



SAUDI ARABIA'S YOUNG REFORMER ONE STEP CLOSER TO BECOMING KING

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SUMMARY

- Today King Salman promoted his son, Mohammed bin Salman (MBS), 31, to be the next in line to the throne, and removed the previous crown prince, Mohammed bin Nayef (MBN), 57, from this post.
- Throughout the day, Saudi television aired footage showing MBN pledging allegiance to MBS. The King has also taken steps to secure the support of the rest of the royal family for this decision.
- The Saudi government also reinstated bonuses and allowances for civil servants and military personnel that were suspended in September, which may raise questions about the Kingdom's ability to follow through with austerity measures.
- In general, MBS's elevation is a signal more of continuity than change, as he was already exercising wide control over Saudi decision-making on economic and foreign policy issues. His new position as crown prince will entrench Vision 2030 as a guiding plan for the Saudi economy.
- While we expect few short-term changes for the private sector, multinational firms should continue to monitor events in Saudi Arabia to assess the prospects for continued economic reform – and the effect on growth – as well as on the Kingdom's political stability.

ABOUT ASG

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MOHAMMED BIN SALMAN APPOINTED CROWN PRINCE

Early Wednesday morning Saudi time, a royal decree announced the appointment of MBS as crown prince. MBS replaces his cousin, MBN, who had been crown prince since April 2015. MBN was a close ally of Western intelligence agencies and served as Saudi Arabia's interior minister, a position from which he has also been relieved.

The royal decree did not nominate a new deputy crown prince. As deputy crown prince, MBS was already in line for the throne, but there was always the possibility that MBN would become king and change the order of succession. Now MBS's path to the throne is clear. The reshuffle also sparked speculation among Saudis on Twitter about a possible future abdication by King Salman in favor of MBS.

In addition to crown prince, MBS will continue to hold a number of other key posts, including Minister of Defense, Chairman of the Council for Economic and Development Affairs, Chairman of the Supreme Board of Aramco, and Chief of the Royal Court.

BY ALL APPEARANCES, A SMOOTH TRANSITION

The reshuffle was accompanied by several decisions meant to reassure the public that the transition would be smooth and to placate other members of the royal family.

Throughout Wednesday morning, Saudi television continuously aired footage of MBN pledging allegiance to MBS and stating, "I am content." In turn, MBS kneels and kisses MBN's hand, a sign of respect in Saudi culture, and replies, "we will not give up taking your guidance and advice." There is also a public *mubaya'a* ceremony in Makkah, where Saudis are invited to pledge their allegiance to the new crown prince. The royal decree announcing MBS's new title stated that 31 out of 34 members of the Allegiance Council, made up of senior members of the Royal family, approved the decision. While that is obviously not unanimity, according to some reports the three members who voted against MBS did so to avoid the appearance of a rubber-stamped decision, not out of genuine opposition.

To appeal to royals who may have been irked by MBS's rapid rise over the past two years, the decree included an important change to the Saudi Basic Law of Governance: in the future, the king and crown prince cannot be from the same branch of the royal family, meaning that MBS cannot appoint his son as successor like his father just did. The decree also gave government posts to members of other branches of the Saud family, assuring them they would not be sidelined. MBN's nephew, Prince Abdulaziz bin Saud bin Nayef, 33, was named as the new interior minister.

King Salman also took measures to promote public acceptance of the move such as retroactively reinstating all allowances and bonuses to civil servants and military personnel that had been suspended as an austerity measure in September. The decrees also extended the *Eid al-Fitr* holiday, marking the end of Ramadan, by several days.

A SUDDEN MOVE, BUT NOT AN UNEXPECTED ONE

Though the timing of the decision caught some observers off guard, MBS's promotion has been foreshadowed for some time. On June 17, King Salman stripped MBN of the power to pursue prosecutions, announcing that the Bureau of Investigation and Prosecution would be renamed and moved from the MBN-led Ministry of Interior to the Royal Court. This move was viewed as significant, given that in the past, King Salman had been careful not to diminish MBN's power while promoting his son. Furthermore, MBS was already acting like a head of state, even though he was technically number two in the line of succession. He attended a formal state lunch at the White House with President Trump earlier this year and has met with several other world leaders. His many titles ensured that he controlled a broad portfolio, setting the defense, oil, and economic policies for the Kingdom, which also seemed to presage his elevation.



IMPLICATIONS FOR REFORM AND SAUDI FOREIGN POLICY

MBS is the mastermind behind the ambitious Vision 2030, and the accompanying National Transformation Program, which aim to reduce the country's dependence on oil by diversifying its economy. His promotion will reinforce the Kingdom's commitment to this plan, though the decision to restore civil servant allowances and bonuses may raise questions about Saudi Arabia's ability to follow through with the difficult measures needed to achieve the Vision 2030 goals. MBS's new role, together with his existing position as Chairman of the Supreme Council of Aramco, will also raise the odds that Saudi Arabia will proceed with the privatization of the state-owned oil giant.

Under his watch as defense minister, Saudi Arabia has taken a more assertive foreign policy stance. In addition to his role overseeing the war in Yemen, MBS is thought to be behind the recent escalation of tension with Qatar and caused controversy by saying in a televised interview that the sectarian proxy war in the region ought to be "waged in Iran and not in Saudi Arabia." Not surprisingly, given MBS's strong views about Iran's regional behavior, Iran's state news agency today called the move a "soft coup."

While we expect few short-term changes for the private sector, multinational firms should continue to monitor events in Saudi Arabia to assess the prospects for continued economic reform – and the effect on growth – as well as on the Kingdom's political stability. After the royal decrees were announced, the Saudi stock market shot up by 5.5 percent, ending at its highest point since 2015 – although this may have had more to do with MSCI potentially including the Kingdom in its emerging market index than about a reaction to the new second-in-line for the throne.

ASG's MENA Practice has extensive experience helping clients navigate markets across the Middle East and North Africa. For questions or to arrange a follow-up conversation please contact [Sarah Al-Shawwaf](#).

