

*INSS Insight* No. 1286, March 26, 2020

## **Saudi Arabia: Not Your Father's Kingdom**

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**Saudi Arabia has been hit by the corona crisis at a sensitive and complex time. Crown Prince Mohammed bin Salman has sought to tighten the reins of his power by continuing to arrest senior family members and other senior officials. This joins the tension with Russia surrounding the continued operation of the OPEC+ cartel and the adjustment of oil prices that led to a fall in world oil markets. All these have converged to create a host of challenges that put tremendous strain on the Saudi decision making apparatus, which is more centralized than ever, and on the ability to advance necessary national objectives.**

In early March 2020, it was reported that a number of senior princes from the royal family were arrested, including Princes Ahmed bin Abdulaziz, 77, the king's full brother, and Muhammad bin Nayef, 60, the king's nephew. Bin Nayef was under surveillance since 2017, when his movements were restricted. The arrest of Ahmed, the son of the kingdom's founder, is unusual: he is accepted mainly among the elderly family members, for whom the meteoric rise and amassment of power by Crown Prince Mohammed bin Salman (MBS) was highly disturbing. In September 2018, Ahmed was photographed outside his house in London imploring demonstrators against Saudi intervention in the war in Yemen "not to blame the entire family." Despite the fact that Ahmed argued that his words were taken out of context, it was reported that although he received assurances of his safety and returned to the kingdom, he continues to criticize bin Salman, albeit in private conversations.

The wave of arrests, which has not been confirmed officially, raises new questions and speculations regarding the stability of the kingdom at this time and the decision making process led by the Crown Prince. While the non-Saudi media reported that an attempted overthrow was thwarted, this is a dubious claim, mainly due to the close surveillance over some of those arrested. The assessment therefore is that King Salman shares his son's understanding that there are still pockets of opposition to him among the family, and that the Crown Prince must be proactive before the death of his father, who has reportedly been ill for some time. In October 2019, it was reported that there was criticism of MBS following the Iranian attack on the Aramco facilities, and increasing doubt among groups within the family regarding his suitability to lead the kingdom at this challenging time. In parallel, and apparently not directly connected with the arrests of the princes, the Saudi

Anticorruption Authority (Nazaha) announced in mid-March that 298 senior officials, judges, and military officers were arrested and indicted on charges of over-indulgence, bribery, and embezzlement of public funds totaling about \$100 million.

The severe tension and the political sensitivity in the kingdom are expected to increase in advance of the transfer of power to MBS. Many of his opponents have not dared to rise up against him while his father occupies the throne, and presumably the recent wave of arrests is not the last. The arrests but signal how difficult it is for MBS to gain internal legitimacy for this rule, and hence his drive to secure centralized authority through threat and fear. Particularly noticeable in this context is the whereabouts of Prince Mutaib bin Abdallah, who headed the National Guard and is considered a confidante of Muhammad bin Nayef. It seems that Mutaib was not included in the wave of arrests, but is labeled as opposition to MBS.

The uncertainty in the palace is joined by another challenge involving dramatic steps by MBS regarding the oil market. In response to Russian refusal to continue cutting oil output in order to regulate the price, MBS, in a surprising step, announced his intention to increase dramatically the rate of oil output, and even lowering the price for principal customers. These measures contributed to further declines in oil prices on world markets. The assessment is that MBS wants to prevent Russian domination of the cartel, and show the Russians their relative weight and status in the oil market, together with Saudi Arabia's ability to inflict economic pain on Russia, in order to encourage Russia to return to negotiations. It is also possible that at the same time Riyadh seeks to weaken American oil producers, who are more sensitive to shake-ups in the oil market.

In addition, Saudi Arabia is also dealing with the corona crisis, which has upset global commercial activity and lowered demand in the energy market. So far, the most significant effect of the spread of the virus on the kingdom has been the sharp drop in oil prices. The assessment in Riyadh is that the economy can deal with price drops in the oil market because Saudi Arabia has foreign exchange reserves of about \$500 billion, and the cost of producing oil in its territory is among the lowest in the world. However, 80 percent of the kingdom's profits come from oil and oil products, and it needs a much higher price of oil for a balanced budget. At the current price level (under \$30 per barrel), it will have to dip into its currency reserves and drastically reduce expenditures, including the security budget.

On March 26, the second death from corona in the kingdom was reported. Meantime, the number of those infected in Saudi Arabia with continues to rise — 900 at the time of this writing — and the kingdom has thus increased preventive measures and tightened restrictions. The army has supplied medical and logistical assistance, and a nightly curfew

has been imposed. In an unprecedented step that has significance for Saudi Arabia's status in the Islamic world in general and in the Arab sphere in particular, pilgrimages to Mecca and Medina are canceled; this also has financial implications. In addition, a lockdown has been imposed on the Qatif district (population 500,000), which has a significant oil industry. The assessment is that of the Shiite majority there, many with family and business ties to Iran or who visited Iran recently have been infected with the virus. So far, the draconian measures imposed on the district have sparked no unrest, other than a few complaints due to some lack of protective face masks and food products. In addition, shopping malls, restaurants, and leisure venues have been closed throughout the kingdom, and part of the public sector, except for essential services, has been temporarily shut down. The closure of the mosques has led many Saudis, who are in any case very active on social media, to increase listening to preachers via the Internet. Alongside the restrictions, the palace has announced a series of measures intended to moderate the negative impact to the economy, chiefly the injection of much capital to the small, fragile private sector. Yet overall, the kingdom has imposed more stringent measures than during earlier pandemics such as SARS (2003) or the camel flu/MERS, which broke out in 2012, spread primarily in the Arabian Peninsula, and recurs in Saudi Arabia every year.

The performance of the Saudi economy was not encouraging even before the effect of the corona crisis, and the state of the economy will likely deteriorate. Lending weight to this pessimistic forecast was the announcement in mid March by the national oil company, Aramco, that profits dropped by 20 percent in 2019 (\$88 billion, compared with \$111 billion in 2018), even after some of its shares were issued on the Saudi stock exchange, which was intended to raise capital in order to implement economic reforms. The company's shares are currently traded at a price significantly lower than when the company went public. Even if Saudi Arabia comes out ahead in the oil price war, this will be at a steep financial cost. There are growing doubts as to the viability of long term, expensive projects such as the planned city of Neom, which for many was the face of the Vision 2030 plan led by Muhammad bin Salman.

Saudi Arabia faces a challenge of leadership, against the backdrop of negative developments in the oil market and the coronavirus crisis. The Saudi political system has always been somewhat opaque, and the corona crisis compounds this obscurity and can serve MBS, by enabling him to carry out various measures, some of which are controversial, while media attention is less focused on him. Sooner or later Mohammed bin Salman will take over the kingdom, whose power and status are declining and whose influence on fundamental trends in the Middle East has weakened. He is expected to continue ruling, certainly in the short term, with his brother Khaled, who is gradually gaining authority alongside him. At the same time, opposition to his rule, as proven again in the most recent wave of arrests, has not ended. Five years after assuming his position, it

is clear that under his leadership, social and cultural openness has increased, although mainly in the hope of attracting foreign investments that will strengthen the economy and improve the kingdom's image. However, continued internal unrest and economic stagnation will make it difficult for him to meet the ambitious targets he has set for himself and for the kingdom.