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Winners and losers as Sheikh Tamim reshuffles Qatar's top team

Since Sheikh Tamim came to power five years ago he has worked to develop far closer control over the levers of government than his father and his latest reshuffle consolidates his hold to key portfolios. While problems remain, his approach to delivering more effective government and countering the GCC-3's economic blockade has won him fans in some western governments, as well as supporters at home

Emir Sheikh Tamim Bin Hamad Al-Thani reshuffled his 14-member cabinet, created a number of new government bodies and appointed new leaders at key state-run institutions, including the Qatar Investment Authority (QIA), Qatar Petroleum (QP) and the Qatar Financial Markets Authority (QFMA) in a string of 4 November decrees.

Much attention was paid to the appointment to chair QP of Tamim's half-brother, Deputy Emir Sheikh Abdullah Bin Hamad. He moves from sovereign wealth fund QIA, whose new chairman is foreign minister and deputy prime minister Sheikh Mohammed Bin Abdulrahman Al-Thani. The emir's full brother Sheikh Mohammed Bin Hamad Bin Khalifa Al-Thani is QIA's new deputy chairman.

But the reshuffle was not all about the ruling family: the cabinet now has its lowest ever numbers of Al-Thanis, with just the prime minister/interior minister Sheikh Abdullah Bin Nasser and deputy PM Sheikh Mohammed Bin Abdulrahman from the royal family. In 1997, there were 14 Al-Thani sheikhs with ministerial positions and former emir Sheikh Hamad's cabinet on leaving office in 2013 contained seven family members. In past reshuffles Tamim has placed his allies into government (*GSN 1,009/3, 950/4*). This reshuffle is thought to have been planned for a while but delayed due to the dispute with Riyadh and Abu Dhabi.

One source suggested that a lot of the new cabinet appointees are close to finance minister Ali Al-Emadi, who now "looks in the ascendancy".

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Hodeidah battle

The fight for control over Yemen's strategically vital port city began in earnest in early November, with a sharp rise in aerial bombardment on Houthi positions by the Saudi-led coalition. With civilian casualties mounting ever upwards, the clashes seem likely to lead to more misery, rather than any clear military breakthrough. But as diplomatic pressure grows on Riyadh and Abu Dhabi to bring the war to an end, it could prove to be a final battlefield push before peace talks resume.

—SEE PAGE 4

Missing millions

A Kuwaiti investment fund is struggling to unlock $496m of its money that has been frozen in a Dubai bank for more than a year. The money is at the centre of several court cases in Kuwait over alleged embezzlement, but the main block on having the funds released appears to be the Dubai Attorney General's office. The dispute is drawing in an ever-widening list of prominent names in the US, including a Bush family member and figures close to President Donald Trump.

—SEE PAGE 9

Circle tightens for Khashoggi killers

Lingering hopes in Riyadh that the storm over the 2 October murder of journalist Jamal Khashoggi might quickly blow over have been dashed, with the United States imposing sanctions on 17 of those involved and Turkey continuing to pile on the pressure. The key aim for Riyadh is protecting Crown Prince Mohammed Bin Salman (MBS) from further fallout, amid allegations that he is responsible for the killing in the Saudi consulate in Istanbul. MBS may have to be shielded for some time; *GSN* understands senior princes now believe the situation could take five to ten years to fix.

Public Prosecutor's office spokesman Shaalan Al-Shaalan jas denied MBS had any knowledge of the killing. At a rare press conference on 15 November, he claimed Khashoggi was drugged, his body dismembered and then handed to an agent outside the consulate for disposal. The agent has not been identified; nor has information on how and where the body was disposed. Riyadh is still trying to frame the botched operation as a rendition that went awry, rather than planned murder.

On a busy 15 November, the Saudi authorities revealed they had questioned 21 individuals over the murder and charged 11 of them so far, with five suspects facing a possible death penalty.

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Anatomy of the Al-Saud

Listing some 1,500 individuals, including all major members of the family's main branch, this report includes detailed information on third, fourth and fifth generation Al-Saud princes and princesses.

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Qatar reshuffle

—CONTINUED FROM PAGE 1

The cabinet changes have in many cases involved the appointment of ministers who hold relevant experience for their new jobs, not least with two prominent chief executives joining the government. Among notable appointments are the following:

- **Ali Bin Ahmed Al-Kuwari** is in charge at the newly created Ministry of Commerce and Industry, which replaces the Ministry of Economy and Commerce which had been headed by Sheikh Ahmed Bin Jassim Al-Thani (the former Al-Jazeera director general). Al-Kuwari comes from Qatar National Bank (QNB), where he was seen to be doing a good job as chief executive; he had replaced Al-Emadi at the bank in 2013 when Emadi was appointed finance minister (*GSN 950/5*). QNB's new acting head Abdullah Mubarak Al-Khalifa is expected to take a more 'aggressive' stance.

- **Saad Bin Sharida Al-Kaabi** – QP's chief executive also now has a cabinet position, as state minister for energy affairs, which appears to be a newly created role.

- **Dr Issa Bin Saad Al-Nuaimi** has been appointed justice minister and state minister for cabinet affairs, replacing Hassan Lahdan Al-Muhannadi. Al-Nuaimi, a lawyer, has been a minister since 2013; before that he worked in the cabinet as secretary-general and also in the Ministry of Interior and Prime Minister's Office.

- **Abdullah Bin Abdelaziz Al-Subaie** is now municipality and environment minister, taking over from Mohammed Bin Abdullah Al-Rumayhi. Al-Subaie was previously Qatar Rail's chief executive and, before that, head of real estate developer Barwa Group; from 1996-2008 he worked in project management at Qatar General Electricity and Water Corporation (Kahramaa).

- **Yousef Bin Mohammed Al-Othman Fakhro** has been named minister of administrative development, labour and social affairs. He replaces Issa Saad Al-Nuaimi ,who did a lot to try and improve migrant workers' rights.

Energy and industry minister Mohammed Bin Saleh Al-Sada has left the cabinet. The Ministry of Development Planning and Statistics has been replaced by a new Planning and Statistics Authority, chaired by Dr Saleh Bin Mohammed Al-Nabet, who had headed the now-defunct ministry until now.

Non-cabinet changes

Deputy emir Sheikh Abdullah Bin Hamad takes over as chairman of QP from energy and industry minister Mohammed Al-Sada. Sheikh Ahmed Bin Jassim is no longer QP's vice chairman, making way for Saad Al-Kaabi, who has added the position to his other roles.

These appointments follow the hiring of Mansour Ibrahim Mahmoud as the QIA's chief executive in September. He replaced Sheikh Abdullah Bin Mohammed Bin Saud, who had held the position since December 2014 (*GSN 983/14*). New commerce and industry minister Al-Kuwari has also joined the QIA board.

Royal watchers have taken note of the new roles for the emir's brother and half-brother. New QIA deputy chair Mohammed Bin Abdulrahman is an important supporter of the emir, helping to deal with the fallout from the economic boycott and serving as managing director of the Supreme Committee for Delivery and Legacy, which is responsible for the 2022 FIFA World Cup. New QP chief Abdullah Bin Hamad has been deputy ruler since November 2014 (*GSN 981/1*). One observer commented on his "great presence and social skill".

In further changes, Sheikh Mohammed Bin Hamad Bin Qassim Al-Abdullah Al-Thani replacied Sheikh Abdullah Bin Saud as QFMA's chairman. The financial markets authority's vice chairman is now Yahya Saeed Al-Nuaimi, who replaced Sheikh Fahd Bin Faisal Al-Thani.

