of Currencies to be Repaid to banks		30,000	10,000

Compensation for Expropriation and Property	25,000	13,000
Monetary Agency and other Debts	130,000	70,000
Aid to Municipalities and Economic Development		7,200
Unforeseen Expenses and Emergencies	75,000	12,000
Miscellaneous Expenses	23,000	
Refund of Revenues	500	
	<u>1,500,000</u>	<u>1,405,000</u>

- 1) Source: K.S.Twitchell, Saudi Arabia (London: Ernest Benn, Inc., 1958), pp.186-188.
- 2) Source: CARB, January 17, 1959.
- 3) Source: CARB, January 3, 1960.
- 4) Includes Port Fees
- 5) Includes Passports
- 6) Includes Drivers' Licenses
- 7) Includes Sharhah
- 8) Includes Civil Aviation
- 9) Includes Institutes and Colleges

APPENDIX C

IMPORT REGULATIONS

Royal Decree No.39

May 25, 1958

Article 1 : The Import Committees are abolished.

Article 2: Import offices shall be established in Jedda, Riyadh and Damman under the supervision of a Comptroller, to be known as the Comptroller General of Imports, who shall be appointed by the President of the Council of Ministers after nomination by the Minister of Finance and National Economy.

His office shall be at the Saudi Arabian Monetary Agency (but) he shall deal with the Import Offices of the Ministry of Finance and National Economy. The Jedda Import Office will deal with the requests for the Western Province. The Riyadh Import Office shall deal with the requests for the Province of Nejd and the Damman Import Office shall deal with the requests for the Eastern Province. This Comptroller shall coordinate the work between these three Import Offices and lay down the Internal rules applicable thereto. He shall control their operations and shall have the authority to determine (the number of) their employees to deal with the problems submitted by these offices.

Article 3: It shall be the function of the Import Offices to issue import licenses required by banks for the purpose of opening credit for the acceptance of (money) transfers, at the official foreign exchange rate, in payment of imports of the goods referred to in Article 4 of these regulations.

Article 4 : The Ministry of Finance and National Economy shall, after consultation with the Governor of the Saudi Arabian Monetary Agency, determine for each quarter the minimum amounts of foreign currency to be allocated for the importation of all the foodstuffs, clothing, medicines, and other goods needed by the country and referred to hereinafter in this Article. The ministry shall inform the Import Offices in advance, namely before the first of Muharram, Rabi' II, Rajab and Shawwal of each year, of the foreign currency allocation for each period and for each office. The total amount of this foreign currency shall be divided among the three offices on the basis of official statistics and with due consideration to the new requirements arising

in each of the three provinces.

Following is a list of the goods referred to above : rice, wheat, sugar, flour, millet, corn, barley, lentils, dried peas, black beans, chick-peas, peper, tea, coffee, cardaman, dried beans, fresh meats, sheep, fruits, fresh vegetables, fats, edible oils, milk and dairy products, including liquid and dried milk, butter, cream, cheese, eggs, popular materials for clothing, provided the price does not exceed two riyals per meter, medicines and pharmaceuticals, agricultural equipment and implements, industrial capital goods.

The Council of Ministers may, in accordance with a proposal made by the Ministry of Finance and National Economy, amend this list in a manner consistent with the economic conditions in the country.

Article 5: The Saudi Arabian Monetary Agency shall provide the foreing currency allocated to each of the three provinces and it shall make, with those banks in each province which are licensed to deal in foreign currency, the necessary arrangements to open credits without delay for anyone in the province who has been given an import license. The importer shall have the right to choose the bank through which he wishes to open the credit. The Agency shall compensate the banks for this without delay.

Article 6: The importation of motor vehicles of all kinds is prohibited for a period of six months from the date of issue of this decree; this may be extended for a further period not exceeding six months by decision of the Council of Ministers in accordance with a proposal of the Minister of Finance and National Economy. This prohibition shall not affect motor vehicles covered by previous permits still in effect for which an irrevocable letter of credit has been opened.

Article 7: The importation and exploitation of gold shall be subject to the terms and conditions and within the limits proposed by the Minister of Finance and approved by the Council of Ministers.

Article 8: All other goods which are not mentioned in these Regulations and to which the import ban does not apply may be imported freely and without license. The Agency shall not be obligated to provide foreign currency therefore.

Article 9 - 19 : (Internal Implementing Instructions): Omitted.

Source: CARB , June 5, 1958.

APPENDIX D

CURRENCY CONTROL REGULATIONS

Royal Decree

May 25, 1958

Article 1: The Saudi Arabian Monetary Agency shall pay for the following in the foreign currencies required at the official rate of exchange:

a. The prices of goods which are referred to in Article 4 of the Import regulations issued in Royal Decree No. 39, dated 7 Dhu al-Qa'dah 1377 (May 25, 1958) and which are imported in accordance with import permits issued under those regulations.

b. The salaries of non-Saudi Government employees and officials which can be transferred abroad in accordance with the regulations in effect.

c. Government (money) transfers abroad which are authorized in the items of the budget, provided they are within the amounts which were allocated to the ministries and Government departments.

