

Saudi Arabia's Economic Diplomacy through Foreign Aid: Dynamics, Objectives and Mode

Yi Li

To cite this article: Yi Li (2019): Saudi Arabia's Economic Diplomacy through Foreign Aid: Dynamics, Objectives and Mode, Asian Journal of Middle Eastern and Islamic Studies, DOI: [10.1080/25765949.2019.1586367](https://doi.org/10.1080/25765949.2019.1586367)

To link to this article: <https://doi.org/10.1080/25765949.2019.1586367>



Published online: 22 Mar 2019.



Submit your article to this journal [↗](#)



Article views: 2



View Crossmark data [↗](#)



Saudi Arabia's Economic Diplomacy through Foreign Aid: Dynamics, Objectives and Mode

Yi Li

Middle East Studies Institute, Shanghai International Studies University, Shanghai, China

ABSTRACT

Economic diplomacy is an important part of a country's overall diplomacy, and foreign aid is an essential tool in a country's economic diplomacy. With the accumulation of wealth, Saudi Arabia uses its petrodollars to carry out economic diplomacy, and by increasing the amount of aid and expanding aid targets, it achieves multiple goals. This article analyzes the policy objectives of Saudi Arabia's foreign aid from the perspectives of political, economic and religious dynamics, and reviews the main models in this field, namely, strategic foreign aid, development-oriented foreign aid and humanitarian foreign aid. The author believes that Saudi Arabia's foreign aid is double-sided. On the one hand, it actively implements the development goals of South-South cooperation and contributes to the promotion of global economic recovery and development; on the other hand, it promotes Wahhabi expansion and development, bringing certain threats to the world's traditional security. However, since 2015, the Saudi government has begun to control, regulate, and minimize religious promotion to reduce certain threats that Wahhabism has generated.

KEYWORDS

Economic diplomacy;
foreign aid; global
governance; Saudi Arabia;
Wahhabi teachings

In the 1970s, as the economic development of capitalist countries encountered bottlenecks, their ability to expand aid programs fell sharply, causing more difficulties for the social and economic conditions of developing countries. The international community has taken various actions to solve these problems, including the United Nations Declaration on the Establishment of a New International Economic Order of 1974, the United Nations Conference on Trade and Development in Nairobi in 1970 and Manila in 1979, the Manila Declaration of the Group of 77 countries in 1976, the United Nations in Paris in 1980, and the Cancun North-South Summit in 1981. The objective of these efforts was to find ways for developing countries to get rid of troubles. Due to their considerable oil revenues, in this regard, the Gulf Arab countries have gradually acquired the capacity to assist other developing countries. For instance, Saudi Arabia, as the largest economy in the Gulf countries, has gradually become an

important member of the international foreign aid donors with the rapid increased annual aid.

Economic diplomacy is a diplomatic activity carried out by a country to safeguard and strive for national interests by economic advantage.¹ As the only representative of the G20 countries in the Arab countries, Saudi Arabia's foreign aid has become an indispensable tool in its diplomacy. Although the emphasis of its foreign aid is not to attach certain political conditions, it is by no means to ignore the needs of Saudi Arabia's national interests, which serves the overall layout of national diplomacy. For more than half a century, Saudi Arabia has pursued political or security interests through economic means and its foreign aid has become an extremely important tool of its economic diplomacy. As a regional power with multiple identities such as the world's energy power, the owner of two holy places of Islam (Mecca and Medina), GCC leader and G20 member state, Saudi Arabia currently plays – and for the expected long-term – an important role in Middle East affairs and even in world affairs.² In terms of foreign aid, according to incomplete statistics, Saudi Arabia's annual foreign aid accounted for 1.9% of its gross national income, much higher than the 0.7% recommended by the United Nations Development Programme (UNDP).³ Since the 2010 upheavals in the Middle East, Saudi Arabia has participated actively in international affairs and offered foreign aid. It has a successful record in maintaining national political stability, preventing the proliferation of “revolutions” and competing for regional influence.⁴ For example, Saudi Arabia increased its assistance to northeastern Syria, northern Iraq and Yemen as a mean to stabilize these regions and thwart Iranian influence. By the end of 2016, Saudi Arabia had provided assistance totaling \$139 billion to 95 countries around the world, ranking the fourth.⁵ Saudi Arabia's foreign aid not only promotes the economic development of the aided country, but also helps Saudi Arabia to seek great powers' status, maintain the status of the “servant of the Islamic world and promote “Rial” diplomacy. Based on Saudi Arabia's foreign aid strategy and its behavior in the Gulf Arab countries, this article uses Saudi Arabia as an example to analyze its foreign aid and its models of economic diplomacy, the main features and its practical significance, and then explore Saudi Arabia's foreign aid.