Closer control over more effective government

Since Sheikh Tamim came to power five years ago he has worked to develop far closer control over the levers of government than his father. Analysts say this has served to narrow the scope for corruption and self-enrichment by senior officials. Tamim has purged the old guard and created far

Rains claim political scalps in Kuwait

Thunderstorms have caused difficulties in cities across the Gulf in recent weeks, with Kuwait the worst affected in terms of both the physical and political damage. A downpour in early November caused extensive flooding in Kuwait, with 58mm falling overnight on 5 November, more than one-third of the annual rainfall of 150mm. Roads were closed, flights suspended and a public holiday declared with all government ministries as well as schools and universities shutting.

In the immediate aftermath, Public Authority for Roads and Transport director-general Ahmed Al-Hassan was sacked and an undersecretary at the Ministry of Public Works, Awatef Al-Ghuneim, was forced into retirement as a result of their bodies' failure to anticipate the scale of the damage. Two other assistant undersecretaries were suspended from duties for two months. Other heads have rolled since then: public works minister Hossam Al-Roumi resigned on 9 November, amid calls from MPs for a broad investigation. One MP, Shuaib Al-Muwaizri, has filed a motion to grill prime minister Sheikh Jaber Al-Mubarak Al-Sabah over the government's handling of the crisis.

Elsewhere in the Gulf, the damage has been contained. Parts of Qatar received six months' worth of rainfall in just a few hours on 11 November and streets in Doha and elsewhere were waterlogged. However, there was nothing on the scale of the deluge in Kuwait, where cars were washed down the streets. Qatar's Public Works Authority (Ashghal) said it had put in place a number of short- and medium-term measures to deal with flooding, digging more ponds to collect rainwater and installing more pumps.

stronger oversight mechanisms to control ministers and their spending. Alongside efforts to reinvigorate government, the young emir has consolidated his control over key portfolios by directly tying ministries and government agencies to his diwan (Emiri office).

While problems remain, this approach, alongside what a diplomatic source called his "calm and considered response to the economic blockade", has won Tamim fans in some western governments. The embattled UK prime minister Theresa May is said to look upon the young emir "fondly".

Assault on Hodeidah fails to shift dynamic of the Yemen war

Rather than being a decisive battle, the fight for the strategically vital port city seems likely to lead to more misery and not a military breakthrough. But with diplomatic pressure for an end to the conflict increasing, Riyadh may view it as a last chance for victory

It has long been said that no military victory is possible in the Yemen war – a contention the Saudi-led coalition has been testing since 2 November, when it began a sustained assault on Hodeidah, with a combination of UAE and Sudanese soldiers on the ground and Saudi warplanes overhead. As *GSN* was going to press there were tentative signs that the intensity of fighting was fading, with reports from the port city on 13 November indicating a reduction in hostilities. Whether that merely foreshadowed a reinvigorated assault or was paving the way for another attempt at diplomacy remained to be seen.

The battle over Hodeidah has long been seen as a critical point in the war. The government claims its Houthi enemies use the port to smuggle in Iranian arms. It is also the most important entry point for food and medical supplies. Fighting in Hodeidah governorate has been ongoing since December 2017, but the situation has escalated since June (*GSN 1,063/12*, *1,051/6*). There has been an even more significant step-up in activity since early November when the Al-Amaliqah (Giants) Brigade announced a "massive military operation" to take the city.

In the past observers have speculated that a successful assault on Hodeidah could provide cover for the coalition to declare a victory of sorts and allow a tactical retreat from the conflict. Riyadh's need to find a face-saving exit has increased in the diplomatic storm that followed the murder of Jamal Khashoggi (*GSN 1,067/1*). His death has prompted a rethink in western capitals about the disruptive regional policies of Crown Prince Mohammed Bin Salman (MBS), who launched the Yemen war and is widely suspected of being responsible for Khashoggi's death. The price of continued western support for MBS may be linked to an end to the Qatar boycott that has split the Gulf Co-operation Council and/or a withdrawal from Yemen.

The United States and United Kingdom have led diplomatic pressure to end fighting in Yemen, but the response from Riyadh and Abu Dhabi has been to intensify their campaign. On 30 September, US defence secretary James Mattis urged the warring parties to adhere to a ceasefire and hold peace talks "in the next 30 days", Those comments were echoed by secretary of state Mike Pompeo, who said "the time is now for the cessation of hostilities, including missile and UAV [drone] strikes from Houthi-controlled areas into the Kingdom of Saudi Arabia and the United Arab Emirates. Subsequently, Coalition air strikes must cease in all populated areas in Yemen."

Neither Washington nor London appear ready to take the logical extra step of blocking arms sales to Saudi Arabia. The US has said it will stop mid-air refuelling, but that is less significant than it might appear, given the coalition's ability to do its own refuelling (see *Defence and security*). The messages from Washington appear to have been interpreted in Riyadh as "a window of opportunity to recapture Hodeidah and corner the Houthis in central Yemen, before any ceasefire or subsequent negotiations," IHS Markit senior analyst Ludovico Carlino said.

Thousands more UAE-trained troops are being deployed in Hodeidah province , while Saudi warplanes have stepped up air strikes. According to information compiled by the Yemen Data Project (YDP), from 31 October to 9 November there were 86 coalition air raids, a rate of bombing nearly double that seen in October. Around 42% of air raids in the ten-day period were in Hodeidah governorate, with the residential district of Al-Hali on the eastern side of Hodeidah city a particular focus. There were 22 raids on Al-Hali in the first nine days of November, compared to 15 in all of October, with strikes hitting a flour mill, a dairy factory and the May 22 hospital, among others.

Strikes on civilian targets are nothing new. YDP says 32% of all targets hit by air strikes have been non-military, 35% military and 33% unknown. But the problem is getting worse: of the air raids from 31 October to 9 November where the target could be identified, 62% hit civilian targets and 38% hit military targets. In Hodeidah, 42% of air raids over the ten days hit non-military targets, while just 9% were against military targets (in the other instances the target could not be identified).

The coalition invariably denies wrongdoing. On 13 November, coalition Joint Incident Assessment Team (JIAT) spokesman Mansour Al-Mansour gave its forces a clean bill of health in a review of seven incidents from earlier in the year (*GSN 1,063/1*). The JIAT reviews claims of civilians being targeted.

There has been no sign of Houthi resistance collapsing in

Hodeidah under the onslaught, but the group's tactics haven't helped the situation of civilians. President Abd Rabbu Mansour Hadi's internationally-recognised government claims Houthi snipers have been stationed on rooftops in Hodeidah, which has been backed up by independent organisations. Amnesty International says Houthi fighters took up positions on the rooftop of the 22 May hospital; militarisation of a hospital "violates international humanitarian law," Amnesty said – it but still doesn't make the site a legitimate target for the coalition.

