

MIDDLE EAST

# Saudi King Shakes Up Government as Economic Plan Moves Forward

By BEN HUBBARD and CLIFFORD KRAUSS MAY 7, 2016

RIYADH, Saudi Arabia — Troubled by low oil prices and unsettled by a hostile landscape in the Middle East heightened by a growing rivalry with Iran, Saudi Arabia is moving to chart an ambitious new direction for the kingdom.

In a series of sweeping royal decrees announced Saturday, King Salman replaced top ministers and restructured government bodies, the first concrete steps in a bold plan to reduce the country's heavy dependence on oil, diversify its economy and improve its citizens' quality of life.

The decrees, which included a restructuring of the oil ministry and the replacement of its longtime minister, Ali al-Naimi, set in motion a plan that was announced last month to great fanfare by the king's son Mohammed bin Salman, the deputy crown prince. Prince Mohammed has emerged over the last year as a significant influence in Saudi Arabia, overseeing economic and oil policy and heading the Defense Ministry, despite being only about 30.

The moves announced Saturday amount to a significant restructuring of the government at a difficult time for the kingdom. The regional order over which Saudi Arabia has long prevailed is in tatters, with wars raging in Iraq, Syria and Yemen, and with its regional nemesis, Iran, extending its influence. Those stresses come as low oil prices have shaken the Saudi economy, causing the government to run huge budget deficits and leaving government contractors falling behind in paying salaries.

"What you are seeing in Saudi Arabia is a genuine need for reform that is felt at the very top of the ruling establishment," said Adeel Malik, the Globe fellow in the economies of Muslim societies at Oxford University. "You can clearly see that there is fire under the seats of the rulers."

The rise of Prince Mohammed has effectively overturned decades of cautious Saudi policy traditionally overseen by senior princes, many of whom have found themselves sidelined by a man who is decades younger. While some grumble privately, Prince Mohammed has forged ahead with a clear mandate from King Salman, who also put him second in line to the throne, after Crown Prince Mohammed bin Nayef, the interior minister.

Prince Mohammed bin Salman was the driving force behind the country's new development plan, Saudi Vision 2030, which many Saudis have lauded as a powerful statement of purpose from a royal family that has often failed to communicate its plans or do much to prepare for the future. But analysts and economists have questioned the ability of Saudi Arabia's bloated bureaucracy and unproductive native work force to meet the plan's aggressive targets.

Many of the changes announced Saturday were aimed at restructuring the government so it would work toward the plan's goals.

These included the replacement of the country's long-serving oil minister, Mr. Naimi, who is 80 and had held the position since 1995. Mr. Naimi's oversight of oil policy for the kingdom, the world's largest oil exporter, had made him a towering figure whose mere utterances were closely scrutinized by traders seeking to divine the country's thinking.

The decline in oil prices, which began in mid-2014, led Mr. Naimi to champion the Saudi strategy of maintaining production levels to preserve market share and undermine higher-cost producers like the United States. While the approach has largely worked, it has also contributed to an oil glut that has kept prices low, analysts say.

Mr. Naimi has long been essential to the royal family's policy of using the country's oil wealth to finance government social policy — a tradition Prince Mohammed wants to move away from through widespread privatization.

Although Mr. Naimi had long expressed a wish to retire, the suddenness of his exit struck some foreign analysts as a sign that Prince Mohammed was flexing his muscles.

"To essentially drop him in a cabinet reshuffle rather than celebrate his retirement was pretty rude, even by Saudi standards," said David L. Goldwyn, who was a senior energy official in the State Department during the first Obama administration. "The way he left is a sign of Mohammed bin Salman making clear that he is directing the appointment of important positions."

Mr. Naimi was named an adviser to the royal court and was replaced by a younger official, Khalid al-Falih, who had previously run the Health Ministry and served as the chairman of Saudi Aramco, the state-owned oil company.

Some energy experts viewed the appointment of Mr. Falih as a signal to both the Saudi power structure and international oil markets that Prince Mohammed was pushing forward with plans to transform Saudi Aramco into an energy conglomerate that could invest in projects with less interference from the royal family.

In the announcement on Saturday, the Ministry of Petroleum and Mineral Resources was renamed the Ministry of Energy, Industry and Natural Resources, a semantic shift meant to indicate the country's commitment to diversifying away from oil.

Most energy experts said they did not see Mr. Naimi's departure as a sign that oil policy would soon change, especially with prices gradually rising and Saudi leaders refusing to endorse production limits unless Iran does as well.

"The Saudis sneeze and the oil market catches a cold, but I think it's going to turn out not to mean much," said Michael Lynch, the president of the consultancy Strategic Energy and Economic Research, who has been an adviser to OPEC. "By picking Khalid al-Falih, it doesn't seem like this means a radical change."

Other decrees announced on Saturday changed the head of the central bank, renamed and combined ministries, and put new officials in charge of water, commerce, social affairs, health and transport.

"All these measures were ultimately aimed at making government more efficient and more accountable, reducing red tape," said Fahad Nazer, a senior political analyst at JTG Inc., a consulting firm based in Vienna, Va. "They are clearly meant to help in terms of implementing the vision going forward."

None of the decrees addressed the country's political structure, and missing from Prince Mohammed's vision were any moves toward allowing Saudis a role in choosing their rulers. None of the newly appointed officials were women.

Other changes were in line with goals articulated in the new vision.

The Ministry of Hajj, an important body in a country that derives much of its international standing from its management of Islam's holiest sites, was changed to the Ministry of Hajj and Umra. While the Hajj pilgrimage happens once a year, the Umra pilgrimage can be done year round, and Prince Mohammed has spoken of raising the number of Umra visitors as a source of unexploited income. The body's minister was also replaced.

Many among Saudi Arabia's large population of young people — more than two-thirds of the country's 20 million citizens are under 30 — speculated on social media, often with sarcasm, about the duties of the newly

created General Authority for Entertainment, a surprising body in a hyperconservative country where public movie theaters are banned and many people flee abroad for vacations and weekends.

Some Twitter users responded by posting photos of members of the religious police smashing musical instruments under the hashtag #The\_Entertainment\_Authority in Arabic.

“Oh Lord!” one Twitter user wrote. “Theater, opera, cinema and stadiums for women.”

Another wrote: “They split the electricity ministry and the water ministries for fear of electrocution. Joke courtesy of #The\_Entertainment\_Authority.”

Prince Mohammed has spoken about the importance of providing Saudis with more ways to enjoy life in their country, although it remains to be seen what new options will be provided under the new plan.

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Clifford Krauss reported from Houston.

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