1. Basic Situation of Saudi Arabia's Foreign Aid

Since the beginning of the twenty-first century, especially in recent years, the international political situation has been turbulent, the global financial crisis has had a profound impact, and the social, ethnic and religious conflicts have escalated. The main contradiction in today's international politics is the tension between wealth creation

¹D. Sun and Y. Zoubir. 'China's economic diplomacy towards the Arab countries: challenges ahead?' *Journal of Contemporary China* 24 (95), (September 2015), pp. 903–908.

²Z. Liu, 'Saudi's national narration: religion, diplomacy, and great power status', *World Knowledge* (12), (2012), p. 47.

³J. Paresley, 'Trade and foreign aid: the experience of Saudi Arabia', translated by Z. Tian, *The World Economic and Political Forum* (10), (1984), p. 18.

⁴B. Salloukh, 'The Arab uprisings and the geopolitics of the Middle East', *International Spectator* (2), (2013), pp. 32–46.

⁵Ministry of Commerce of the People's Republic of China, 'The Humanitarian Aid Industry in Saudi Arabia Has Developed Rapidly', (2 December 2016), available at: <http://www.mofcom.gov.cn/article/i/jyjl/201612/20161202158397.shtml>.

(finance and credit, research and development, raw material procurement, energy supply, production chain and sales market) and the increasing globalization and wealth distribution (standard of living, social welfare, infrastructure, education system, health and personal safety), which are still nationalized. It implies that while wealth creation now on a global scale, wealth distribution is still at a national level. The three foreign policy instruments dealing with this contradiction are military, diplomatic and foreign aid — military means could win a war while cannot bring peace; diplomacy can reach a compromise for peace, but it cannot bring effective governance and social economy to the countries concerned. Development cannot promote positive energy output to the international order, neither.⁶ Foreign aid has partly compensated for the shortcomings of the former two, especially for Saudi Arabia, which is weak in military power but very rich in wealthy; foreign aid is undoubtedly a better choice for its foreign exchanges.

The foundation of Saudi Arabia's foreign aid is very solid. On the one hand, Saudi Arabia has abundant oil reserves and ample natural resources. With the open up of the Dammam oil field in 1938, Saudi Arabia continued to discover new oil fields and opened the door to the oil economy. According to the relevant report of the Organization of Petroleum Exporting Countries (OPEC) in 2016, Saudi Arabia has proven oil reserves of 266 billion barrels, accounting for nearly 20% of global oil reserves.⁷ Besides high reserves of crude oil, Saudi Arabia is also rich in natural gas, gold, copper, iron, tin and other mineral deposits, which could bring the country considerable economic benefits. Since the implementation of foreign aid in the 1970s, Saudi Arabia's aid system consists of two parts: the official development assistance and non-official assistance. In fact, the Saudi government provided the Organisation for Economic Cooperation and Development (OECD) with data on development assistance from the beginning. However, since it did not enter the relevant discourse system in Western countries, it rarely involved such discourse controversy.⁸ The Saudi family manages the non-official part secretly. Due to the lack of transparency, the information and analysis provided in the public domain is limited, and the data on foreign aid is mostly incomplete and therefore difficult to know. However, it can be inferred that Saudi Arabia's actual amount of assistance is far greater than the published OECD's statistics.

Saudi Arabia's foreign aid funds are flow generally directly into Asian and African regions. From 2010 to 2015, >\$13.141 billion went to Asia, accounting for nearly 91% of Saudi Arabia's total assistance, nearly 2% went to African countries, and the rest benefit other developing countries.⁹ The aid sector covers the major sectors of social infrastructure and services, debt relief, economic infrastructure and services, production, and humanitarian assistance. According to incomplete data, the sectors with the largest share may be economic infrastructure and services, social infrastructure and

⁶H. Liu, 'Discussion on foreign aid theory in the process of globalization', *International Relations Research*, (2), 2014, p. 28.

⁷See OPEC, 'World Oil Outlook 2016', available at: http://www.opec.org/opec_web/en/.

⁸X. Li, X. Xu and Y. Wang, *International Development Assistance: Foreign Aid to Non-developed Countries* (Beijing: World Knowledge Publishing House, 2013), p. 211.

⁹The relevant figures in this paragraph are derived from OECD 2015, OECD database, available at: <http://www.oecd.org/countries/saudiarabia/2/>.

services, and production. Taking the 2015 data as an example, 59% of Saudi development assistance flows to the social infrastructure services sector, 34.1% to the economic infrastructure services sector, 3.7% to the humanitarian aid sector, and 3% to the production sector.¹⁰ Saudi aid flows to regional concentration and the focus of assistance is clear. However, due to the impact of oil prices, the amount of aid fluctuations is also more obvious.