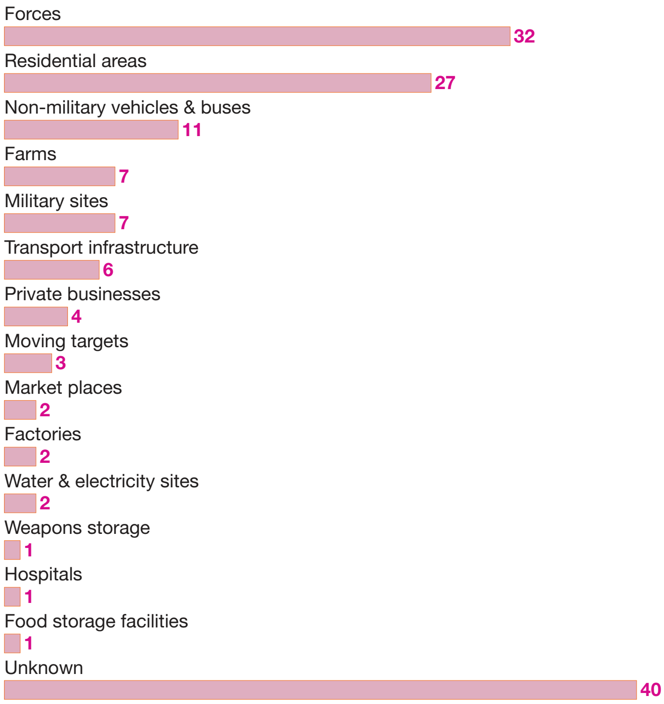
Ever fewer escape routes

As of 8 November, coalition forces had cut off Hodeidah from the south, south-west and east, and had taken up positions 5km from the port, leaving only the northern road as a viable escape route. Recent hotspots have included the airport area to the south of the city, Kilo 16 junction to the east (which was taken in September by coalition forces, thereby cutting the main link to Sanaa, but became a site of renewed fighting on 5 November), and the university and Al-Thawrah hospital towards the coast. Clashes have also been reported to the north-east.

The death toll has been steadily climbing. The World Health Organisation recorded 193 conflict-related deaths between 13 June and 22 October across Hodeidah governorate. Since then, the United Nations Office for the Co-ordination of Humanitarian Affairs reported 37 deaths between 18 and 31 October. In the first week of November, there were a further 34 fatalities, mostly in the city's Al-Hali and Al-Hawak districts. Hodeidah is already a shadow of its former self. According to the United Nations' International Organisation for Migration, 337,000 of the city's estimated 600,000 residents fled before the fighting escalated, but that still leaves several hundred thousand at risk. Across the country, the position of ordinary Yemenis is often bleak: out of a population of 29m, around 14m may be living in pre-famine conditions. One NGO active in Yemen, Action Against Hunger, says 50,000 children aged under five are believed to have died due to hunger and disease in 2017; a similar number of deaths isexpected this year.

While Hodeidah has been the focus of coalition activity, it is not the only area where fighting is taking place. Since the last effort at peace talks collapsed in September, the coalition has been engaged on four major fronts: in northern Hajjah province, in the central provinces of Taiz and Al-Daleh, as well as along the Red Sea coast. Both sides claim to have killed

AIR RAID TARGETS, OCTOBER 2018



Source: Yemen Data Project Gulf States Newsletter 2018 (www.gsn-online.com) hundreds of opponents during recent battles. UN special envoy Martin Griffiths had been planning another peace conference later this month; that might still go ahead but could be delayed until December or later.

The appetite for compromise is uncertain. In a 9 November opinion piece in the *Washington Post*, head of the Houthis' Supreme Revolutionary Committee, Mohammed Ali Al-Houthi, said US calls for a ceasefire "are nothing but empty talk". However, he added: "we are ready to stop the missiles if the Saudi-led coalition stops its airstrikes." The op-ed drew a critical response from Saudis who objected to their enemy being given such a prominent platform (others have suggested the venerable US daily may have been deliberately trying to annoy Riyadh, given that Khashoggi was one of its columnists).

The Saudis are equally keen to attach conditions to any ceasefire. In a recent interview with *Welt am Sonntag,* Saudi ambassador to Germany Prince Khalid Bin Bandar Al-Saud said Riyadh was willing to pull back, but not at the cost of a Houthi victory. "If someone helps us to end this war then we are ready," he told the German weekly. "But if we simply stop fighting, the whole country will fall to the small, radical minority of Houthis. That would be neither democratic nor fair nor reasonable."

One positive sign of compromise emerged following UK foreign secretary Jeremy Hunt's talks with King Salman Bin Abdelaziz and MBS in Riyadh on 12-13 November. The UK announced Riyadh had agreed to the evacuation of wounded Houthis for treatment in Oman – a significant move as the peace talks planned for September were cancelled after just such an evacuation was blocked by Riyadh. While such steps can help to build confidence, there are other indications that Riyadh is less open to change. Hunt was kept waiting for his audience with MBS until the early hours of the morning – not an unusual occurrence in Gulf palaces, but something which suggests MBS may be feeling less pressure to appear contrite towards his western allies than was the case even a few weeks ago when the Khashoggi affair first broke.

BAHRAIN

Courts clamp down further on opposition figures

Al-Wefaq political society secretary-general Sheikh Ali Salman was given a life sentence by the Court of Appeal in Bahrain on 4 November for colluding with Qatar. He had previously been acquitted of the charges on 21 June alongside his co-defendants Ali Al-Aswad and Sheikh Hassan Ali Sultan, but that decision was overturned following an appeal by the government (*GSN 1,064/13*). The United States, United Kingdom and European Union were among those to express concern at the sentence, which is open to further appeal to the Court of Cassation.

Sheikh Ali is already serving a four-year sentence for his role in the 2011 pro-democracy protests; his co-defendants were tried in absentia. Advocate General Osama Al Oufi said the evidence against the three included intercepted telephone conversations and messages and illicit funds deposited into their bank accounts by the Qatari government. The court claimed senior Qatari figures were involved including former prime minister Sheikh Hamad Bin Jassim Al-Thani.

In other cases, the High Criminal Court sentenced four men to death on 12 November for their involvement in the bombing of a police car in June 2017, which led to the death of a police officer. Three of the four are currently outside the country, but all four have had their Bahraini citizenship stripped from them. The Bahrain Institute for Rights and Democracy condemned the trial as "deeply unfair" with director Sayed Ahmed Alwadaei adding "There is no justice in this verdict. It is now the trend for Bahraini courts to use confessions extracted under torture to sentence people to death."

On 22 October, the Court of Cassation overturned death sentences on Mohammed Ramadan and Husain Moosa; it returned their case to the Court of Appeal for retrial. They were convicted in 2014 for the murder of a policeman in Al-Dair.

The government remains extremely sensitive to any suggestion of criticism. Ali Rashed Al-Asheeri was detained by the Public Prosecution on 13 November after the former MP had tweeted his intention to boycott Council of Representatives (Majlis al-Nuwab) elections on 24 November (*GSN 1,066/5*).

Iraq's new President Saleh reaches out to GCC neighbours

Newly appointed President Barham Saleh has been on a brief tour of Gulf capitals in a bid to shore up regional support for an administration built on shaky foundations (*GSN 1,068/5*). His first stop was Kuwait City where Saleh held talks with Emir Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah and prime minister Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah on 11 November and handed over some Kuwaiti property Iraq had taken during the 1990 invasion. The following day Saleh moved on to Abu Dhabi where he held talks with Abu Dhabi Crown Prince and deputy supreme commander of the UAE Armed Forces Sheikh Mohammed Bin Zayed Al-Nahyan and visited the mausoleum of the late Sheikh Zayed Bin Sultan Al-Nahyan and the adjacent Sheikh Zayed Grand Mosque. Also in the delegation was foreign minister Mohammed Al-Hakim, who held talks with his opposite numbers at both stops.

Others have been travelling in the other direction. On 10 November, prime minister Adel Abdul-Mahdi welcomed Saudi energy, industry and mineral resources minister Khalid Al-Faleh to Baghdad. On 7 November, Qatar had sent foreign affairs minister Sheikh Mohammed Bin Abdulrahman Al-Thani to Baghdad for talks with Saleh, Al-Hakim and Abdul-Mahdi, and other key political leaders.

While enhancing bilateral relations and drawing in investment has been at the heart of these meetings, the reality of Iraq's current economic position was clearly evident during the Baghdad International Fair, which runs from 10-19 November. The event was attended by 60 Iranian firms but just one UAE company and none from Saudi Arabia. The United States embassy warned its citizens to avoid the fair entirely due to the risk of kidnapping. Saleh is expected to visit Tehran in the near future.

