

THE SEA CHANGE ON THE SOCIAL FRONT OF SAUDI ARABIA – REVISITING THE ORTHODOXIES REVEALS A NEWLY EMERGING ASPECT OF THE COUNTRY –

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Saudi business has recently been gaining momentum in Japan following the visit by Saudi Arabia's Deputy Crown Prince Mohammad bin Salman (hereafter, "Deputy Crown Prince") to Tokyo, and the subsequent visit by the Japanese Minister of Economy, Trade and Industry Hiroshige Seko to Riyadh, among other things. Meanwhile, skepticism abounds, mostly in Western countries, about Saudi Arabia's reforms intended to break away from overdependence on oil under the initiatives of the Deputy Crown Prince. Amid this situation, quite a number of companies are presumably experiencing difficulty grasping an accurate picture of the nation. Certainly, the external environment surrounding Saudi Arabia is becoming increasingly tough, making reforms even more challenging. However, most of such skeptical views are based on a conventional understanding that Saudi society is invariable and are not focused on the changing nature of the country's domestic environment. Although there was not much need to pay attention to such domestic factor under the governance of pre-established harmony heretofore, now, the situation is drastically changing, following a sharp decline in state revenues, a shift in demographics, and the appearance of a new, young leader, the Deputy Crown Prince, who seeks to rationally adapt to such developments. In other words, we are entering a phase where we cannot come close to the real picture of Saudi Arabia only by analyzing its external environment.

In the light of this recognition, this paper will highlight the changes taking place in today's Saudi society that are often overlooked in the analyses thereof and examine what such changes suggest based partly on the field research conducted by the author in the country.

HYPOTHESES OF WESTERN MEDIA

To begin with, let us have a look at some, albeit not all, arguments presented by the Western media concerning the reforms currently being implemented in Saudi Arabia.

- "... the prescriptions of Saudi Vision 2030 are fraught with risk, not least because it threatens to dissolve the social contract that binds the House of Saud to the Saudi people." (Foreign Policy Magazine June 7, 2016)
- "To put the public finances in order, there must be further painful cuts in subsidies, new taxes and an end to public sector sinecures. This represents a fundamental change in the social contract whereby the regime has traded jobs and generous benefits for loyalty." (FINANCIAL TIMES April 26, 2016)
- "Combined with other pending painful economic reforms, this (price hike by currency devaluation) could lead to unrest in a country where the unwritten social contract swaps citizens' obedience and allegiance to the king for good government services and a share in oil wealth." (REUTERS Feb 4, 2016)

What is important here is that each article quoted above describes the relations between the regime and citizens by using the key word "social contract." Although some may object to the application of the concept of the social contract, a Western idea, to the Islamic world, the hypotheses quoted above are still relevant to a certain degree

in the sense that the concept is about the relations between the governed and the governor. Also, the hypotheses succinctly describe the features of Saudi society.

However, no sign of massive unrest can be seen in Saudi Arabia, even after not only subsidies but also allowances and bonuses of civil servants have been drastically cut. Rather, citizen support for the current regime (particularly for the Deputy Crown Prince) appears to be heightening on the whole.

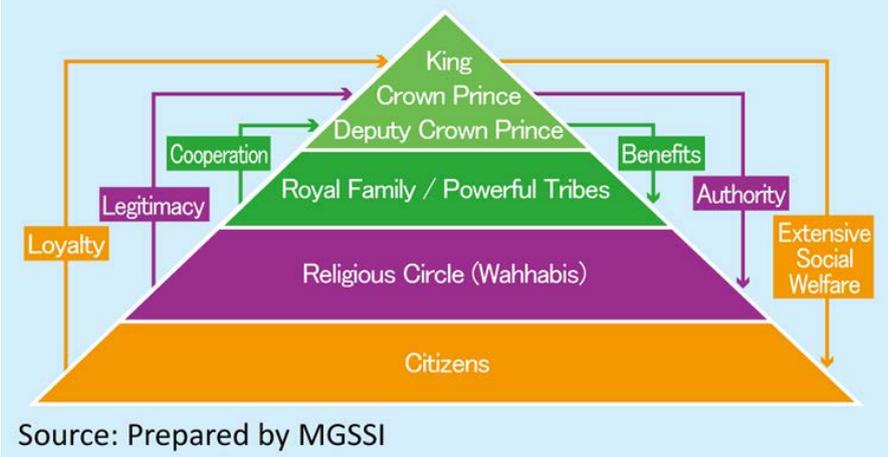
Needless to say, it is still premature to conclude that the hypotheses of the Western media are off the mark, since the reforms that would cause genuine suffering to citizens (such as the introduction of a taxation system and labor market reforms) are still in mid-course. However, an important clue that helps us understand the actual state of today's Saudi Arabia appears to lie in the discrepancy between such hypotheses and the current situation.

