

# Regional tensions and falling oil prices deepen crisis of Saudi monarchy

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The House of Saud is seeking to impose onto the working class the full cost of its oil policies that led to crude prices sinking to below \$30 a barrel in January, its disastrous military intervention in Yemen, and covert wars in Iraq and Syria in support of Islamist extremists.

It is stoking sectarian tensions against its minority Shi'ite population, concentrated in the oil-producing Eastern Province, as a means of dividing and deflecting popular opposition away from the venal and sclerotic monarchy and isolating Iran, its main rival in the region.

All this has resulted in increasingly tense relations with the United States, on whom the monarchy depends.

The plummeting of oil prices, a product of the decision, backed by Washington, to reject any reduction in output in order to protect its market share and undermine the economies of Russia and Iran that have backed the Syrian regime of President Bashar al-Assad, has since taken its toll on the Saudi economy.

Nevertheless, despite prices plunging to an 11-year low of under \$30 per barrel, Saudi Oil Minister Ali Naimi said the oil policy would continue—even if prices reach \$20 per barrel. While Saudi Arabia's oil producer, the government-owned Aramco, can produce at less than \$20 per barrel, the government, which is almost totally dependent on oil revenues—there is almost no revenue from taxation—needs at least \$90 per barrel to maintain fiscal balance.

Naimi stressed that his oil price strategy is working, with Saudi oil exports to major consumers in Asia (Asia takes more two-thirds of Saudi oil exports) and Europe reaching multi-year highs in the first half of 2015, and exports to the US increasing, although far less the 2.2 million bpd in May 2003. Riyadh now has

around 8.1 percent of the global market compared to 7.9 percent in 2014, although it is likely to have difficulty maintaining this as additional crude comes to the market from Iran and Iraq and US shale oil production is still rising.

Last year, Saudi Arabia recorded its highest budget deficit, at nearly \$100 billion (15 percent of GDP) since the post-Gulf War period. Its 2016 budget deficit, projected to reach 13.5 percent of GDP, is likely to exceed this.

Despite this, the 2016 budget cut public spending by 25 percent, slashing energy subsidies, with gas prices set to increase by 50 percent. It will also raise revenues by introducing a tax on Saudi nationals for the first time—a 5 percent value added tax—and privatising government-owned companies, including Aramco, in a bid to prevent the budget deficit soaring from \$98 billion in 2015 to \$140 billion and limit the need to rely on its approximately \$600 billion reserves.

It marks a departure from the long running basis of Saudi rule: a modicum of welfare, subsidies for health and housing, cheap gasoline and free education while the House of Saud creams off the country's vast oil wealth without the veneer of parliamentary democracy. The removal of such benefits cannot but spark social and political opposition, under conditions where about 60 percent of the population are under 30, and 28.3 percent of young people are unemployed, with an even higher rate for young women.

There are few reliable figures on Saudi poverty. In 2011, three young bloggers were arrested for reporting on poverty in Riyadh. They had released a YouTube video showing the living conditions in the capital, as well as personal interviews and comments made by beggars. After the video was viewed nearly 800,000 times, the Saudi police arrested the youth to make sure

that no one else followed their example.

Private sector growth, a crucial element in the government's plan for creating employment for the hundreds of thousands of young Saudis entering the job market every year, fell from 5 percent in 2014 to 2.9 percent in 2015.

The new budget measures follow the issue of two series of bonds in August and cuts in government spending in October and were timed to coincide with the execution of 47 prisoners, including Nimr al-Nimr, a Muslim cleric and leading spokesman for Saudi Arabia's oppressed Shi'ite minority, which drowned out the economic news. Nimr was tortured and convicted by a kangaroo court on charges of "disobeying the ruler" and "encouraging, leading and participating in demonstrations" that swept the predominantly Shi'ite Eastern Province in 2011.

The mass executions, along with the sharp rise in beheadings in 2015, were intended to show that no opposition would be tolerated, while Nimr's execution was designed to exacerbate sectarian tensions within the country and throughout the region, and provoke Iran. It triggered demonstrations and firebomb attacks on the Saudi embassy in Tehran and the consulate in Mashad, to which Riyadh responded by severing diplomatic relations.

This is driven by the Saudi monarchy's opposition to the US deal with Iran and fear that Iran's reintegration into international relations will jeopardise its own position under conditions where the entire region is collapsing as a result of US imperialism's shifting and contradictory policies.

It follows increasing tensions with Washington, many of whose decisions it has opposed, including the Obama administration's refusal to prevent the ouster of Egypt's President Hosni Mubarak that sparked unrest throughout the region, including the Gulf; its willingness to work with the Muslim Brotherhood government of President Mohammed Mursi; its support for the pro-Iranian Shi'ite government in Iraq, its reluctance to intervene decisively in the war in Syria to overthrow President Bashar al-Assad, Iran's ally and a significant player in Lebanon, allowing Russia to intervene to shore up Assad.

Riyadh is determined to undermine the US-Iran rapprochement and any negotiated end to the war in Syria, which it has funded to the tune of billions of

dollars as well as participating in the CIA's covert action campaign. It seeks to draw the US into the war in Syria to salvage its position and if possible against Iran itself.

The bitter sectarian war the Saudis have stoked in Syria has not only been unsuccessful in terms of Riyadh's objectives, but has strengthened the al-Qaeda-linked Sunni Islamist militias with their own agendas in Saudi Arabia itself. Al-Qaeda has been one of the main beneficiaries of its military intervention in Yemen.

On Monday last week, Islamic State (IS) claimed responsibility for a car bomb attack on a member of the Saudi armed forces in Riyadh, although there were no reports of injuries. On January 29, IS attacked a Shia mosque in Eastern Province, killing four people and injuring 18.

Such are the tensions between the Saudi monarchy and Washington that US Secretary of State John Kerry flew to Riyadh two weeks ago to try to calm tensions in the Gulf, allay fears over the Syria talks in Geneva and assure the Gulf States of continued US support. He said, "Folks, we have as solid a relationship, as clear an alliance, and a strong friendship with the Kingdom of Saudi Arabia as we ever had."

Germany, however, has become increasingly concerned that Saudi Arabia is about to set the whole region aflame. The *Independent* newspaper reported that BND, the German intelligence agency, had published a memo last year saying that Saudi Arabia had adopted "an impulsive policy of intervention." It characterised the Saudi defence minister and Deputy Crown Prince Mohammed bin Salman—the 30-year-old favourite son of the 80-year-old feeble King Salman—as a political gambler who is destabilising the Arab world through proxy wars in Yemen and Syria.



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