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## **The Saudi Revolution**

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Saudi Arabia is in the midst of revolutionary processes that aim to change the economic and social fabric in this conservative kingdom. In contrast to the bottom-up Arab revolutions that took place over the past decade, the Saudi revolution is guided top-down by Crown Prince and acting ruler Mohammad bin Salman from his palace in Riyadh. The 32-year-old prince is also trying to impose change to the house of Saud itself: a switch from collective rule by the different branches of the family, which created a system of checks and balances, to what more and more appears to be the autocratic rule of bin Salman himself. Opponents of bin Salman, whether by choice or circumstance, including people in the media, religious figures, businessmen, and even princes have been dismissed, arrested, or dispossessed in the name of the struggle against corruption in a process that has thus far lacked transparency.

"You have a body that has cancer everywhere, the cancer of corruption...[and] we have developed a case of oil addiction in Saudi Arabia," bin Salman declared. On his recent visit to Europe and the United States, he strove to give Saudi Arabia the image of a dynamic, young, and innovative kingdom that is also more tolerant and egalitarian. At the same time, the kingdom is spending large amounts of money on lobbyists and public relations firms, and aiding think tanks in the United States in order to improve its image. Many in the West have indeed been quick to hail bin Salman's stature as a reformer. Some of them compared him to Kemal Ataturk, the father of modern Turkey. Some of those who know him, however, have reportedly said that he was modeling himself after figures like Chinese President Xi Jinping. Will bin Salman adopt a model of political repression combined with economic openness, similar to the Chinese pattern? It is certainly possible, although an attempt to lead Saudi Arabia in this direction is likely to encounter quite a few challenges.

### **Between Promises and the Ability to Fulfill Them**

The need for comprehensive reform in Saudi Arabia, as urged by the International Monetary Fund in the late twentieth century, is not disputed. The Saudi revolutionary vision, which was devised by international consultation firms, was presented in April 2016 under the title "Vision 2030." This vision focused above all on an effort to diversify the kingdom's sources of revenue away from oil. New taxes were imposed as part of the

reforms, including VAT, and subsidies for electricity, water, and fuel were reduced. The price of fuel was doubled in early 2018.

As of now, the kingdom is successfully financing its budget deficit, projected to reach \$52 billion this year, by depleting its currency reserves and selling bonds. Through these measures it raised \$40 billion in 2016-2017, and seeks to raise \$30 billion more in 2018. The effort to raise \$100 billion through a wave of arrests in November 2017 in the name of the war on corruption appears to have failed, with estimates of the amount gained being far less.

Two years after the program was launched, unemployment is still high and growth negligible. Seventy percent of the kingdom's citizens are under 30, and in this age group, which ostensibly supports bin Salman, unemployment is estimated at 30 percent. Furthermore, the timetable and very feasibility of an overseas public issue of shares in Aramco, the Saudi national oil company, for the purpose of paying for the reform is questionable. This IPO has a greater chance of occurring on the local Saudi stock exchange as a way of avoiding economic and legal obstacles.

In order to help households cope with the rising cost of living and prevent potential unrest, the royal house has launched the "Citizen's Account" Program for those eligible in the lower middle class (about 10 million citizens). Foreign workers, who make up a third of the kingdom's residents, are not eligible for this program, which has prompted many of them, especially among the blue collar workers, to return to their countries of origin, although Saudi citizens are in no hurry to take their places. More highly skilled workers are also leaving, primarily because of high taxes and costs. At the same time, the training of Saudi citizens to take their places will take many years, perhaps generations. In the short term, the rise in oil prices at a relatively high level, inter alia due to understandings between Moscow and Riyadh, injects much more money into the Saudi treasury than in previous years, and helps fund the war in Yemen and the reforms. However, this increase helps the global shale oil industry and is liable to detract from the motivation to make significant long term structural changes, certainly if opposition to increasing the burden on citizens grows.

Consumer products and services, which were highly subsidized or even given for free for many years, are regarded as a right earned through loyalty to the House of Saud. Any major and prolonged abrogation of this right is therefore liable to detract from this connection between citizens and the royals, which is important to the regime's stability. Bin Salman is understandably afraid of protest. Such protest raises its head from time to time but so far is confined primarily to the social networks (which are monitored and supervised, and the degree to which they represent the public is unclear). Therefore, in

early 2018, a week after VAT was imposed and the price of gasoline was doubled, the royal house hurried to grant wage increases and bonuses to workers in the bloated public sector, which constitutes a support for the royal house's stability.

Regarding social reforms, bin Salman has stripped the religious police of some of their authority, reopened movie houses, and allowed women to obtain driving licenses. These partial measures, which are dramatic by Saudi standards, have won him well-deserved sympathy. At the same time, gender equality is still a long way off, political organization in any form is banned, and as a rule, the kingdom is still governed by Islamic religious law.

### **A Look Ahead**

In an interview with the Western press during his visit to the United States, bin Salman declared that "only death" would stop him, possibly as a way of expressing his determination to move ahead with his agenda, or perhaps as a hint to those whom he banished from government and positions of authority in the knowledge that they are liable to rise up against him some day. This may also be the reason for reports indicating that the Crown Prince is surrounding himself with non-Saudi mercenary bodyguards. In addition, since bin Salman's status as an agent of stability has not been proven, it is doubtful whether authoritarian behavior leads to long term stability in Saudi Arabia.

This state of affairs delivers a negative message and also increases uncertainty among investors in the West, whose expertise and capital are needed by the kingdom in order to make progress in reforms. In the same manner, anxiety among wealthy Saudis that their money will be confiscated in the name of the struggle against corruption has led to a great deal of private capital being sent out of the kingdom. Bin Salman must also address a possible gap between his ambitious statements and the ability to make rapid far reaching changes in the economic and political structure. How long will it take for young people in the kingdom, to become disillusioned? It is doubtful whether they will be able to cope in the long term with the many burdens imposed on them in the absence of substantive, concrete results, at a time when their future king has not altered his ostentatious lifestyle.

The revolutionary reform process in Saudi Arabia, and therefore also bin Salman himself (who barring unforeseen changes is likely to be crowned king in the near future), wears two faces: encouragement of the essential socioeconomic reforms that he is trying to promote, and aid contingent on reining in his authoritarian tendencies. Bin Salman's policy is indicated by reports in the West of continued arrests, threats, torture, and silencing of dissent – even, it appears, of family members who stand in his way.

Bin Salman has a great deal of work to do, and it is to be hoped that his plans for changing the nature of the Saudi society and economy are more successful than several of his regional actions, led by the boycott of Qatar and the war in Yemen. In addition, it is doubtful whether the kingdom itself has the available capital and the know-how necessary to push the reforms forward. The Saudi revolution will need political and economic help from the West, because its failure will certainly have regional and international consequences.

Success will require the younger generation in the kingdom to scale back its expectations and become accustomed to more austere living conditions. At the same time, Bin Salman will have to find ways of persuading foreign leaders and investors that his internal purges were designed to combat corruption and to devise means of moderating the internal pressures created by the reforms. Otherwise, both the potential achievements of the revolutionary reforms and regime stability itself are liable to be jeopardized.