TRADITIONAL GOVERNANCE

Monarchy (the House of Saud) and religion (the Wahhabism¹) have been two pillars of the governance of Saudi Arabia since its foundation.

Institutionally, the king has strong political power as a monarch. In reality, however, state policies are decided with priority placed on the consensus reached among powerful royal family members². In other words, there exists a structure whereby royal family members who have connections with tribes cooperate with the regime and, in return, receive benefits (Fig. 1).

Fig. 1. Traditional Relationships Between the Regime and Domestic Actors (Image)

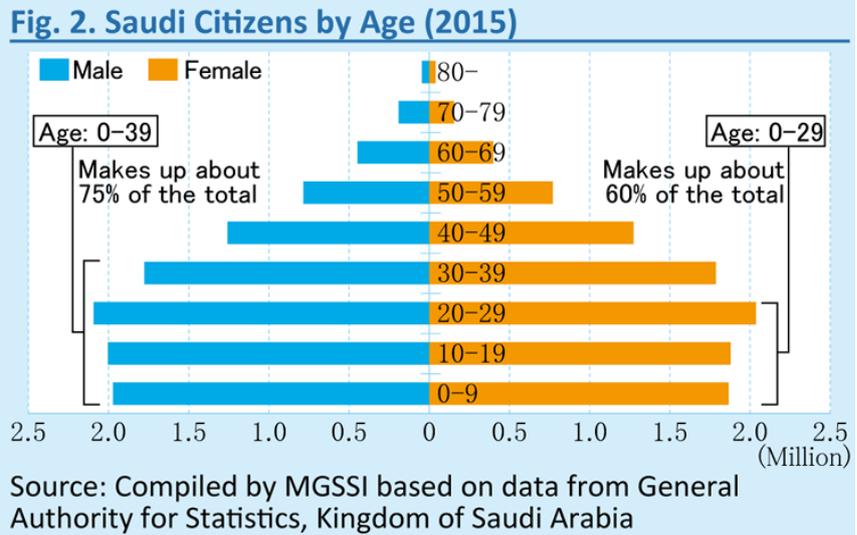


Wahhabism played a substantial role in the course of Saudi Arabia's nation-building. The House of Saud, which was a local ruling family, enhanced its legitimacy and expanded its governing territory by cooperating with Wahhabis. As a result, the Wahhabis received preferential treatment at religious, educational, and other institutions. Accordingly, even today, they have a strong influence on Saudi politics and society³. Put plainly, a relationship whereby religious authority and legitimacy are traded exists here.

Meanwhile, citizens (i.e., the general public) who do not belong to either of the above two groups have not been a pillar of governance. With respect to citizens, there has been a relationship whereby they pledge loyalty to the regime and, in exchange, enjoy extensive social welfare, as argued by the Western media.

NEW RELATIONSHIP BETWEEN DEPUTY CROWN PRINCE AND SAUDI CITIZENS

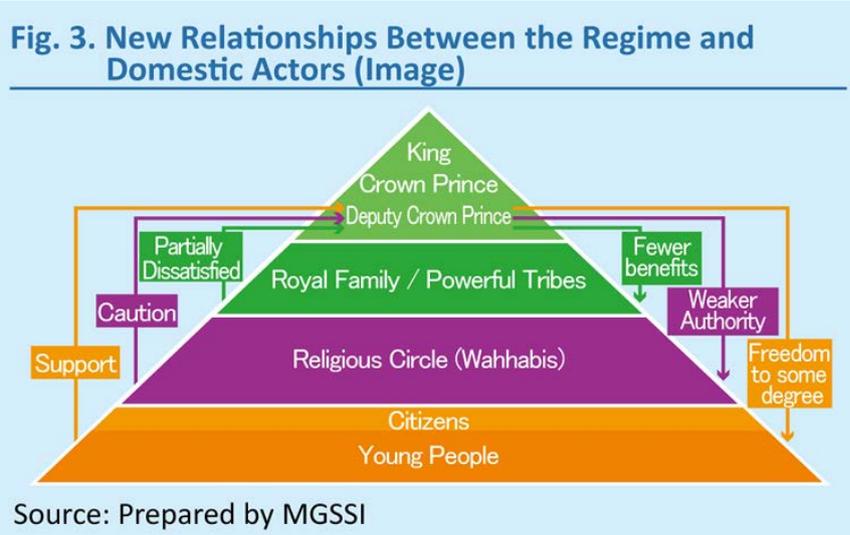
However, such traditional relations as described above are being redefined just now by the Deputy Crown Prince. From Saudi Vision 2030, which repeatedly refers to young people, it is clear that the Deputy Crown Prince is focused on the young generation, to which he himself belongs. While the total population in Saudi Arabia is about 31 million (foreigners included), the population of the Saudi nationals is about 21 million, a majority of which (about 60%) are 29-years-old or younger. If this scope is expanded to include those aged 39 or under, then the ratio rises to about 75% of the population of the Saudi nationals (Fig. 2).



