

Saudi Crown Prince Appointment and Future Course of Saudi Arabia

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On October 27, Saudi King Abdullah named Prince Nayef bin Abdul Aziz, second deputy prime minister and interior minister, as the new crown prince after the announcement on October 22 that Crown Prince and Defense Minister Sultan bin Abdul Aziz had passed away. The appointment of the heir-apparent to the kingdom's throne, subject to global attention, met dominant forecasts, coming as no surprise.

Boasting of the world's largest proven oil deposits, crude oil production capacity and surplus capacity, Saudi Arabia is the most important oil-producing country, holding the key to international oil market stability. As a matter of course, Saudi Arabia's domestic stability is a key point in analyzing the international energy situation. In this sense, the crown prince appointment and the throne succession problem in Saudi Arabia have attracted attention from energy experts throughout the world.

Behind the global attention paid to the crown prince appointment have been various domestic problems regarding the throne succession. First, major figures involved in the throne succession, including King Abdullah, new Crown Prince Nayef and the late Crown Prince Sultan, are all elderly and plagued with health problems. Crown Prince Sultan eventually passed away before King Abdullah. The aging leadership has been a matter of concern regarding Saudi Arabia's future stability.

The second problem is related to the first one. The Saudi "watchers" are interested in the possibility that the throne succession could shift from the Saudi dynasty's aging second generation, including the incumbent king, crown prince and other children of first King Abdul Aziz Ibn Saud, to the third generation comprising grandchildren of the first king. The problem is whether the shift to the third generation from the second one including many royal family members could be carried out smoothly. The third problem involves the new crown prince's and his successor's basic ideas about governance and policies and the direction of their government management.

All of these problems are related to complicated domestic conditions. Experts in the world

have various views about these problems. While refraining from looking into details in this short report, I would like to cite a worthwhile view that Saudi royal family members take a common approach on governance and stability and give top priority to consensus and unity in the face of various problems. In this sense, the base for Saudi Arabia's governance and stability is steady. While European and U.S. media have described new Crown Prince Nayef as basically conservative, the future direction of Saudi Arabia's basic policies has become a focus of concern. Many analysts conclude that given the above analysis and the consensus-oriented decision-making in Saudi Arabia, there may be no major change in the country's basic policies.

Anyway, the future course of Saudi Arabia's stability and basic policies may attract global attention from the medium to long-term perspective. Various media reports about the new crown prince appointment might have worked to stimulate interest and highlight long-pending problems and challenges.

As a matter of course, the stability of Saudi Arabia as the most important oil-producing country in the world is an important factor in anticipating the future international oil market, as noted above. But we can view the international oil market and Saudi Arabia as influencing each other. We may have to pay attention to the fact that the stability of the international oil market is a key contributor to the stability of Saudi Arabia. This means that crude oil prices' stability at high levels can work to stabilize the Saudi economy and can be a key factor for Saudi state management. The stabilization of crude oil prices might have become a very important policy challenge for Saudi Arabia that has increased domestic spending in response to the recent destabilization of the Middle East and North Africa political situation.

Crude oil prices have continued wild fluctuations and their future course is uncertain. If the world economy slows down and plunges into a new recession, crude oil prices may decline sharply. We cannot deny such possibility. Such development would not be negligible for Saudi Arabia. In such event, Saudi Arabia may take leadership in reuniting the Organization of Petroleum Exporting Countries to implement coordinated oil production cuts. This kind of leadership may also be a challenge for Saudi Arabia. Although Saudi Arabia led an OPEC agreement on substantial oil production cuts in response to crude oil price drops following the Lehman Shock, we must pay attention to the fact that major OPEC members' economic and political environments and their relations have entered new phases.

Since crude oil prices, as the basic energy price, and Saudi Arabia are expected to influence each other, the need for more accurate analyses on their moves, relations and impacts may remain strong.