

Saudi budget signals growing social crisis

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Saudi Arabia's Finance Ministry announced a projected 2014 budget of 855 billion riyals (US\$228 billion) last month. The budget, based on falling oil revenues and coming amid increasing political tensions in Saudi Arabia and throughout the Middle East, highlights the growing crisis of the reactionary Saudi monarchy.

Saudi economic growth declined significantly in 2013, with GDP increasing only two percent by comparison with double-digit growth rates of previous years. Home to the world's largest proven oil reserves, Saudi Arabia produces more oil than any other Arab country. It also has the largest economy in the Arab world with a GDP of \$745 billion. However, oil earnings—which accounts for 90 percent of government revenue—fell by 9 percent in 2013.

The 2014 budget represents an increase of only 4.3 percent over the previous year, making it the smallest increase since 2003. It will do nothing to remedy high poverty and double digit unemployment as the population, which rose from 6 million in 1979 to 28 million today, continues to grow.

Despite Saudi Arabia's vast oil wealth, it has long faced enormous social inequality among Saudi citizens, and between Saudi citizens and the vast number of super-exploited foreign workers, largely from Asia, that constitute one third of the population.

An estimated one-quarter of the Saudi population lives in poverty. Between 2 million and 4 million Saudi citizens are believed to be living on less than \$530 a month.

Total unemployment rose from 10.5 percent in 2009 to 12.1 percent at the end of 2012. About 70 percent of the population is younger than 30, and youth unemployment has stubbornly remained at roughly 30 percent for over a decade. Unemployment is highest among women, at 35 percent.

Even the sharp social spending increases announced

by the monarchy after the mass working class uprisings in Tunisia and Egypt failed to make a significant dent in Saudi poverty and unemployment.

While it succeeded in temporarily staving off the overthrow of the royal family, it highlighted the gross economic incompetence of the monarchy. Despite the country's immense oil wealth, reinvestment of these profits in non-oil industries has been slow. The expansion of industry has failed to keep pace with the growth of the population, and millions remain out of work.

An article by Abdel Aziz Aluwaisheg published in the *Saudi Arab Times* provides a glimpse of what happened to the industrial projects. "With so many projects started," he writes, "administrative and technical capacities of both government agencies and the private sector have been stretched to the limit and beyond. As result, hundreds, perhaps thousands, of projects are running behind schedule."

The central factor behind the failure of the Saudi economy is the parasitism of the Saudi royal family, whose absolute rule has been for decades one of the main props of US imperialism's hegemony in the Middle East.

Though the monarchy does not publish data on its income, US diplomatic cables released by WikiLeaks shed some light on its role. In the 1990s, a handful of Saudi princes skimmed off the income from the sale of up to 1 million barrels of oil per day. Thousands of other members of the royal family received large stipends.

Trying to contain anger over the unfinished projects, King Abdullah has publicly admonished ministers and other officials repeatedly for leaving projects unfinished.

According to some reports, the lack of a broader economic base threatens to undermine the kingdom's finances. While it still has a public reserve fund of

about \$700 billion, the leveling-off of oil production will force it to dip into these reserves if it does not begin to slash spending. The IMF has warned that the Saudi budget could fall into deficit by 2016.

Though the Finance Ministry has not yet announced any cuts, the projected 2014 budget may already result in public sector salary cuts. Monica Malik, chief economist for equity research at EFG Hermes-Emirates, believes that recurring expenditures will be cut by 1.5 percent.

Social tensions—reflecting high unemployment, poverty, and escalating geopolitical and sectarian tensions throughout the Middle East—are mounting. The monarchy has intensified its reactionary campaign against foreign migrant workers, who make up about a third of the population, deporting hundreds of thousands over the past several months.

Since the 2011 uprisings in Tunisia and Egypt, the Sunni royal family has also repeatedly suppressed popular opposition and protests in Saudi Arabia's Shia-dominated Eastern Province, home to the kingdom's oil fields.

The Saudi monarchy, which deprives its citizens of basic democratic rights, has sought to ruthlessly suppress public discussion of social inequality. Feras Bughnah, a Saudi blogger, produced a video documenting poverty in the capital city of Riyadh. The monarchy responded by arresting him and his entire production team in October 2011. This video was viewed by hundreds of thousands of people, however.

The monarchy's budgetary concerns have now been compounded by fears stemming from the tactical shift of the US away from backing pro-Saudi Sunni Islamist militias in the Syrian war, and towards a US rapprochement with Iran. The Saudi regime fears a successful outcome of the Geneva 2 conference later this month, aimed at producing a settlement between Assad and US-backed rebel forces.

A decisive victory of the Assad's Shia-led regime in Syria would also be a threat to the internal stability of the Saudi monarchy, which fears that the defeat of Sunni forces in Syria would embolden opposition in its key Eastern Province.

The country recently made a donation of \$3 billion in French weapons to Lebanon to be directed against the Shia-populist organization Hezbollah, which has provided manpower to defend the Assad regime in

Syria.



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