King Salman reasserts his sovereignty on regional tour

[redacted]

Khalid Bin Bandar defends MBS

[redacted]

BAHRAIN

HAMAD BIN ISA: Bollywood case comes to court

A long-running case involving Sheikh Hamad Bin Isa Al-Khalifa made it to the High Court in London in mid-November. Sheikh Hamad is being sued by Egyptian national Ahmed Adel Abdallah Ahmed for allegedly reneging on a deal to pay $1.5m per meeting with a list of 26 Bollywood stars (*GSN 1,038/1*). Baring a last minute out of court settlement, Sheikh Hamad was expected to give evidence in the case.

QATAR

HAMAD BIN KHALIFA: Attends opening of Sidra hospital

Father Emir Sheikh Hamad Bin Khalifa Al-Thani made a rare public appearance on 12 November when he attended the opening in Doha of state-of-the-art women and children's hospital Sidra Medicine. His wife Sheikha Moza Bint Nasser, chair of the Qatar Foundation, inaugurated the hospital in an event also attended by prime minister Sheikh Abdullah Bin Nasser Bin Khalifa Al-Thani and aother royal family members. The following day Sheikha Moza and Sheikh Hamad attended the opening of the *World Innovation Summit for Health*. Sidra hospital has been developed in stages since May 2016 when an outpatient clinic started receiving patients. It gained plenty of local attention in October when it successfully performed the first separation of conjoined twins in Qatar; the boys from Mali were named Hamad and Tamim by their parents.

KUWAIT

NASSER SABAH AL-AHMED: Back home after treatment

First deputy prime minister and defence minister Sheikh Nasser Sabah Al-Ahmed Al-Sabah returned to Kuwait on 9 November, having spent time in London and Tashkent recuperating from cancer treatment (*GSN 1,067/7*). He had been due to meet well-wishers at the Armed Forces Officers Club on Gulf Street on the evening of 11 November, but the event was called off two days beforehand; the Ministry of Defence cited heavy rainfall as the reason (see *Politics*). Among those who sent messages of support was the heir to the UK throne, Prince Charles.

REGION

Youth Forum draws in royals young and old

Gulf royals travelled to Egyptian resort town Sharm El Sheikh in early November to attend the *World Youth Forum*, hosted by President Abdel Fattah El Sisi. Among the attendees was 79-year old Sharjah Ruler Sheikh Sultan Bin Mohammed Al-Qasimi and the 78-year old governor of Saudi Arabia's Mecca Region Prince Khalid Al-Faisal. Among the younger generation, 31-year-old Bahrain Olympic Committee president Sheikh Nasser Bin Hamad Al-Khalifa – a rising star in Manama power circles (*GSN 1,065/7*) – was present. He held a meeting with Prince Khalid at Sharm El-Sheikh airport on 3 November.

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SAUDI ARABIA

Western allies send mixed signals over arms deals

State-owned Saudi Arabia Military Industries (Sami) announced on 7 November that it had signed a joint venture with Spain's firm Navantia to produce five Avante 2200 corvettes. It is the first major arms deal to make progress since the Jamal Khashoggi affair came to light; given that a €2bn ($2.3bn) contract was inked by the two sides in July (*GSN 1,063/8*), the decision to stage another formal signing at this time was perhaps motivated more by Riyadh's desire to portray a sense of 'business as usual' rather than any commercial imperative.

The event followed a debate in the Spanish parliament over the ethics of such a deal, but any doubts there may have been in Madrid were outweighed by the need to secure work for Navantia, which recently lost out on frigate contracts in Canada and Australia. Under the joint venture, Sami is to be responsible for 51% of the construction effort. This will pose a challenge as the company – a key vehicle in Crown Prince Mohammed Bin Salman's ambitions for the local defence industry – does not possess a ship-building division (*GSN 1,064/7*).

Other suppliers are having second thoughts. On 9 November, Norway's foreign minister Ine Eriksen Soreide said Oslo would not issue any new licences for weapons exports to Saudi Arabia. The bilateral weapons trade was worth less than $5m a year in 2017, according to Norwegian news agency *NTB*.

Of far greater concern to Riyadh will be changing attitudes in Washington, following midterm elections in early November which placed Democrats in charge of the House of Representatives, amid predictions of increased pressure to scale back US military support for Saudi Arabia. New House Armed Services Committee chairman Adam Smith has previously called for the US to withdraw its forces from involvement in the Yemen conflict. On 9 November, Washington and Riyadh said the US would no longer offer in-flight refuelling to Saudi-led coalition jets operating in Yemen. However, any hopes such a move might lead to a reduction in bombing runs were swiftly undermined by Riyadh saying it has recently "increased its capability to independently conduct inflight refuelling".

Riyadh's proposed $1bn deal to develop a broad partnership between Sami and troubled South African arms manufacturer Denel offers an alternative supply route. The deal could see Sami acquire Denel's 49% stake in a joint venture with Germany's Rheinmetal Waffe Munition, or it may involve Sami acquiring a stake in Denel itself. The South African firm reported a loss of 1.7bn rand ($122m) in 2017/18 and recently replaced its chief financial officer amid allegations of mismanagement and a liquidity squeeze from its creditors

KUWAIT: Typhoons to arrive in Q4 2020

The Kuwait Air Force (KAF) will take delivery of its first batch of Eurofighter Typhoon aircraft in the fourth quarter of 2020, according to comments by KAF commander Air Vice-Marshal Adnan Al-Fadhli, on 4 November. Kuwait has 28 of the planes on order (*GSN 1,011/7*). The Typhoon has proved to be popular among Gulf governments, with other customers including Oman, Qatar and Saudi Arabia.

OMAN: UK plans joint training facility

The UK is to open a joint military training facility in the port city of Duqm in March 2019, in a further sign of London's desire to expand its presence in the Gulf region. The new base will reportedly be able to handle several hundred troops but will not involve the construction of extensive infrastructure; instead, the UK will rely on its Joint Logistics Base in Duqm to bring in troops and equipment as needed. The logistics facility was agreed in a memorandum of understanding signed by the two governments in August 2017. The announcement of the new training base was made on 5 November during a trip by defence secretary Gavin Williamson to Oman, where he watched the conclusion of the Saif Sareea (Swift Sword) 3 military exercises (*GSN 1,067/8*).

OMAN: Former royal yacht re-emerges as naval vessel

The royal yacht used by Sultan Qaboos Bin Said Al-Said until 2008 has reappeared as a Royal Navy of Oman (RNO) vessel named *Al-Mabrukah*, after several years of being operated as a charter vessel under the name *Loaloat Al-Behar* (Pearl of the Seas). It is not clear what role the vessel now has in the RNO fleet. The ship had been called *Al-Said* while in royal service, but that name was adopted by the sultan's current yacht when it was delivered a decade ago (in line with the convention that the sultan's main yacht is called *Al-Said*). *Al-Mabrukah*'s career follows a similar path to an earlier royal yacht, which was also renamed *Al-Mabrukah* when it left royal service in the mid-1980s, at which point it was repurposed as first a training ship and then a patrol vessel; it was gifted to the Cypriot government in 2017 and renamed *Alasia*, but caused difficulties straight away as it was too large to dock at the country's main naval base (*GSN 1,031/6*).

QATAR: Naval base contract award

The Ministry of Defence has awarded a $800m contract to Doha-based Generic Engineering Technologies (GET) to develop up to 169 buildings and other infrastructure facilities at a new naval base at Hamad Port, according to regional projects tracker *MEED*. Hamad Port opened to commercial traffic in December 2016. GET has previously worked on a number of projects to develop port facilities for the Qatari Coast Guard.