These young people are those who make full use of smartphones and are exposed to all sorts of information and connected to various types of people in cyberspace. It can be assumed that a majority of the youth have quite a more flexible mindset than older generations do.

In April of 2016, the Deputy Crown Prince introduced an innovative policy that grabbed the heart of such young generation. He ordered that the arrest authority of the religious police (called Haia/Mutawa) be revoked, and that the crackdown under the Islamic laws be carried out in a kind and humane manner. It is reported that interviews by the religious police decreased sharply following this move.

Stated another way, the Deputy Crown Prince is beginning to offer a certain degree of freedom to the Saudi citizens in lieu of the tapering of social welfare (Fig. 3). Needless to say, it is a quite limited freedom. That said, the popularity of the Deputy Crown Prince is backed by such reality, and a relationship stronger than we foreigners assume is being forged between the Deputy Crown Prince and the citizens. It is this very new development taking place in the Saudi society that is not included in Western media's discourse.



RISK ACCOMPANYING THE TRANSFORMATION

All the same, changes in society intrinsically entail risk. Going forward, the Deputy Crown Prince, who has made a big step forward, will likely face the following challenges with respect to the following actors, respectively.

- 1) Young people's increasing and diversifying demands: The risk that the opposition movement could shift into high gear has lowered in the short term due to the Deputy Crown Prince's formation of a relationship with young people, except in the Eastern Province, which a large number of Shias inhabit. That said, it is highly likely that young people's demands will not only change, but also escalate in time. Amid the present situation where it is becoming increasingly difficult to continue employment of about 70% of Saudi nationals in the public sector, whether the private sector is able to create jobs that young people can be proud of and whether progress can be made in women's social advancement are likely to become the areas of focus.
- 2) Dissatisfaction within the royal family: The collegial system among powerful royal family members has weakened as a result of the policy change introduced by the Deputy Crown Prince. Reportedly, the power struggle between the Deputy Crown Prince, who is entrusted with the handling of domestic politics by King Salman, his father, and Crown Prince Muhammad bin Nayef (hereafter, "Crown Prince") has been settled. However, if a health problem or any other issue arises affecting King Salman, and the Crown Prince succeeds to the throne, then it is possible that dissatisfied elements within the royal family could rise in revolt.
- 3) Backlash from the religious circle: The House of Saud has been maintained thanks to the support of the Wahhabis. Accordingly, a certain degree of conflict with the religious circle would be unavoidable, since the liberalization policies as described above are trade-offs for religious authority.

FUTURE OUTLOOK

Obviously, it is young people that will be given the highest priority under the regime led by the Deputy Crown Prince. Since the Deputy Crown Prince may well lead the country for over half a century if he succeeds to the crown, in a way, such decision would be natural. However, Saudi Arabia, where Islam's two holiest cities, namely, Mecca and Medina, are located, cannot simply afford to publicly promote secularization. This is because if the rift with the religious circle reaches a decisive point, not only will the governance of the country be obstructed, but also Islamic extremists within and without Saudi Arabia will be instigated, possibly developing into a region-wide problem. Hence, the Saudi regime will likely attempt to strike a balance among the three actors, namely, the royal family and tribes, Wahhabis, and young people, by tactfully separating its official stance from its ulterior motives.

Accordingly, what is important for foreign companies is how to tell the regime's real motives from their official stance. In such phase, "de facto" will likely be a keyword. De-autocratization, whereby citizens' voices are starting to be heard, is slowly progressing inch by inch, while the regime and other systems remain unchanged. For Saudi Arabia, even such slight change is a drastic development. Companies interested in Saudi business should reconsider their estimate of the country by focusing on its de facto situation and not get caught up in a stereotypical way of viewing it.

¹ It is a sect that employs fundamental, rigid teachings that Muslims should emulate and follow the ways of the early Islamic era.

² “*Wangan, Arabiashokoku ni Okeru Shakaihenyo to Kokka/Seiji* [Social Transformation, and State and Politics in the Gulf Region and Arab Countries],” p.103, Yasushi Fukuda

³ Ibid., p. 114