The Structure of Saudi Foreign Aid (2015)

Social infrastructure services sector	59%
Economic infrastructure services sector	34.1%
Humanitarian aid sector	3.7%
Production sector	3%
Other sectors	0.2%
Total	100%

The strategic document of Saudi Arabia's foreign aid is not clear. Its aid institutions and management systems are mainly composed of policymaking institutions around the royal family and executive agencies, based on the Saudi Fund for Development (SFD).¹¹ The Saudi monarchy decided that the right to formulate all its policies was in the hands of the royal family. The policymaking bodies surrounding the royal family include the Saudi Ministry of Foreign Affairs, the Ministry of Finance and the Cabinet. The Ministry of Finance also specializes in the Department of International Development Cooperation. The Cabinet may also issue new royalties to manage development assistance in accordance with Article 7 of the Royal License No. M/48.¹² In addition, there are other aid agencies: First, the Saudi Red Crescent Authority (SRCA), which has close ties to the government. It is an important institution for humanitarian aid to Saudi Arabia. Unlike the Western Red Cross, it is not autonomous dependent mostly on the government. In fact, it is a quasi-government agency. The second is public sectors and the relief committee. They are national funding tools for humanitarian philanthropy through royal decree. The third is the Royal Foundation, which is managed by the royal court. Members of the royal family also have their own charitable foundations, such as the Al-Walid Foundation, formally established in July 2015 and headed by Walid Ben Talal, an executive director whose assistance aims to promote intercultural communication, eradicate poverty, help women and youth employment, offer disaster relief, health care development and other aspects.

As the only Saudi official development assistance executor authorized by law, the SFD regularly publishes annual reports on the implementation of development year projects. Its main responsibilities are to implement Saudi Arabia's development assistance projects in the form of loan subsidies and to provide credit and guarantees for the export of Saudi non-oil products by providing loans to projects in developing countries through soft loans and by providing financial and insurance products to promote its own non-oil exports. To ensure efficiency, it usually works directly with

¹⁰M. Tierney, etc., 'More dollars than sense: refining our knowledge of development finance using aid data', *World Development* 39 (11), (2011), pp.1891–1906.

¹¹The foundation's website is <http://www.sfd.gov.sa>. Unless otherwise stated, the relevant data in this article are from this website.

¹²X. Li, X. Xu and Y. Wang, *International Development Assistance: Foreign Aid to Non-developed Countries*, p. 210.

developing countries' governments. According to relevant reports, since its establishment in 1974 to the end of 2015, the Foundation has provided 604 loans with a total amount of more than 47,089.8 million riyals, funding for 82 development projects and projects in 78 developing countries. The Foundation tends to assist the energy sectors. As early as 2008, Saudi Arabia established a \$1 billion fund to alleviate the oil price crisis in developing countries, while providing poor countries with \$50 million in "soft loans" to fund their development of energy technology projects.¹³ The Saudi royal family stipulates that the issuance of loans must comply with the following conditions: the project funded by the loan must bring economic or social benefits to the recipient country; the loan is paid and repaid in Saudi riyal; the loan amount does not exceed 5% of the total capital of the fund; the total amount of loans provided to the same country within the same period of time does not exceed 10% of the foundation's capital.

According to its 2015 annual report, the SFD has a total of 19 annual aid projects, 9 in Africa with a total value of 117.12 million riyals, and 10 in Asia with 127.87 million riyals.¹⁴ The assistance projects cover a wide range of areas and focus on the energy sector, the transportation, the health, the education, and the agricultural sectors. Among them, the energy sector has the largest share; three projects accounted for 758.87 million riyals, representing 30.92% and reflecting Saudi Arabia's emphasis on relevant assistance in this area. The transportation sector has the largest number of financing projects with seven departments, including five road projects, one seaport and airport project, valuing a share of 760.725 million riyals, with the proportion of 26.37%. The amount of other projects is 61.125 million riyals, accounting for 24.91% of the total amount. The social infrastructure consists of five projects, two in the health sector, one in the education sector and two in the housing and urban development sectors, which cost a total of 341.12 million riyals, with a proportion of approximately 13.98%. There is only one department, which is a project with an amount of 93.75 million riyals, accounting for 3.82%.

Although the charter of the SFD states clearly that it does not favor any country based on geography or religion, at least three-quarters of Saudi Arabia's list of foreign aid from 2000 to 2005 are Muslim-majority countries.¹⁵ In view of this pattern in the flow of aid, the focus of assistance targets the wider Muslim World. Take economic assistance and community building as an example. In 1975, Saudi Arabia and other Muslim countries established the Islamic Development Bank in Jeddah, providing interest-free loans and unpaid financial support to the world's Muslim countries. Saudi Arabia assumed more than 90% of the bank's initial \$900 million fund, further promoting the development of Islamic finance.¹⁶ Since then, Saudi Arabia has gradually integrated large sums of money into it, making it an important channel for Saudi Arabia to influence in Muslim countries around the world.

