

MIDDLE EAST

Saudi King Shakes Up Government as Economic Plan Moves Forward

By BEN HUBBARD MAY 7, 2016

RIYADH, Saudi Arabia — In a series of sweeping royal decrees on Saturday, King Salman of Saudi Arabia replaced a number of top ministers and restructured government bodies in the first moves of an ambitious plan to chart a new direction for the kingdom.

The decrees were among the first concrete steps in the plan, which was announced late last month to great domestic fanfare by the king's son Mohammed bin Salman, who is about 30, oversees economic policy and runs the Defense Ministry.

The plan, known as Saudi Vision 2030, is intended as a guide for the country's development. It aims in part to reduce Saudi Arabia's heavy dependence on oil, diversify its economy and improve the quality of life for Saudi citizens.

The plan is being put into effect 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. Also, 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."

Many Saudis have lauded Saudi Vision 2030 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 many analysts and economists have questioned the ability of Saudi Arabia's bloated and often ineffective bureaucracy to meet the plan's aggressive targets.

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

Among those changes was the replacement of the country's long-serving oil minister, Ali al-Naimi, who is in his 80s 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 in world oil policy, whose mere utterances were closely scrutinized by traders seeking to understand the country's thinking.

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

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 emergence of Mr. Falih to replace Mr. Naimi as a highly symbolic move that sent a strong signal to both the Saudi power structure and international oil markets. It was another sign that

Prince Mohammed was consolidating his position as the chief architect of economic policy and of the transformation of Saudi Aramco into an independent oil company with the ability to invest in projects with less interference from the royal family.

Mr. Naimi had long helped carry out the royal family's policy of using the company to finance government social policy — a tradition Prince Mohammed wants to veer from through widespread privatization.

While Mr. Naimi had long expressed the desire to retire, the suddenness of his exit struck some analysts as a sign of Prince Mohammed's displaying muscle.

"It was an unceremonious departure for a man who devoted his entire life to the Saudi oil world and planned to resign anyway," said David L. Goldwyn, who was a senior energy official in the State Department during the first Obama administration. "To essentially drop him in a cabinet reshuffle rather than celebrate his retirement was pretty rude, even by Saudi standards. The way he left is a sign of Mohammed bin Salman making clear that he is directing the appointment of important positions."

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 its income away from oil.

Most energy experts said they did not see Mr. Naimi's departure as a sign that policy would soon change, especially with oil prices gradually rising. They said no changes in policy were likely to occur as long as Prince Mohammed and his father opposed an accommodation with Iran.

"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 the Organization of the Petroleum Exporting Countries. "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 and named new ministers for 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 in Vienna, Va. "They are clearly meant to help in terms of implementing the vision going forward."

Other changes also jibed with goals articulated in the new vision, showing the tight coordination between Prince Mohammed, who has emerged as the country's most dynamic official despite being second in line for the throne, and his father, King Salman, who maintains ultimate authority.

The Ministry of Hajj, an important body in a country that derives much of its international legitimacy 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 expanding the number of Umra visitors as a source of unexploited income. Its minister was also replaced.

Many people among Saudi Arabia's large youth population — more than two-thirds of the country's 20 million citizens are under 30 — speculated on social media about the duties of the newly created General Commission for Entertainment. It is a surprising body in a hyperconservative country where public movie theaters are banned and many people spend their vacations and weekends abroad.

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.

Clifford Krauss contributed reporting from Houston.

