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HIGHLIGHTS

- **Political Developments**

- **Oil-Related Matters**

I Political Developments

1. Developments in Saudi Arabia: Through the last fortnight, updates on the detentions of senior royals, ministers and business persons carried out on 3rd November continued to be reported, though the veracity of many stories cannot be confirmed. Thus, it has been reported that Saudi authorities are striking agreements with some of those detained in an anti-corruption crackdown, asking them to hand over assets and cash in return for their freedom. The deals involve separating cash from assets like property and shares, and looking at bank accounts to assess cash values.

According to reports, one businessman had tens of millions of Saudi Riyals withdrawn from his account after he signed. In another case, a former senior official consented to hand over ownership of four billion Riyals worth of shares. The Saudi government earlier this week moved from freezing accounts to issuing instructions for "expropriation of unencumbered assets" or seizure of assets. Financial Times has reported that in some cases the government is seeking to appropriate as much as 70 percent of suspects' wealth to channel hundreds of billions of dollars into depleted state coffers.

Most assessments of the crown prince's plans in carrying out the purge remain negative. For instance, the orchestrating of the resignation of Lebanese Prime Minister Saad Hariri was perhaps aimed at encouraging Israel to launch an attack on the Hezbollah, which would weaken the latter both in Lebanon and Syria and open the door to re-assertion of Saudi influence in both countries. However, the plan fell through at the first point when Israel indicated no interest in initiating military action in Lebanon to suit Saudi interests, nor is it showing enthusiasm to confront Iran militarily in the near future.

It was in this background that Saad Hariri returned to Beirut on 22nd November and, instead of pressing his resignation, he has indicated an interest in talks with the various political groups in the country. Behind-the-scenes discussions are said to be taking place with Hezbollah, with Hariri possibly insisting that the former end its support for the Houthis in Yemen and withdraw from Syria.

There is similar scepticism about the Crown Prince's domestic agenda as well. Hardly anyone takes the anti-corruption drive seriously, given that the kingdom has been and remains an absolute monarchy, based on continued non-transparency and accountability relating to national accounts.

The Crown Prince's modernising programme is also viewed as ill-considered: an observer has noted that the modernity he is seeking is "to buy" an industrial base, off the shelf, to make up for depleting oil revenues. This industrial base emerging from Vision 2030 is supposed to yield one trillion dollars' in

profit per annum, but this perhaps only a replacement source of income to support 'the royal family' – and not displace it, and is likely to be most disruptive economically and culturally.

In an interview with Thomas Friedman of The New York Times, Crown Prince Mohammed bin Salman strongly defended his anti-corruption drive, saying that it would yield about \$ 100 billion from the detained persons settling with the public prosecutor, who, the prince insisted, was an independent authority driving the anti-corruption initiative. The prince said that since the 1980s at least 10 percent had been siphoned out of government spending through corruption "from the top to the bottom". Friedman affirmed that in the three days he spent in the country, he only heard effusive praise from Saudis for the crown prince's initiative.

While the prince did not discuss Lebanon with Friedman, he said that the war in Yemen was proceeding in favour of the Saudi-led forces, who now controlled 85 percent of the country. He referred to the Iranian supreme leader, Ali Khamenei, as the "new Hitler of the Middle East", and pledged not to pursue any appeasement policies with Iran.

On 1st November, Saudi Arabia promulgated a new counter-terrorism law that, according to Human Rights Watch, includes vague and overly broad definitions of acts of terrorism, in some cases punishable by death. The law replaces a widely criticized counterterrorism law promulgated in 2014, adding definitions of specific acts of terrorism and their corresponding sentencing guidelines. It includes criminal penalties of 5 to 10 years in prison for portraying the king or crown prince, directly or indirectly, "in a manner that brings religion or justice into disrepute," and criminalizes a wide range of peaceful acts that bear no relation to terrorism.

The Penal Law for Crimes of Terrorism and its Financing takes away extensive powers from the Interior Ministry and transfers them to the newly established Public Prosecution and Presidency of the State Security, both bodies that report directly to the King.

The new law does not restrict the definition of terrorism to violent acts. Other conduct it defines as terrorism includes "disturbing public order," "shaking the security of the community and the stability of the State," "exposing its national unity to danger," and "suspending the basic laws of governance," all of which are vague and have been used by Saudi authorities to punish peaceful dissidents and activists in the recent past, HRW has pointed out.