¹³'Saudis Pushes 'Pro-poor' Energy Plan', Al Jazeera, (23 June 2008), available at: <https://www.aljazeera.com/news/middleeast/2008/06/200862211543806807.html>.

¹⁴See '2015 Annual Report', available at: <http://www.sfd.gov.sa>.

¹⁵X. Li, X. Xu and Y. Wang, *International Development Assistance: Foreign Aid to Non-developed Countries*, p. 213.

¹⁶T. Wang and S. Lin, *General History of the Middle East: Saudi Arabia* (Beijing: The Commercial Press, 2000), p. 178.

2. Policy Objectives of Saudi Arabia's Foreign Aid

Economic diplomacy has two goals: one is to expand economic interests; the other is to use the economy as a means to make up for the deficiencies in its political and military diplomacy, for the sake of seeking political and security purposes. As the most significant economic power in the Gulf region, Saudi Arabia's long-term national policy is to maintain stability and ensure the security of the regime. Saudi Arabia is more concerned about regional security issues than other countries in the Middle East and is eager to obtain a voice in the region that is commensurate with its economic strength. Since the rule of King Faisal (1964–1975), Saudi Arabia has carried out economic diplomacy utilizing foreign aid. Its aid has multiple tiers: first, the ring of Arab countries neighboring the Gulf, followed by the farther ring of Arab countries, and finally the ring of Muslim-majority countries. In fact, although the Saudi government has yet to produce a paper outlining its foreign aid strategy, its motivation for foreign aid generally takes into account several factors including humanitarian principles, religious considerations, foreign policy or diplomatic goals, external security, internal stability and solidarity, and the promotion of domestic business interests.¹⁷ Generally, the above motives can explain Saudi Arabia's foreign aid strategies and reflect its political, economic and religious policy objectives.

Political goals have two aspects. On the one hand, support the Arab countries and maintain the security and stability of the surrounding areas. Egypt has been Saudi Arabia's key aid recipient, it provided \$7 billion between 1973 and 1979 to help restore Egypt's economy and rebuild the army.¹⁸ This is mainly due to the following considerations. First, Egypt plays a pivotal role in the Arab world; it fights radical forces and helps thwart threats against the Saudi conservative regime. Second, Egypt's military power is relatively strong, so it is able to act as the backbone of the Arabs' confrontation with Israel, thus safeguarding the common interests of Arab countries, such as Saudi Arabia.¹⁹ The assistance to countries such as Syria and Algeria is mainly to ease the relationship between the two sides, strengthen their Islamic ideology, and gradually "moderate" their politics. On the other hand, the Islamic countries with a wider scope of assistance have recognized Saudi Arabia as 'Guardians of the Holy Cities'. Saudi Arabia especially cares for Pakistan, besides the long-standing cultural, economic, military, intelligence and security relations of the latter, Saudi focus on Pakistan is mainly because that the two countries are both Sunni countries, they can jointly resist Shiite Iran to some extent. Pakistan has been for at least four decades a major theater of operations in the global struggle between Saudi Arabia and Iran for dominance in the Muslim world. The stakes for both regional powers are high given that Pakistan borders on Iran; shares with the Islamic Republic the restless region of Baluchistan that potentially allows Saudi Arabia and Iran to stir the pot in each other's backyard; and it is home to the world's largest Shiite minority viewed by the kingdom as an Iranian fifth wheel. To counter potential Iranian influence, Saudi Arabia has poured billions of dollars into

¹⁷K. Al-Yahya and N. Fustier, *Saudi Arabia as a Humanitarian Donor: High potential, Little Institutionalization* (Berlin: Global Public Policy Institute, 2011), pp. 56–78.

¹⁸*Ibid.*, pp. 78–80.

¹⁹T. Wang and S. Lin, *General History of the Middle East: Saudi Arabia*, p. 177.

supporting ultra-conservative forces in Pakistan.²⁰ In the 1970s and 1980s, Pakistan received more aid from Saudi Arabia than from any other country outside the Arab world.²¹ In return, Pakistan promised to incorporate Islamic law into its judicial system in 1976.