UAE: Somaliland base to open next year

The UAE's controversial military base in Berbera in the self-declared republic of Somaliland will be up and running by June 2019, *Bloomberg* reported, citing former Somaliland ambassador to the UAE Bashe Awil Omar. The base – which has attracted criticism by opposition politicians in Somaliland (*GSN 1,036/7*) – will include a coastal surveillance system able to monitor the territory's 800km coastline, as well as a naval base and two parallel runways. The first 4.9km runway is reportedly 60% complete, while a 300-metre jetty is 75% complete. The military facility will be situated alongside a commercial port, which is being developed by Dubai-based DP World under a 30-year concession signed in 2016.

Mystery continues over Kuwaiti fund's half billion frozen in Dubai bank

Questions continue to be asked about the fate of $496m that has been frozen in a Dubai bank account for the past year

What has happened to the near half billion dollars which Kuwait-based The Port Fund lodged in a Dubai branch of Noor Bank? The money represents the return on Port Fund's investment in a logistics development in the Philippines. The funds were due to be distributed to the fund's shareholders last year and were passing through Noor Bank in Dubai when they were frozen on 14 November 2017, apparently at the request of authorities in Kuwait who claim some Port Fund executives were trying to embezzle funds.

The Kuwaiti authorities have recently changed their position and called for the frozen funds to be handed back to The Port Fund's subsidiary Port Link GP, as long as the portions owed to the Kuwait Port Authority (KPA) and Public Institution for Social Security (PIFSS) – both of which are shareholders in the fund – are paid to them. The Port Fund has supported this arrangement but, despite this, the authorities in Dubai have yet to approve the release of the funds.

The dispute has been drawing in a growing list of high-profile names in the United States, including Neil Bush – a brother of former President George W. Bush – who wrote to Abu Dhabi Crown Prince and deputy supreme commander of the UAE Armed Forces Sheikh Mohammed Bin Zayed Al-Nahyan (MBZ) on 29 September to ask him to ensure the $496m was released.

In his letter, which has been seen by *GSN*, Bush warned MBZ about the damage being done to the UAE's reputation by the case. "There is no need for a routine business transaction to cause an international outcry that shines an unflattering light on the two countries involved," he wrote. The UAE's high-profile ambassador to the US, Yousef Al-Otaiba, has also been involved in the case, relaying messages between the US and UAE parties. Another figure now involved in lobbying the UAE authorities is David Urban, a supporter of President Donald Trump who is credited with helping him win the crucial state of Pennsylvania in the 2016 election (and has in the past been tipped as a possible US ambassador to Riyadh).

Three days prior to Bush's letter, Washington law firm Crowell & Moring, which represents The Port Fund, had written to Kuwaiti prime minister Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah, finance minister Sheikh Sabah Al-Khalid Al-Sabah and finance minister Nayef Al-Hajraf warning them that an alleged attempt to have the funds transferred directly from Noor Bank to Kuwait, bypassing The Port Fund, "would constitute an illegal expropriation of the funds and money laundering".

Last month, Kuwait's attorney general Dherar Ali Al-Asousi wrote to his counterpart in Dubai, Essam Issa Al-Humaidan, to ask that $125m of the funds be released to the KPA and a further $79.2m to the PIFSS. Assuming that was done, Al-Asousi indicated in his letter of 16 October that Kuwait had no objection to the rest of the money being handed to Port Link GP. In support of that plan, The Port Fund wrote to Noor Bank with wiring instructions to that effect. A representative from the fund also hand-delivered a letter to Ismail Ali Madani, the prosecutor in the Dubai attorney general's office dealing with the case, which included a copy of the instructions sent to the bank. Crowell & Moring say Madani "refused to accept the letter", without explaining why.

The Port Fund's lawyers made another attempt to move things along by writing to Al-Humaidan on 5 November. However, the attorney general's office has reportedly stopped accepting any hand-delivered or electronic submissions from The Port Fund's lawyers. It is unclear why the attorney general's office has taken that stance or why it has yet to allow the funds to be unfrozen. As a result, the funds were still frozen as *GSN* went press.

The delay in releasing the money threatens to further complicate the legal position of Port Fund executive Marsha Lazareva in Kuwait. The Russian national was jailed for ten years in May for embezzling money from the KPA; Crowell & Moring has launched an arbitration proceeding to have that conviction overturned (*GSN 1,063/9*). Lazareva and her colleague Saeed Dashti also face separate charges of embezzling money from The Port Fund, a case that would almost certainly collapse if the money in Dubai was unfrozen. A hearing on this second case was scheduled at the Court of First Instance in Kuwait on 5 November, but was postponed by the judge until 17 December after the authorities failed to bring Lazareva from prison to the court. Some observers have suggested to *GSN* the failure to deliver Lazareva to the court was a deliberate act by the prosecution in order to buy more time.

Privately-held Noor Bank is owned by the Dubai and UAE federal governments and the ruling families of Abu Dhabi and Dubai. The $496m represents a significant portion of its customer deposits, which totalled $8.4bn as of 30 June.

Anatomy of the Al-Saud

Listing some 1,500 individuals, including all major members of the family's main branch, this report includes detailed information on third, fourth and fifth generation Al-Saud princes and princesses.

Contact Lauren Andrews: lauren@cbi-research.com

Adnoc outlines $130bn investment plan to boost oil, gas and petrochems output

Huge spending plans are intended to fulfill the UAE's long-held aim of producing 4m b/d of oil by 2020, while natural gas developments promise a move beyond even self-sufficiency to become a net exporter by 2030

Abu Dhabi National Oil Company (Adnoc) is pushing ahead with its ambitious expansion plans, unveiling a series of eye-catching production targets and a five-year business plan which includes Dh486bn ($132.3bn) of investment. The spending plan, which runs from 2019 and 2023, was approved by the emirate's Supreme Petroleum Council (SPC) on 4 November; it includes a previously-announced five-year Dh165bn downstream investment programme (*GSN 1,060/10*).

Alongside the huge spending plans, the SPC also announced new discoveries totalling 15 tcf of natural gas and 1bn barrels of crude oil. Such finds will help Adnoc reach its new crude production capacity targets of 4m b/d by 2020 and 5m b/d by 2030 – up from around 3.5m b/d at the moment.

The UAE aims to become self-sufficient in natural gas and then move on to become a net gas exporter by 2030, thereby removing its current reliance on gas imports from Qatar via the Dolphin pipeline (*GSN 1,056/12*).

The targets mark a further significant step for the once slow-moving national oil company, which since the appointment of group chief executive Sultan Ahmed Al-Jaber in February 2016 has gained a reputation for innovation and growing efficiency (*GSN 1,046/9*). Al-Jaber said the latest plans represent an "accelerated phase in the delivery of Adnoc's 2030 growth strategy," referring to the overarching plan to boost crude production, develop its enhanced oil recovery skills and expand petrochemicals output.

According to energy industry specialist *Argus Media*, Adnoc will be helped in reaching the higher output targets by the start of production on a number of fields in the coming months. The Al-Dhafra joint venture between Adnoc and South Korea's Korea National Oil Corporation and GS Energy is expected to bring the Haliba field in south-east Abu Dhabi onstream before the end of the year, with output of 20,000 b/d in 2019 and 40,000 b/d by 2020

Also due to start producing before the turn of the year is the offshore concession run by the Al-Yasat joint venture of Adnoc and China National Petroleum Corporation, which covers the Bu Haseer, Belbazem, Umm Al-Dholou, Umm Al-Salsal and Yaser fields. Alongside the new fields, Adnoc is planning to increase output at a number of existing plots, including the offshore Upper Zakum and the onshore Bab and Bu Hasa.