The new law undermines due process and fair trial rights, Human Rights Watch has said. Instead of amending the law to strengthen the role of the judiciary, it grants the public prosecution and the Presidency of the State Security the legal authority to arrest and detain people, monitor their communications and financial data, and search their properties and seize assets without judicial oversight. The Presidency of State Security can ban a suspect from travel without notifying them, and the law gives police officers and military personnel authorization to use force "according to regulations laid down in the law." No additional regulations on use of force are mentioned in the text.

As in the previous law, article 19 of the new law allows the public prosecutor to hold a suspect in pre-trial detention for up to 12 months, with unlimited extension upon court order, and article 20 allows suspects to be held for up to 90 days in incommunicado detention, where torture and mistreatment are most frequent, according to the UN special rapporteur on torture. Article 21 restricts the suspect's right to a lawyer during interrogation, and article 27 gives the SCC the authority to hear witnesses and experts without the defendant or their lawyer present. It requires the court only to inform them of the content of the testimony, greatly hampering their right to challenge this evidence.

On 30th November, global media, quoting official Saudi sources, reported that Prince Miteb bin Abdullah, former head of the National Guard, had been released from detention after reaching an "acceptable settlement agreement" with authorities; though not officially stated, he is said to have paid more than \$1 billion in "settlement" and to have admitted his culpability in corruption cases.

Though there is no official information on the fate of Prince Alwaleed bin Talal, it is rumoured that he has refused to admit any corruption and has demanded access to his lawyer to defend himself in court. Officials have said that there have been settlements with three other detainees, and, while some have been released, prosecutions will be launched against five others.

2. Saudi-Israel ties: The head of the Israeli Defence Force (IDF), Lt. Gen. Gadi Eisenkot said in an interview that his country is "ready to exchange experiences with Saudi Arabia and other moderate Arab countries and share intelligence information to confront Iran," adding that "there are many shared interests between us and Saudi Arabia." The general went on to say: "Under US President Donald Trump there is an opportunity to form a new international alliance in the region. We need to carry out a large, comprehensive strategic plan to stop the Iranian threat."

According to the Chief of Staff, the expansion of Iranian influence across West Asia is a major concern to both Israel and Saudi Arabia; according to the general, "the Iranian plan is to control the Middle East through two Shi'ite crescents. The first is from Iran through Iraq to Syria and Lebanon and the second across the Gulf from Bahrain to Yemen to the Red Sea. We must stop that from happening."

According to Israeli officials, Tehran is not only providing arms to "terror groups" such as Hezbollah in Lebanon, the Houthis in Yemen and Islamic Jihad in Gaza, but is transferring expertise, building weapons factories, supplying advanced weapons and investing huge sums into various militias. In September, a senior IDF officer stated that the Islamic Republic provides \$60-70 million to Hamas in Gaza in addition to hundreds of millions of dollars for their militias in Syria and Iraq and Houthi rebels in Yemen fighting pro-government forces backed by a Saudi-led coalition.

Tehran has also increased its financial support for its Lebanese ally, Hezbollah, to \$800 million a year, a dramatic boost from the \$200 million provided in the past. According to IDF assessments, Hezbollah has increased its military capabilities due to its fighting in Syria and other parts of West Asia.

The commentator on West Asian affairs, Hussain Ibish has cautioned against Israel exaggerating the substance and direction of its ties with Arab countries. He insists that such ties would move forward only if there was genuine progress on the Palestinian issue. Ibish points out that, first, not only Arab populations, but also Arab governments, genuinely sympathise with the Palestinian cause. Second, such moves would be politically impossible for Gulf Arab countries, despite the clear strategic imperative for them, without progress on Palestine. And third, the Palestinian cause remains highly destabilising and is cynically exploited by Iran, the Houthis and Hezbollah, as well as Al Qaeda and ISIL.

3. Qatar: Reports that Saudi Arabia and the UAE are promoting a Qatari prince from a rival branch of the royal family continue to emerge from the two countries' official media. The person concerned is Sheikh Sultan bin Suhaim al-Thani, a 33-year old son of former emir Sheikh Khalifah bin Hamad Al-Thani. Initially, the media had focused on a relative of Sheikh Sultan, Sheikh Abdullah bin Ali Al-Thani, who lives in Saudi Arabia, but more recently has been promoting his nephew, though both uncle and nephew have been mentioned as capable of solving the ongoing crisis in the region.