Article 2: The prices of all goods, services and transfers, other than those provided for in Article 1, above, shall be paid through the free market and without license.

Article 3: The (Saudi Arabian Monetary) Agency may, for the purpose of stabilizing the Saudi Arab currency, buy and sell gold and foreign currencies in the free market whenever the Agency deems it necessary. (Such action) will be subject to the limitations and conditions set forth by the Minister of Finance and National Economy. The Governor of the Agency shall prepare a monthly statement of all the transactions which were completed during the month and forward a copy of this statement to the Comptroller General of State accounts.

Article 4: The Currency Control Department shall be abolished and the Saudi Arabian Monetary Agency shall assume the functions of currency control. The powers, operations and records of the (Currency Control) Department shall be transferred to the Agency. The Minister of Finance and National Economy shall deal with the status of the employees and officials of (the Currency Control Department) in accordance with the

regulations and internal rules.

Article 5: All outstanding permits (requests) for private transfers, from whatever source, for purposes other than those provided for in Article 1, paragraph b, above, shall be cancelled. The Agency shall pay any other obligations arising out of valid import permits for which an irrevocable letter of credit has been opened.

Article 6: Before the beginning of each quarter, the Minister of Finance and National Economy shall, after consultation with the Governor of the Saudi Arabian Monetary Agency and the Comptroller General of Imports, determine the amounts of foreign currencies (to be) allocated for the importation of goods and the personal transfers of the Government's foreign employees, and shall inform the authorities concerned thereof.

Article 7: The Minister of Finance and National Economy may, after approval of the Council of Ministers, issue an order for the obligatory surrender of specified foreign currency earnings to the Saudi Arabian Monetary Agency, or anyone designated for this purpose, at the official rate of exchange. Anyone who violates such an order shall be punished in accordance with Article 14 of the Currency Control Regulations issued in Royal Decree No. 30/4-1/2553, dated 18 Dhu al-Hijrah 1376 (July 16, 1957).

Article 8: These regulations shall come into effect as of the date of their publication and anything in conflict with the provisions thereof shall be cancelled.

Source: CARB, June 5, 1958.

APPENDIX E

RESIGNATION OF PRINCE FAISAL AND CABINET

Royal Decree No. 35

December 21, 1960

With the help of God Almighty;

We, Sa'ud 'Abd al-Aziz Al Saud, King of Saudi Arabia;

In accordance with the request of (our) brother Faisal to be released from his duties as President of the Council of Ministers and after reviewing Article 8 of the Regulations of the Council of Ministers issued under Royal Decree No. 38, dated 22 Shawwal 1377 (May 11, 1958);

Have ordered as follows:

Article 1: We accept the resignation dated 1 Rajab 1380 (December 19, 1960), of our brother Faisal, President of the Council of Ministers.

Article 2: All ministers are considered as having resigned as a consequence of the resignation of the President of the Council of Ministers.

May God be the granter of success.

(Signed) Sa'ud

Source: CARB, December 22, 1960.

APPENDIX F

KING SAUD ASSUMES DUTIES OF PRIME MINISTER

Royal Decree No. 36

December 21, 1960

With the help of God Almighty;

We, Sa'ud ibn 'Abd al-Aziz Al Saud, King of Saudi Arabia;

In accordance with Royal Decree No. 35, dated 3 Rajab 1380
(December 21, 1960), have ordered as follows:

We have decided to assume personally authority and responsibility
of the President of the Council of Ministers. May God be the granter
of success.

(Signed) Sa'ud

Source: CARB, December 22, 1960.

APPENDIX G
NEW CABINET FORMED
Royal Decree No. 37
December 21, 1960

With the help of God Almighty;

We, Sa'ud ibn 'Abd al-Aziz Al Saud, King of Saudi Arabia;

After reviewing Article 11 of the Regulations of the Council of Ministers, and in accordance with Decree No. 36, dated 3 Rajab 1380 (December 21, 1960);

Have ordered as follows:

Article 1: We have appointed the ministers whose names are mentioned to hold the ministry shown next to their names:

HRH 'Abd al-Muhsin ibn 'Abd al-Aziz	Minister of Interior
HRH Talal ibn 'Abd al-Aziz	Minister of Finance and National Economy
HRH Badr ibn 'Abd al-Aziz	Minister of Communica- tions
HRH Muhammad ibn Sa'ud	Minister of Defense and Aviation
Shaikh 'Abd al-Aziz ibn Hasan	Minister of Education
Sayyid Ibrahim al-Suwayyil	Minister of Foreign Affairs
Sayyid Abdullah al-Hamud al-Tariki	Minister of Petroleum and Mineral Resources.
Sayyid Ahmad Shata	Minister of Commerce

Dr. Hasan Nasif

Minister of Health

Sayyid 'Abd Allah al-Dabbagh

Minister of Agriculture

Article 2: The Ministers shall assume their duties specified in the text of the Regulations of the Council of Ministers, as of the date of this decree.

May God be the granter of success.

(Signed) Sa'ud

Source: CARB, December 22, 1960.

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