Abu Dhabi is hopeful for further discoveries as a result of its first competitive licensing round, which was launched in April (*GSN 1,057/11*). The first exploration and production licenses on the four onshore and two offshore blocks are expected to be awarded in Q1 2019. Ahead of those deals, Adnoc has been busy signing contracts to develop its natural gas interests. On 11 November, it signed a contract with Total to give the French major a 40% stake in the Ruwais Diyab unconventional gas concession. This includes a six- to seven-year exploration and appraisal phase, followed by a 40-year production term. Total already has interests in the Umm Shaif, Nasr and Lower Zakum concessions (*GSN 1,056/11*).

On 12 November, Adnoc and Saudi Aramco announced a framework agreement to explore opportunities for natural gas and liquified natural gas (LNG). In addition, Austria's Borealis – which is part-owned by Mubadala Investment Company – has said it is considering joint investments with Adnoc in key growth markets such as India and China.

Adnoc is confident there will be ready demand for any output increases. According to its projections, global oil consumption will increase by 10m b/d by 2040 (around 10% higher than current levels), while demand for natural gas will increase by 40% and the market for higher-value polymers and petrochemicals will grow by 60%.

KUWAIT/SAUDI ARABIA

Neutral zone discussed in fence-mending meetings

Following signs of tensions between Kuwait and Saudi Arabia, the two countries have embarked on some public displays of mutual respect (*GSN 1,067/6*). Speaker of the Saudi Shura Council Sheikh Abdullah Bin Mohammed Al-Sheikh led a delegation to Kuwait City on 7 November for a three-day visit. At a dinner banquet at Dar Jaber, he was praised by Kuwait's ambassador to Riyadh Sheikh Thamer Jaber Al-Ahmed Al-Sabah, who noted that bilateral relations "are now receiving more care" from the two country's rulers.

The following day Sheikh Thamer was back at his post in Riyadh and held talks with Saudi foreign minister Adel Al-Jubeir. One issue that continues to be an irritant in the relationship is the suspension of production at oil fields in the Neutral Zone (*GSN 1,063/11*, *1,062/13*, *1,045/10*). It was one of the topics on the agenda when Saudi Crown Prince Mohammed Bin Salman visited Kuwait in September, but that trip was cut short amid a lack of agreement.

On 6 November, Kuwait's deputy foreign minister Khaled Al-Jarallah said negotiations were ongoing and "we hope to solve this dispute."

Circle tightens for Kashoggi killers

—Continued from page 1

[redacted]

Qatari firms target Oman opportunities

[redacted]

CbI Events

1-2 May 2019: AIX: Gas 2019, London

The fifth *Africa Investment Exchange AIX: Gas* will again be held at the RSA. Visit *https://africa-investment-exchange.com/2018/04/23/aix-gas.* Call Bruno Coburn or Lauren Andrews on +44 (0) 1424 721667.

3-4 October: AIX: Nairobi 2019

Africa Investment Exchange Power and Renewables event, to be held at Fairmont, The Norfolk hotel in Nairobi

14-15 November: AIX: Power and Renewables 2019

The sixth *Africa Investment Exchange Power and Renewables* event, to be held at RSA House in London.

25 November: IBBC Autumn Conference, Dubai

The third annual Iraq British Business Council conference, discussing Iraqi reconstruction, to be held at The Address Dubai Marina. For speakers and other details, *Visit the website.*

26-27 November: Saudi Renewable Energy Solar & Wind

Organised by Bricsa Consulting at Rosh Rayhaan by Rotana in Riyadh.

26-28 November: World Islamic Banking Conference, Bahrain

Held at the Art Rotana Hotel and Resort under the patronage of Bahraini prime minister Sheikh Khalifa Bin Salman Al-Khalifa, the WIBC is in its 25th year. *Visit the website* for more details

3-4 December: Kuwait Infrastructure Conference, Kuwait City

Visit the website for more details of this IQPC event.

5-6 December: Iraq: A Leap Forward, Baghdad

Organised under patronage of the Government of Iraq and the Reconstruction Fund for Areas Affected by Terrorist Operations (Refaato), several ministries are expected to unveil critical investment projects at the Babylon Hotel in Baghdad's Al-Jadria district. *Visit organiser Frontier Exchange's website*

9 December: UAE Security Forum 2018, Abu Dhabi

UAESF 2018 is convened by the Arab Gulf States Institute in Washington (AGSIW) in Abu Dhabi; it will be held at New York University's UAE campus (NYU Abu Dhabi) at Saadiyat Marina District. Contact Raymond Karam at *raymond.karam@agsiw.org*.

5-7 March 2019: MidEast Electricity, Smart Energy, Dubai

To be held at the Dubai World Trade Centre. *Visit the website* for more details.

12-14 March 2019: Saudi Airshow, Riyadh

A new aerospace and aviation exhibition, hosted by the Saudi Aviation Club, organised by Adone Events, *Visit the website.*

19-20 March: Energy Digitalisation Summit Middle East, Dubai

Technology and data analytics integration in the oil and gas sector, organised by Globel Event Partners at V Hotel Dubai in Al-Habtoor. *Visit the website*.

2-3 April 2019: London International Boundary Conference

A multidisciplinary insight into international boundary and sovereignty disputes at London University's King's College. For more details *Visit the website.*

29-30 April 2019: Middle East Investment Summit, Dubai

At the Jumeirah Emirates Towers. Visit organiser *Terrapin's website*.

GSN Risk Grade – B↓2: IMF says economy is 'strengthening' despite the boycott

Overview

Politics: Al-Thanis have ruled since the mid-19th century, reinforced by British recognition of their right to govern. 25 years after independence in 1971, the peninsula gained hugely in power, confidence and wealth with 'Father Emir' Sheikh Hamad Bin Khalifa Al-Thani's drive to develop gas reserves. The population has boomed, from around 111,000 in 1970 to 2.2m-plus today (85%-90% expatriate), almost exclusively concentrated in Doha. Between 1995 and 2013, Sheikh Hamad and prime minister Sheikh Hamad Bin Jassim remodelled Qatar as an ultra-modern independent-minded city state, funded by extreme wealth. Relations with Gulf Co-operation Council (GCC) members deteriorated as Saudi Arabia and the UAE took umbrage at Doha's support for Islamists, led by the Muslim Brotherhood.

Sheikh Tamim Bin Hamad became emir in June 2013, breaking the GCC's gerontocratic mould, which several senior heads hardly appreciated (*GSN 950/1*). Modernising Qatari governance, Tamim is reputed to have a canny understanding of his people and Qatar's potential, but in many respects he remains an enigma (*GSN 1,016/14*). Neighbours' suspicions that Qatar's policies diverge from the GCC norm to a dangerous extent have triggered a new crisis, with an embargo called by the GCC-3 of Saudi Arabia, the UAE and Bahrain from 5 June 2017. The continuing standoff is likely to define Qatar's direction in the next decade and beyond.

Economy: Qatar enjoys the world's highest GDP per capita, which the International Monetary Fund (IMF) estimates at $60,732 – a huge number but down from $93,990 in 2014 and $68,940 in 2015. The world's largest exporter of liquefied natural gas (LNG), its huge wealth comes from the North Field, shared with Iran (an uneasy proximity which could drive future conflict). After a decade of rapid growth, output has steadied, in part because of a self-imposed moratorium on new gas projects, announced in 2014. Confronted by challenges to its market share, there are now plans to boost LNG production by 30% to 100m t/yr, with drilling set to restart in 2019.