Resident in Paris, Sheikh Sultan is believed to have business interests in the kingdom. Sheikh Sultan's SST Holdings was last year awarded an \$8.8 billion contract for a 1.4 million square metre real estate development in Riyadh that would include a shopping centre as well as mosques, hotels, exhibition halls and artificial lakes.

In a further escalation of the intra-family feud, Saudi-owned Al Arabiya television showed a video of Sheikh Sultan addressing thousands of members of the Bani Hajar branch of the Qahtan tribe gathered in Saudi Arabia's Eastern Province. Members of the tribe live primarily in the kingdom, but are also in Qatar. Tribal members responded with seemingly lukewarm applause to Sheikh Sultan's call for a purge in his home country and his urging Saudi Crown Prince Mohammed bin Salman to ensure that Qatar does not become a safe haven for militants and corruption.

4. Yemen: The US food-crisis forecasting agency has issued warnings of imminent and widespread famine in Yemen because of the Saudi-led blockade, now more than two weeks old. The alert on Yemen from the Famine Early Warning Systems Network said that a prolonged closure of key ports in Yemen "risks an unprecedented deterioration in food security" to its worst category, Phase 5, "across large areas of the country."

Relief officials of the United Nations and other humanitarian groups have said at least seven million people are at risk of famine in Yemen, because of restrictions on deliveries imposed by the Saudi-led military coalition that has been fighting Yemen's Iran-backed Houthi rebels since 2015. More than 20 million of Yemen's 27 million people need some kind of assistance, the United Nations has said.

Two weeks ago, Mark Lowcock, the humanitarian relief coordinator for the United Nations, said that unless the blockade was relaxed so food deliveries could resume, Yemen would suffer “the largest famine the world has seen for many decades, with millions of victims.”

The blockade also has threatened to choke Yemen’s freshwater supply and worsen a cholera crisis that has sickened nearly one million people. A Red Cross spokeswoman, Iolanda Jaquemet, said that fuel for municipal water pumps has been exhausted, putting at least 2.5 million people “at risk of another major outbreak of waterborne disease.”

The United Nations and humanitarian aid groups have asked Saudi Arabia to end the Yemen blockade, imposed in response to what the Saudis described as a ballistic missile fired from Yemen by Houthi rebels at Riyadh, the Saudi capital, on 4th November. Despite Saudi pledges to at least ease the blockade, aid groups have said they see little or no evidence this is happening. Farhan Haq, a spokesman for the United Nations, said that the Saudi-led military coalition had not responded to its requests to resume emergency flights to Sanaa, Yemen’s capital, which is controlled by the Houthis.

The blockade was eased from 27th November, amidst reports that relief supplies were now reaching Yemen, with flights to Sanaa airport and shipments to Hodeidah port.

II Oil-Related Matters

At a ministerial conclave in Vienna on 30th November, OPEC and some non-OPEC oil ministers agreed to extend production cuts, totalling 1.8 mbd, through to the end of 2018, in a bid to tackle a global glut of crude oil and keep prices buoyant. Following the deal, which ministers hailed as historic and unprecedented, the price of Brent stood at \$63.28 a barrel, up 0.27% on the day. WTI crude rose by 10 cents to \$57.40.

The extension will be reviewed in June to assess whether the glut of oil on world markets is on track to come back down to a five-year average.

Alexander Novak, the Russian energy minister, said: “To reach our goals, to rebalance the market, we must continue to act in a coordinated fashion, to act jointly, which would take us further in 2018 [with cuts].”

Saudi oil minister Khalid al-Falih Falih said that OPEC was aware of the risk of a resurgent US shale oil industry, and the group would be “agile” in responding. However, he downplayed shale’s impact, saying US oil production this year had been moderate. The number of US oil rigs has leapt by more than a third since a year ago, when OPEC and Russia first agreed to curtail production.

Oil analysts Wood Mackenzie said stakes had been high for OPEC and Russia, but the production cut decision means global oil supply and demand will come closer into balance in the second half of 2018, and prices would go higher at the same time.

(The views expressed are personal)