Moreover, Saudi Arabia attaches great importance to the Central Asian countries. With the disintegration of the Soviet Union and the end of the bipolar world order in 1991, Saudi Arabia has been able to promote pan-Islamic diplomacy in Central Asia. Before and after the independence of the five Central Asian countries, Saudi-funded Islamic clerics and volunteers went to Central Asia to teach and preach. Saudi Arabia also funded the construction of mosques and schools in Central Asian countries, spreading Wahhabi doctrines and its beliefs.²² The assistance has laid the foundation for the further development of bilateral relations after the independence of Central Asian countries. Saudi Arabia uses the strong “petro-dollar” to vigorously promote “Riyal diplomacy”. In addition to providing loans directly to Central Asian countries, Saudi Arabia also provides assistance and investment to Central Asian countries through institutions such as the SFD. In 2007, Saudi Arabia invested in 20 key projects in Uzbekistan’s development areas, such as health, education, energy, transportation and infrastructure. In 2011, it provided Kyrgyzstan with a loan of \$15 million for the construction of its roads. In the year 2012, Saudi Arabia provided Uzbekistan with approximately \$480 million for medical and health research projects. This series of aids not only effectively promoted the Islamic renaissance in Central Asia and the national economic construction, but also effectively enhanced Saudi Arabia’s influence and voice in Central Asia.

In terms of economic goals, for most countries, economic gain is the objective of foreign aid. The goal of foreign aid is also promoting social and economic development of the recipient countries or regions and improving the living standard of local people. The motive for foreign aid is the national interest of the country. The realist theorist Hans Morgenthau pointed out that any form of foreign aid is essentially political whose design is to promote and safeguard national interests.²³ Through foreign aid, it can not only help open up the market for domestic foreign direct investment, but also guarantee domestic energy and resources supply. Some scholars argue that donor countries are more willing to allocate domestic official development assistance to those countries, which import their domestic products. This indicates that the main motive of donor countries to offer foreign aid is for economic gain.²⁴ Thus, foreign aid is more or less, directly or indirectly, aims at promoting domestic economic interests. Saudi Arabia’s foreign aid, also known as “riyal diplomacy”, fully reflects the economic goals of Saudi Arabia’s foreign aid. In terms of currency, the use of domestic currency has the following advantages: firstly, it can gain advantages in exchange rate, reduce

²⁰J. Dorsey, ‘Pakistan’s lurch towards ultra-conservatism abetted by Saudi-inspired pyramid scheme’, *Asian Journal of Middle Eastern and Islamic Studies* 12 (1), (2018), p. 66.

²¹X. Li, X. Xu and Y. Wang, *International Development Assistance: Foreign Aid to Non-developed Countries*, p. 209.

²²Y. Liu, ‘Saudi Islamic diplomacy in Central Asia after the Cold War’, *International Research Reference* (3), (2015), p. 10.

²³H. Morgenthau, ‘A political theory foreign aid’, *The American Political Science Review* 56(2), 1962, p. 301.

²⁴J. Younas, ‘Motivation for bilateral aid allocation: altruism or trade benefits’, *European Journal of Political Economy* (24), (2008), pp. 661–674.

and avoid foreign exchange losses and risks in foreign currency conversion. Secondly, with the large outflow of the riyals and decrease of the domestic currency, it helps reduce inflation in Saudi Arabia. Thirdly, the use of the riyal in foreign aid is conducive to increasing the share of domestic currency in the international reserve currency. While improving domestic economic stability, it can also promote the circulation of aid money. These measures undoubtedly help raise the international status of the Saudi riyal.

In terms of trade, the Saudi government has to find export markets for growing industries, and foreign aid is bound to boost trade relations and reap considerable economic benefits. On one hand, promoting the development of the private economy of recipient countries is an important part of Saudi foreign aid. On the other hand, besides financing the development of private enterprises in recipient countries, Saudi Arabia also uses the aid funds to promote the investment of its SMEs (Small & Medium-Sized Enterprises) in recipient countries. Saudi Arabia sets up corresponding institutions for this purpose.²⁵ For example, specialized official development assistance funds are one of them. Export promotion provisions are included in the articles of the Saudi development foundation, particularly with regard to financing and guarantees for non-oil exports. According to the terms, it should offer necessary loans to developing countries to participate in the financing projects in developing countries, to provide necessary technical assistance required by financing research and regulation support, at the same time to guarantee the smooth run of its domestic non-oil export projects.²⁶ Of course, the fund must not invest more than the required percentage of the aid business, and it must withdraw funds in a planned way within three to five years after the investment, in order to invest in new projects.

Moreover, because Saudi Arabia has less arable land and less water, it has a grain self-sufficiency rate of only about 20%. It thus largely relies on imports to meet its domestic needs. This situation makes Saudi Arabia's foreign aid focused on countries where it shares a strong economic complementarity with Riyadh, to make up for the shortage of its agricultural products. Like other Arab countries, Saudi Arabia views Sudan as an important future food supplier. Since the 1970s, the SDF has proposed to establish Sudan as the granary of the Arab world and set the Arab bureau of agricultural investment and development in Khartoum. In 2008, for example, the aid from Saudi to Sudan amounted to \$66 million, which constituted the largest portion of total aid from Arab countries in that year (\$81.8 million).²⁷ By investing vigorously in Sudan's agriculture, it has made up its huge food deficits to some degree.