With the energy price slump, Qatar was expected to run its first budget deficit in 15 years in 2016, at around QR46.5bn ($12.8bn – about 7% of GDP), with its budget, based on $48/bbl oil, following cuts in current expenditure and a slight increase in capital spending. However, the economy is still growing, by around 4% in real terms in 2016-17; this is lower than the previous decade's average but still well above other GCC countries' performance. Emir Tamim has broadly followed his father's policy of diversification towards a knowledge-based economy, spending on health and education, although there is also a greater emphasis on the private sector, and a promise to reduce state bureaucracy. Tamim has admitted problems with efficiency, and warned against a culture of extravagant consumption.

Recent developments

IMF review: Doha has received a positive review from the International Monetary Fund following a visit in late October/early November. IMF team leader Mohammed El-Qorchi said the country's economy "continues to strengthen," with non-hydrocarbon output growing by 6% in H1 2018. Overall GDP growth for the period was 2.3%, including a 1.6% decline in the oil and gas sector, but economic growth is predicted to rise to 3.1% in 2019. The IMF also noted that inflation remains subdued, the fiscal and external positions are strengthening and the central bank's foreign exchange reserves have increased. "The near- to medium-term outlook for the Qatari economy is benefiting from increased oil prices and prudent macroeconomic policies," said El-Qorchi.

Doing business: Qatar was ranked 83 out of 190 countries – and fourth best in the Gulf, behind the UAE, Bahrain and Oman – in the World Bank Group (WBG)'s latest *Doing Business* report, published on 31 October. The WBG noted that Doha had made it easier to start a business and get credit during the year. It also scored well in terms of paying taxes, dealing with construction permits and registering property, but was below average in areas such as protecting minority investors, enforcing contracts and resolving insolvency. As a result, it failed to improve its overall position (unlike the UAE, which climbed ten places to 11th overall).

Bourse listing: Qatar Petroleum (QP) has sold 49% of the shares in Qatar Aluminium Manufacturing Company (Qamco) through an initial public offering. More than 273m shares were bought at a price of QR10.10 ($2.77) each, during a subscription period which ran from 30 October to 12 November; the IPO was oversubscribed 2.5 times. The shares are due to begin trading on the Qatar Exchange in December. QP retains the remaining shares in Qamco, whose main asset is a 50% stake in the Qatar Aluminium (Qatalum) joint venture with Norway's Norsk Hydro. The share sale was supported by local banks including Qatar National Bank and Qatar Islamic Bank, both of which offered to lend their customers up to 65% of the cost of shares they purchased.

Energy diplomacy: Doha has been cementing its links with key Asian economies through a number of large liquified natural gas supply deals, after announcing plans for a substantial rise in LNG production (*GSN 1,067/11*). In October, Qatar Petroleum signed a five-year agreement to supply Japan's Marubeni Corporation with 1.2m t/yr of naphtha and another five-year deal to provide 600,000 t/yr of liquified petroleum gas to China's Oriental Energy. The deals follow the announcement by QP of plans to expand its LNG output by adding a fourth new liquification train by 2025, taking its total output to 110m t/yr, compared to 77m t/yr at the moment.

Factbox

- **Head of state and government:** Emir Sheikh Tamim Bin Hamad Al-Thani (2013)
- **Head of government:** Sheikh Abdullah Bin Nasser Bin Khalifa Al-Thani (appointed 2013, reappointed 27 January 2016)
- **Population (2018):** 2.7m (14% under 15)
- **Religion:** 78% Muslim (of which 10% Shia)
- **Perceived corruption score/rank (2017):** Score 63 (0-100, where 0 is highly corrupt). Rank 29 (of 180 countries)
- **Per capita GDP (current prices, est 2016):** $59,330
- **Human development index rank (2015):** 33 (of 187)
- **Oil reserves (2016):** 25.2bn bbls
- **Currency:** $1 = 3.64 Qatari riyals

Sources: UNDP, IMF, Pew Forum, Transparency International, EIA, QCB, Opec

QATAR: Selected economic indicators

	2016f	2017f	2018f	2019f	2020f
GDP (% ch)*	3.4	3.43	2.87	2.62	2.1
GDP ($bn)**	170.9	181.3	199.5	215.8	230.2
Gross nat savings***	52.7	53.9	55.6	56.2	56.5
CPI inflation (% ch)	2.39	2.66	2.84	2.61	2.39
Gen govt total exp***	35	34.4	32.3	30.8	30
Gen govt gross debt***	46.2	56.4	60.3	63	66.7
Current a/c bal ($bn)	-8.6	-8.8	-6.2	-5	-4.1
Population (m)	2.57	2.69	2.73	2.77	2.78

* Constant prices, ** Current prices, *** % of GDP, f = forecast
Source: IMF, World Economic Outlook Database

GSN Risk Grade – B↓2↓: Khashoggi affair weighs heavy, financing needs rise

Overview

Politics: Established by King Abdelaziz (Ibn Saud) in 1932, the kingdom – an absolute monarchy – is the Gulf Co-operation Council (GCC) giant in terms of population, territory, oil wealth and its claim to religious authority. Saudi Arabia is ruled by King Salman Bin Abdelaziz, Ibn Saud's sixth son to assume the throne. At 82 on 31 December, Salman has broken with Al-Saud tradition to assure the succession of his line, replacing the experienced Mohammed Bin Nayef Bin Abdelaziz as crown prince with his favoured son, the now 32-year-old Mohammed Bin Salman.

'MBS' has quickly emerged as potentially the most significant Saudi leader in several decades – if he can drive through his 'Vision 2030' economic reform, and overhaul social behaviour, as signalled by his promotion of women driving and opening cinemas. MBS has also sought to stamp his mark as a war leader, in 2015 driving the conflict in Yemen, where a Saudi-led coalition is fighting Houthi rebels that Riyadh and allies claim are a proxy for Iran. The potential for regional and local communal tensions to explode were underlined in January 2016 by events that followed the execution of Shia cleric Nimr Al-Nimr. Domestic problems include a big underclass, booming population, high unemployment, unrest in Shiite communities and reinvigorated Sunni extremists, in a system where the government has little tolerance for dissent. MBS is dominant; he seems to be no democrat.

Economy: Saudi Aramco is the world's largest oil exporter. For long the world's major 'swing producer', production reached a record high 10.67m b/d in July 2016. The Organisation of the Petroleum Exporting Countries (Opec) puts its reserves (265.8bn bbls) second only to Venezuela. In November 2014, Riyadh publicly opted to protect its 'market share', rather than prices, gauging that its massive fiscal reserves were sufficient to ride out short-term budget constraints. That policy held until Riyadh agreed to a new Opec approach to cutting output, after fiscal pressures threatened to overwhelm MBS's reforms. This has allowed oil prices to rise in 2017, although still not to a level where Riyadh can sit comfortably. The promised sale of 5% of Aramco's equity points to a new mood in policy-making. MBS's reforms reflect ambitions to become one of the world's most competitive economies, with huge investment in transport and other infrastructure, health, technology and education, supported by unprecedented diversification. However, spending cuts run counter to traditional policy and thus King Salman has tended to reverse reforms that threaten the big-spending social compact that helps to keep the Al-Saud in power. The 2015 budget outturn showed a deficit equal to 15% of GDP. Subsequent budgets include spending cuts, but more is needed: FY2016/17 estimated revenues of SR513.8bn are much higher than the 2015 outturn and were budgeted to leave a SR326.2bn fiscal deficit.

Recent developments

Khashoggi affair: The murder of journalist Jamal Khashoggi in the Saudi consulate in Istanbul on 2 October continues to cause difficulties for Riyadh and for Crown Prince Mohammed Bin Salman (MBS) in particular (*GSN 1,067/1*). Key western allies appear to have been angered as much by the amateurish attempts by Riyadh to deny responsibility for the journalist's fate as they are by the murder itself. The Saudi heir's reputation has been undermined by a steady drip-feed of leeks from the Turkish government and forensic reporting by American newspapers which have identified the key individuals involved as being close to MBS.

