

Saudi Arabia: Reforms in the pipeline

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Saudi Arabia is in the news again, and not always for the right reasons. Already in the middle of a war of words with Iran, and in proxy conflict with Qatar, the internal security of the country was broken this week with a sudden crackdown necessitating the arrest of eleven princes and political figures. The future of what has long been considered the most stable state in the Middle East has now been thrown into sharp relief.



First, the eleven royals and former ministers are just the tip of the iceberg. Over 200 people have been detained in connection with a supposed corruption network responsible for the embezzlement of over \$100m USD over the years. Not only is this particularly embarrassing for the royal family, as key arrestees include Prince Alwaleed bin Talal and Prince Miteb bin Abdullah (once in play to be the next crown prince), but the enormity of the scale of corruption – a frankly stunning sum even in a country where nepotism and ‘backroom deals’ are an accepted part of business life.

But this goes beneath the surface: the specific range of arrests and bank-account freezes is perceived as being driven by Mohammad bin Salman, the freshly-minted Crown Prince, and another step in his road to changing Saudi society to fit his desires. Keen to be seen as a reformer and a modernist, bin Salman is in charge of the anti-corruption committee which gives him carte blanche to act as he sees fit. But while it is unarguable that the cronyism and grafting that subsumes Saudi Arabia needs to be legitimately curbed, the Crown Prince has shown little inclination to tackle those abuses closer to his own home.

Much of bin Salman’s motivation, outwardly at least, is in service of the Vision 2030 scheme: the idea, or rather the necessity, of improving the unemployment rate among Saudi nationals and removing the country’s economic dependency on oil. Cracking down on corruption and exploring new economic opportunities through the NEOM zone would seem to chime with this; however, there is little sign of new job growth and the planned IPO of Saudi Aramco is likely to be delayed, even aside from the issue of whether it is in fact worth the \$2 trillion USD figure applied.

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Moreover, bin Salman is closely associated with both the ongoing military campaign in Yemen (which has seen much international approbation) and the Saudi stance on Iran (which is progressing from a 'war of words' to a proxy war in Qatar and the Lebanon). He needs successes in these to confirm his public image, but domestic salutation would likely be the polar opposite of the international reaction. This is a difficult tightrope for the Crown Prince to walk.

What does this mean for international investors and the Arabian business culture? Certainly, the planned bold program of reform, should it come off, would drastically open up the country to ventures other than oil (beneficial for new ventures) and boost the size and variety of the economy (good domestically).

But significant doubts remain. Not only on whether bin Salman can actually pull off everything he intends, as nothing like this has ever been attempted in Saudi Arabia before and the Kingdom is notoriously glacial at making changes. Eleven princes may have been detained but they are by no means fallen, and the business elite (which includes many royals) will not take kindly to any measures aimed at reducing the degree to which corruption and nepotism can flourish.

Change may be coming down the pipeline, but extreme caution should still be the first response rather than the last resort.

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