

Coronavirus destabilises Saudi Arabia

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10 March 2020

The coronavirus is accelerating economic warfare between Saudi Arabia, Russia and the US, while exacerbating the social, economic and political tensions within Saudi Arabia.

In turn, Riyadh is “weaponizing” the Covid-19 pandemic in its ongoing war of words, blaming Iran and Qatar—and by implication the Shia—for deliberately spreading the virus to the Sunni Arab world.

The coronavirus has swept across the Middle East and North Africa, as nearly every country in the region has confirmed cases of the new virus. Iran is by far the worst affected, with 7,161 confirmed cases and 237 deaths reported by Sunday as its beleaguered health care system struggles to cope with the criminal US-imposed sanctions that have starved it of pharmaceutical and medical supplies.

Last week, Riyadh called on OPEC countries to cut production by 1.5 million barrels a day (bpd) to curb the fall in oil prices and counter plunging demand as the coronavirus curtails international trade and travel. Russia, the world’s second largest producer, refused, saying that any reduction in oil supplies would be replaced on the world market with American shale oil.

Saudi Arabia retaliated by slashing its prices and vowing to step up production by as much as 2 million bpd in an over-supplied oil market where prices have already fallen by one third since the beginning of the year. Its aim is to hold onto its market share and push out its competitors in Russia and the US.

The Saudi announcement led to a sharp fall in the share prices of its national oil company Saudi Aramco and Russia’s Rosneft.

In the US, energy shares have plummeted by 20–50 percent this year, amid soaring debt levels and falling demand as institutional investors move away from fossil fuels. The Saudis’ international bonds as well as those of Saudi Aramco plunged in early trade Monday, with the Saudi riyal falling sharply against the US dollar in the forwards market.

The country’s economy is heavily dependent on oil and

gas, which make up 87 percent of budget revenues, 42 percent of GDP and 90 percent of exports. While Saudi oil production is profitable at \$30 or lower a barrel, the ruling family needs at least \$80 a barrel, double that of Russia, to maintain the fiscal revenues on which its social contract with the Saudi people depend. Oil prices in the low \$30s would almost double the budget deficit—previously estimated as 6.4 percent—as a percentage of GDP this year.

The fall in oil prices follows Riyadh’s temporary suspension of the Umrah pilgrimage to Mecca and Medina, and a ban on entry to the kingdom for pilgrims, to sterilize the religious sites to halt the spread of the new coronavirus. The pilgrimage to Mecca at least once in a lifetime for the world’s 1.8 billion Muslims is one of the five pillars of their faith, with the Umrah—which can be performed at any time of the year and is much cheaper than the Hajj—attracting 8 million visitors.

For Saudi’s corporate elite, the pilgrimage guarantees a steady flow of income, lucrative construction contracts and the growth of luxury hotel chains around the holy mosque. A 10-day Hajj package trip, from specially licensed agencies with close connections to the ruling family, can cost around \$7,000 not including the presents that the pilgrims are expected to buy for their families.

The Umrah and the Hajj, this year scheduled to take place between July 28 and August 2, bring an estimated \$12 billion a year to Saudi’s GDP, equal to 20 percent of its non-oil GDP and 7 percent of total GDP. According to the Mecca Chamber of Commerce and Industry, 25 to 30 percent of the private sector’s income in the region around Mecca and Medina depends on pilgrimage.

The suspension has repercussions far beyond the country as pilgrims are required to buy specially licensed travel packages in their home countries, whose travel agencies will have to bear the cost of cancellations, unused visas, flights and accommodation. This and the ban on pilgrims have raised questions about whether the Hajj will go ahead, as the Saudi Arabia and the Gulf monarchs cancel mass gatherings, including sporting

events, trade fairs and concerts.

While Saudi Arabia's huge oil wealth is owned by a royal family that lives in fabulous luxury sustained by systematic repression and mass public executions, at least 20 percent of Saudis suffer "crippling" or "severe" poverty, and between 2 million and 4 million people live in poverty in Riyadh alone. Many are women or members of female-headed households.

Migrant workers, mainly from the Indian subcontinent and Southeast Asia, some 12 million of the country's 34 million inhabitants, fare worse still.

These terrible social conditions are set to worsen under bin Salman's Vision 2030, designed by management consultants to wean the Saudi economy off dependency on oil with a raft of vanity projects that will enrich the corporations. Crucially, it includes the partial privatisation of Aramco, the Saudi state oil company, the sell-off of hospitals and schools, the gutting of public sector employment—from 67 percent to 20 percent—pay cuts for public sector employees, the slashing of subsidies for fuel, natural gas, electricity and water and the introduction of a 5 percent value-added tax on most goods and services.

Political tensions mounted during the weekend following the announcement of the arrest on Friday of Prince Ahmed bin Abdul Aziz, King Salman's only remaining full brother, and Prince Mohammed bin Nayef, Salman's nephew who was heir to the throne until his ouster in 2017 by the then 31-year-old Prince Mohammed bin Salman. Accused of attempting to organize a coup against bin Salman, the country's de facto ruler, they face treason charges.

The next day, the arrests were extended to dozens of interior ministry officials, senior army officers and others including Prince Nayef bin Ahmed, a former army head of intelligence. Interior Minister Abdulaziz bin Saud bin Nayef and his father Prince Saud bin Nayef were later released after being questioned by the coterie around bin Salman.

Bin Salman has faced criticism inside the venal House of Saud following the international uproar over the assassination in 2018 of former insider-turned-dissident Jamal Khashoggi by Saudi agents on his orders, his conduct of the five-year-long war in Yemen that has failed to restore Riyadh's puppet Abdrabbuh Mansur Hadi to power, as well as a major attack on the kingdom's oil infrastructure last year that was claimed by Yemen's Houthi rebels.

The purge is widely seen as an attempt by bin Salman to consolidate his power against two of the most likely

contenders for the throne before his ailing 84-year-old father dies.

The government has sought to divert the mounting social arrest by "weaponising" the coronavirus to deflect tensions outwards against Iran, which it has blamed for the spread of the virus. According to the authorities, all those infected—15 thus far—have either been to Iran or in contact with people who had visited Iran, which is home to important Shia holy sites. Last Thursday, Riyadh denounced Tehran for allowing Saudi citizens to enter Iran. Saudi Arabia has banned all travel to Iran.

The regime has imposed a lockdown on the eastern Qatif province, home to the country's Shia population, to prevent the spread of coronavirus. The Interior Ministry said that the 11 Saudi nationals diagnosed with Covid-19 are from Qatif, long a flashpoint between the ruling Sunni regime and the Shia, who have faced decades of discrimination, marginalization and poverty. State television announced the suspension of all schools, universities and Quranic activities at mosques nationwide. Roadblocks have been set up to stop movement in and out of Qatif province.

The authorities are actively encouraging racist and sectarian strife, with tweets by prominent journalists and public figures linking the rapid spread of the virus in Iran to Shia backwardness and comparing "Sunni" Saudi Arabia's response to the outbreak as civilised and rational, compared with "Shia" Iran's ignorance and superstition. Noura al-Moteari, a Saudi-based journalist, tweeted on March 1 that Qatar was manufacturing the coronavirus and funding its spread in order to undermine bin Salam's Vision 2030 and the United Arab Emirates' upcoming Expo 2020.



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