Royal shake-up? The crisis has led to speculation that some power may be taken away from MBS, who has steadily taken control over most levers of economic, military and political influence since his father took the throne in January 2015. As has been widely noted, MBS played a subservient role to King Salman during a recent tour of Hail and Qassim provinces (see *Royals watch*). The return of Prince Ahmed Bin Abdelaziz to Riyadh on 30 October – he had been living in London – was another sign of how the most senior ranks of the family are working to find the best response to the affair. Prince Ahmed – the only other surviving member of the 'Sudairi Seven' alongside King Salman – has been a notable critic of MBS, in particular over the war in Yemen (*GSN 1,065/1*). However, one consequence of the crown prince's recent monopolisation of power is that there are no obvious alternatives to replace him as heir.

Financing needs: The government will have to raise around $150bn in financing in 2018-21 to cover its spending commitments, according to forecasts by Standard & Poor's. The remaining five members of the Gulf Co-operation Council will between them need to raise a similar amount. The Saudi figure is equivalent to about 5% of its GDP over the period and is expected to be met through a combination of drawing down assets and issuing debt. As a result, Saudi government debt will increase to around 30% of GDP by 2021, although that will still be lower than for most Gulf sovereigns. Net assets will fall to around 65% of Saudi GDP by end-2021.

Oil cuts: Energy minister Khalid Al-Falih has said Saudi Arabia will cut its crude oil output by 500,000 b/d in December as part of efforts to shore up oil prices amid fears that of weak demand and oversupply. The reduction could form part of a wider 1m b/d cut by Organisation of the Petroleum Exporting Countries (Opec) members, which would be equivalent of around 1% of global oil supply. Since hitting a four-year high of $86.29/babl in early October, crude prices have been falling steadily, reaching $65.47/bbl by 13 November.

SAUDI ARABIA: Selected economic indicators

	2016f	2017f	2018f	2019f	2020f
GDP (% ch)*	1.2	1.92	2.29	2.35	2.11
GDP ($bn)**	618.3	659.7	699.6	741.4	778.3
Gross nat savings***	17.4	20.8	23.09	24.45	25.18
CPI inflation (% ch)	3.77	0.96	1.7	2	2
Gen govt total exp***	37.1	36	36.8	35.5	35.5
Gen govt gross debt***	17.2	25.8	33.3	38.7	44.3
Current a/c bal ($bn)	-63.2	-40	-25	-16.2	-12
Population (m)	32	32.7	33.3	33.9	34.7

* Constant prices, ** Current prices, *** % of GDP, f = forecast
Source: IMF, World Economic Outlook Database

Factbox

- **Head of state:** King Salman Bin Abdelaziz Al-Saud (since Jan. 2015)
- **Crown prince:** Mohammed Bin Salman (since June 2017)
- **Population (2016 est):** 32m (Around 30% under 15)
- **Religion:** 97% Muslim (of which 10-15% Shia)
- **Perceived corruption score/rank (2017):** Score 49 (0-100, where 0 is highly corrupt). Rank 62 (of 183 countries)
- **Per capita GDP (current prices, est 2016):** $20,028
- **Human development index rank (2015):** 38 (of 187)
- **Oil reserves (2016):** 266.2bn bbls
- **Currency:** $1 = 3.75 Saudi riyals

Sources: UNDP, World Bank, IMF, Pew Forum, Transparency International, Opec, Sama

Consultants face scrutiny but are locked into their Saudi business

As Turkey drags out the aftermath of the Jamal Khashoggi affair and Saudi Arabia responds by seeking culprits higher up the hierarchy – with links to Crown Prince Mohammed Bin Salman (MBS), amid suspicions but not yet evidence that he ordered the operation – western companies continue to review the risks of doing business with the kingdom. Consultants and strategy advisors are particularly exposed to scrutiny because of their close involvement with MBS, and because the bread and butter of their business is government policy and planning. Chief risk officers are worried not just about the reputational damage of being associated with unsavoury authoritarian security practices, but also the chance that large volumes of business may disappear overnight should there be a change of leadership or direction. Some firms have already decided to withdraw, at least for the immediate future (*GSN 1,068/9*).

At the think tank and lobbying end of the spectrum, BGR Group, Harbour Group, Glover Park Group and the Brookings Institution are among entities which have cancelled contracts with Riyadh. But project delivery consultants at the 'nuts and bolts' end of the spectrum probably feel they are so deeply committed and dependent on Saudi revenues that there is no easy escape.

A clear hierarchy has emerged since MBS has come to power among the consulting firms responsible for delivery of government contracts. At the top of the pile, and occupying the business class seats on the Emirates flight from Dubai every Sunday morning, are consultants from McKinsey & Company, Booz Allen Hamilton and Boston Consulting Group (BCG). In the Ministry of Defence, work is often shared between these three firms, in part so that each can keep an eye on the other, reducing the risk of a failure in oversight of projects. Observers in Riyadh say the division of responsibilities is complicating matters, as co-ordination between the three firms involved in different segments of particular projects has frequently been poor, as one might expect between competitors. Another feature of these big operators' consultants is that while all are skilled in presenting and selling a plan, there is often little expertise about local conditions. It is no secret that sophisticated concepts that are appropriate to the developed world are pitched as best practice but cannot easily be taken forward by Saudi staff who lack the necessary applied skills and work habits.

Slightly further down the pecking order are consultants from the 'Big Four' firms (led by PwC) as well as others from Cap Gemini and Oliver Wyman, whose particular skills include quickly assembling the teams necessary to execute major project implementations. Typically, these teams are responsible for kick-starting projects and seeing the first few phases of the implementation programme through to the point where the tasks can be handed over to Saudi staff. They are involved in a diverse range of projects. Among them, consultants have designed a new Joint Force structure for the armed forces and have also then been responsible for writing job descriptions and interviewing candidates for the posts being created. Another project saw young social science graduates flying in from the United States to oversee the implementation of health control measures in remote areas of the kingdom to control the outbreak of the deadly MERS 'camel flu' virus – a deployment that was necessary because no Saudi organisation could mobilise the necessary resources sufficiently quickly.

Given the scale and scope of consultant-led projects across the kingdom, many firms engaged in Saudi Arabia have become heavily dependent on the revenues being earned from this one market. Some have acquired well-established local companies to improve their market penetration – in April 2017, for example, McKinsey acquired Hani Khoja and Sami Alzuhaibi's Elixir – and they have enthusiastically bid for further project work, especially in areas where MBS is pushing for quick results. BCG's success has been driven by its Middle East managing director Joerg Hildebrandt, who has developed strong relationships with Saudi ministers. Personal links remain as important as ever. Saudi middlemen who broker the hiring of consultants and act as advisers to ministries are a key factor for any consultants wanting to expand the scope of their activities.

In the current climate few consulting companies can afford to withdraw from the Saudi market, whatever the reputational risks or the likelihood of instability. Indeed, the heightened risk may provide another opportunity to sell further services. Reports in *The New York Times* and other media have shown an upsurge of consultancy firms selling services and software to aid with social monitoring and the tracking of dissidents. In response to one story, McKinsey said it was "horrified by the possibility" that a report it had prepared about online reaction to Saudi government policies might have been used by Riyadh to target dissidents; the report named a number of individuals said to be driving negative comments about the government on *Twitter*. Consultants may become more cautious as the Khashoggi affair plays out. But business is likely to remain largely as usual.

Subscription options

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