In terms of religious goals, Saudi Arabia adheres to the fundamental meaning of religious tradition. It does not tolerate the questioning of the legitimacy of the Islamic Wahhabi doctrine. Under King Faisal, Saudi Arabia pursued a foreign policy of "pan-Islamism", paying particular attention to religious leadership and working hard to raise the Muslim world's recognition of its leadership. Since the 1970s, the royal family has

²⁵E. Neumayer, 'Arab-related bilateral sources of development finance: issues, trends, and the way forward', *World Economy* 27(2), 2002, pp. 281–300.

²⁶See the official website for related content, <http://www.sfd.gov.sa>.

²⁷Global Humanitarian Assistance, 'Resource Flows to Sudan: Aid to South Sudan', (21 July 2011), available at: <http://devinit.org/wp-content/uploads/2011/07/gha-sudan-aid-factsheet-2011-south-sudan-fcus.pdf>.

financed the global expansion and development of Wahhabism by means of its state power and vast oil wealth. In terms of overseas aid, Saudi Arabia has invested, wholly or partly, in the construction of mosques and Islamic centers around the world.²⁸ These centers, led by Wahhabi believers, have become “relay stations” for Wahhabi to propagate Wahhabi doctrine and undertake political-religious activities. During this process, the Saudi government inevitably shelters, supports and funds worldwide Islamic fundamentalism movement, such as the famous figure and spiritual leader of Muslim Brotherhood Mohammed Qutb and Sayyid Gutb. They all once took refuge in Saudi Arabia and received funds from Saudi Arabia.

In foreign aid to Central Asian countries, the strong political orientation of Wahhabi doctrine itself is often used as a religious cover by extremists in central Asia. Saudi Wahhabi sect first appeared in central Asia’s Fergana Basin in the early twentieth century. Saudi Arabia’s Al Soni organization provided a large amount of financial aid for the spread of Wahhabi sect in central Asia. According to statistics, by the end of 1993 the organization had provided about \$1.3 million aid for the spread of religious activities by building mosques and yeshivas in central Asia including Namangan, Andijan, Margalan, which has greatly promoted the spread of Wahhabi doctrine.²⁹ Fergana areas have become the main mission field of Wahhabi in central Asia. The resurgence of Islamist militants in Uzbekistan began in the Fergana areas of Namangan, whose leader, Abdul Ahad, is a militant Wahhabi Muslim. Some Western scholars hold that the domestic and foreign religious propaganda, education and tradition led by Saudi Arabia are closely associated with the spread of Islamic radicalism in the world. They even believe that the expansion of Wahhabi doctrine is a threat to international security.³⁰

Since the upheavals in the Middle East in 2010, Saudi foreign policy has non-ideological, realistic and defensive in tone. The extremist forces including extremist groups of Wahhabi sects, as long as they do not incite the jihad aiming at the Saudi royal family, will be tolerated and even receive financial aid from the Saudi monarchy. Therefore, when Saudi Arabia implemented some democratic reform measures, the influence of Wahhabism was weakened on the surface. Furthermore, The Saudi religious establishment has lost a lot of power under the Crown Prince. The religious police has been gradually dismantled, education system of Muslim Brotherhood and Islamist elements have been purified, and social restrictions on women and entertainment have been liberalized. Saudi aid policies have also changed, with less emphasis – and even discussions to abolish – on existing pan-Islamic organizations, due to the Yemen War.

3. The Mode of Foreign Aid by Saudi Arabia

Foreign aid is an important economic and diplomatic tool for Saudi Arabia. Complying with political interests, economic interests and religion spread of the country, the

²⁸See Saudi Arabian official website, <http://www.kingfahdbinabdulaziz.com/main/m000.htm>. Quoted from Y. Tu, ‘Religion and Saudi diplomacy: strategies, mechanisms and actions,’ Arab World Studies (4), (2013), p. 18.

²⁹M. Haghayeghi, Islam and Politics in Central Asia (New York: St. Martin Press, 1996), p. 94.

³⁰S. Ismail, ‘Producing ‘Reformed Islam’: Saudi contribution to the US projects of global governance’, in M. Al-Rasheed, ed., Kingdom without Borders: Saudi Political, Religious and Media Frontiers (New York: Columbia University Press, 2008), p. 117.

modes of foreign aid mainly include strategic foreign aid, developing foreign aid and humanitarian aid.

Based on the specific diplomatic strategy and ideology, strategic foreign aid reflects the foreign policy intention of donor country and it is a diplomatic means to achieve foreign strategic goals for the country. As data shows, apart from Arab countries which have been badly affected by conflict and disaster countries, the Central Asian countries have also been the focus of Saudi assistance. This is mainly because of the influence of resisting the Soviet Union and pursuing pan-Islamic diplomacy since 1979. Compared with other economic powers, Saudi Arabia's military ability is relatively weak. By virtue of profound religious culture and abundant oil resources, since King Faisal period, Saudi has vigorously carried out pan-Islamic diplomacy in Central Asian countries, providing these land-locked Republics with large amounts of money and aid, resisting the communist forces led by the Soviet Union and winning the identification from Central Asian countries to its leader status in Muslim world. In addition to providing aid and investment to Central Asian countries through Saudi development foundations, Riyadh also carries out multilevel pan-Islamic public diplomacy including humanitarian aid, religious propaganda and cultural education, etc. Undeniably, Saudi Arabia's aid strategy has given it an increasingly important role in the Arab and Muslim world.

From the perspective of national strategy, the Muslim world is the focus of Saudi Arabia's foreign aid. The foreign aid includes the following contents: firstly, assistance to Islamic institutions. In addition to paying membership fees to some Islamic institutions, Saudi Arabia has often made considerable amounts of donations. For example, Saudi Arabia has donated \$800,000 to the Islamic Chamber of Commerce for establishing its new headquarters in Karachi, Pakistan.³¹ The second content of the foreign aids is assistance to Muslim states. Take the year of 2015 as an example. On 10 June 2015, Saudi Arabia development foundation lent 22.5 million riyals to the Cotonou coastal protection project in Benin to help its tunnel construction. On 18 February 2015, the Saudi government lent 112.5 million riyals to Djibouti for social housing construction, and 22.5 million riyals to Djibouti for the construction of the port of Tajura on the same day. On 7 January 2015, Saudi Arabia lent 187.5 million riyals to Afghanistan for the construction of roads in Sabzak. Those aids have covered most of the major projects in the recipient countries. The third content of the foreign aid is assistance to the cause of Islam. Both the Islamic Development Bank and the World Assembly of Muslim Youth, as mentioned above, have received substantial assistance from Saudi Arabia. Actually, Saudi Arabia's assistance strategy contains the purpose of "south-south cooperation". It also helps maintain good relations with Western institutions and government, actively cooperating with international development agencies led by the OECD.

Developing foreign aid corresponds to economic goals, which are mainly aimed at promoting the economic and social development of recipient countries. By helping the development of Muslim countries, Saudi Arabia actively carries out building the economy of the Muslim world and helping them improve their social and public

³¹A. Dawisha, *Islam in Foreign Policy* (Cambridge: Cambridge University Press, 1983), p. 46.

facilities. The reason why Saudi Arabia aids Arab countries, including Bahrain, Lebanon, Morocco, Oman and Tunisia, is due largely to the hope to promote the international economic development and narrow the gap between the rich and the poor through providing aid to the poorer or relatively poor Arab countries.

The Saudi government has always attached great importance to its assistance to Palestine in financing infrastructure projects for the construction and maintenance of electricity, water supply, sewage disposal, and communication networks. At the same time, Saudi Arabia also attaches great importance to the social development of Palestine, and Riyadh has been involved in financing projects to strengthen social protection and comprehensive governance in the Gaza strip with a number of investors. The project aims to improve the financial situation of some poor families in the Gaza Strip, increase their incomes and raise their living standards through the development of effective productive capacity. In addition, Saudi Arabia also funds those projects, which aim to repair houses in old Palestinian towns and areas, especially paying attention to repair those buildings geographically close to the Aqsa and Dome of Rock mosque complexes. By the end of 2015, Saudi Arabia had donated 474.7 million riyals to Palestine for economic construction, mosque repair, primary and secondary school expansion, housing development and other projects.³²

The main purpose of humanitarian foreign aid is to help recipient countries cope with the losses caused by emergencies or natural disasters. Saudi Arabia is the largest donor of humanitarian aid outside the OECD development assistance committee; it has provided substantial assistance to developing countries on several occasions since the 1970s. Saudi Arabia often provides direct aid when countries demand it. It does so because of unforeseen circumstances, such as climate anomalies, economic instability or poverty. For example, it contributed to Algeria in 1980, Italy in 1980, Iran in 1978, Pakistan in 1975 and Turkey in 1977. The policies consisted of financing to Jordan in 1980 for reconstruction after floods and snow; assisting Somalia in the fight against famine and drought; providing aid to Yemen, Nigeria, Oman, Tunisia, South Korea, Malaysia, Malta, Egypt, Syria, Lebanon, Djibouti, Sudan for development plan and government spending, etc. In addition, it has provided considerable loans to developed countries, including one billion to Japan and two billion to France.³³

In terms of humanitarian assistance, Saudi Arabia has generally given priority to the poorest and least developed countries, particularly those in Africa whose people live below the poverty line. In 2015, recipient countries included Djibouti, Liberia and 15 other countries. Most of the aid went to poor countries, such as Cameroon, Gambia, Malawi and Nepal, even though these countries are not Muslim countries. By the end of 2015, the Saudi development fund had financed 337 development projects and programmes in 45 African countries for a 23.12.84 million riyals.³⁴ In addition, it had financed 225 development projects and programmes in 29 Asian countries for a total amount of 21.9 billion and 84.03 million riyals. Saudi Arabia's humanitarian assistance also give assistance to conflict-ridden and war-ridden countries. Saudi Arabia has

³²Lebanon, Palestine, Saudi Arabia: Saudi Arabia Made \$86M Contribution to UNRWA for Projects in West Bank', MENA Report, 2 June 2013.

³³See OPEC, '2001 Annual Report', available at: http://www.opec.org/opec_web/en/.

³⁴See OPEC, '2015 Annual Report', available at: http://www.opec.org/opec_web/en/.

been one of the largest international donors to the United Nations Relief and Works Agency (UNRWA) for Palestinian refugees. At the 2002 donors' conference on Afghanistan reconstruction, Saudi Arabia pledged \$220 million over three years, mainly for infrastructure rehabilitation and reconstruction. In 2005, under the Saudi initiative, the Organization of the Islamic Conference (thereafter renamed "Organization of the Islamic Cooperation") established a special fund for Islamic poverty alleviation. The goal of the fund is to reduce poverty, illiteracy, control malaria, tuberculosis and HIV/AIDS, strengthen infrastructure in less-developed organization of the Islamic conference members, which fully embodies the concept of charity and humanitarian care in Islam.

Since the upheavals in the Middle East in 2010, countries such as Yemen, Syria and Palestine have been key targets of Saudi assistance. In order to further coordinate resources and efficiently carry out humanitarian assistance, the Saudi government established the 'King Salman Relief and Humanitarian Assistance Center' in May 2015. Since its establishment, the center has provided accumulatively 600 million dollars for foreign aid, benefiting 22 million people in 19 countries. As many as 52 humanitarian aid projects have covered relief materials and security protection. By the end of 2016, Saudi Arabia claimed to have accepted 2.5 million Syrian refugees and half a million Yemeni refugees and created access to 140,000 Syrian students and 280,000 Yemeni students. In February 2016, Saudi Arabia donated \$59 million to the UNRWA.³⁵ These series of events and data fully demonstrate the importance of humanitarian foreign aid model in Saudi foreign aid.

Conclusion

Foreign aid is an important economic and diplomatic tool for Saudi Arabia. It fully demonstrates that Saudi Arabia takes economic means as the means both to make up for the deficiencies in political, military and diplomatic field and to pursue political and to security purposes. Saudi Arabia's foreign aid in general serves its national interests and foreign policy, in line with its long-term national policy of seeking progressively social and political development in stability. In the process of providing foreign aid, Saudi Arabia's foreign aid on the one hand cater to the demands of economic construction of many developing countries, especially solve the difficulty of lack of funds for those aid recipients. On the other hand, Saudi Arabia's foreign aid helps Riyadh to achieve its political, economic and religious goals, to enhance its international political status and influence, and to establish its image of the leader of Muslim countries. It has not only enhanced Saudi Arabia's status to Muslims around the world, but also contributed to the smooth implementation of Saudi pan-Islamic diplomacy and made further improvement on Saudi's "soft power". In the process of breaking diplomatic relations with Iran and Qatar, Saudi Arabia has rallied allies through assistance to countries such as Morocco, Sudan, Somalia, Maldives, Mauritius and Djibouti. It promoted and expanded Wahhabi doctrine during its assistance to developing countries in Central Asian and African countries, meanwhile, it intends to

³⁵The relevant data comes from the Ministry of Commerce of the People's Republic of China: 'The humanitarian aid industry in Saudi Arabia has developed rapidly', (12 December 2016), available at: <http://www.mofcom.gov.cn/>.

establish its leader image in the Arab-Sunni-Islamic world when assisting other Middle Eastern countries. Because of its contribution to the global economic recovery and development, Saudi Arabia has won much recognition and praise from the international community. Meanwhile, as the Saudi government persists in the legitimacy of the Islamic Wahhabi doctrine, it intentionally or not cultivated the Islamic extremist groups in the process of funding the development and global expansion of Islamic Wahhabi, which has already brought threats and hidden troubles to the traditional security of the world.

Acknowledgement

The author would like to express her sincere appreciation to Mr. Mohammed Al-Sudairi, and to the blind reviewers for their comments and suggestions on the early version of the paper.

Disclosure Statement

No potential conflict of interest was reported by the author.

Funding

This article is the phased achievement of the 2016 Major Project of Chinese National Social Science Fund "A Study of Global Islamic Extremism" [16ZDA096].