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Al-Saud move with speed to reconfigure top team after Nayef's death

Generational change remains off the agenda, as the Saudi leadership moved with unusual speed to confirm Ibn Saud sons Salman and Ahmed as crown prince and interior minister after Prince Nayef's death. Quick decision-making was needed to counter mounting demographic and geopolitical pressure

There was little secret that Crown Prince **Nayef Bin Abdelaziz** was ill, and that the likelihood of him eventually replacing King **Abdullah Bin Abdelaziz** was ebbing (*GSN 925/1*). That Nayef would be replaced in the **Al-Saud** pecking order by his full **Sudeiri** brother Prince **Salman Bin Abdelaziz** had become received wisdom. But the timing of veteran interior minister Nayef's death took the outside world by surprise, underlining the extent of the erosion of the ageing leadership, and adding to the pressure on 88-year-old Abdullah and his allies to fashion a fit-for-purpose succession strategy.

The leadership's response was to react quickly in naming King Abdullah's third successor in nine months. Otherwise, the House of Saud has opted for its default setting, which one veteran analyst described as "going with seniority, minus the ill and incompetent, and postponing the difficult decisions".

Prince Nayef died in **Switzerland** on 16 June and was buried on 17 June in an unmarked grave in Mecca, according to Saudi custom. On only 11 June, the official *Saudi Press Agency* (*SPA*) had reported Nayef receiving "a number of princes" at his Geneva residence, including Northern Frontier Region governor Prince **Abdullah Bin Abdelaziz Bin Musaid**. His eldest son and special adviser, Prince **Saud**, was in attendance.

The royal decree announcing that 76-year-old Salman had been chosen as crown prince and deputy prime minister, and that Prince **Ahmed Bin Abdelaziz** had been promoted from deputy minister to replace Nayef at the Ministry of Interior (MoI), came on 18 June. The decisions seem to have come from the very senior princes, rather than from a gathering of the *Allegiance Council* (*Al-Hayaat Al-Bayaa*), created in 2006 to smooth family tensions over succession.

Continued on page 3

Oman protests

Simmering frustration at the slow pace of reform has bubbled over into a series of strikes and protests in recent weeks, to which the government has reacted with a string of arrests, and a warning that all those calling for sedition will face legal action. A number of bloggers have been charged, suggesting the government is unwilling to tolerate dissonant voices in public forums. Political activists have been increasingly critical of the leadership, and analysts note growing disillusionment with Sultan Qaboos.

—See page 4

Kuwait crisis

Kuwait has plunged further into political crisis after the constitutional court said the call for February's election was 'unconstitutional' and that the previous assembly should be restored. The announcement – just two days after the Emir suspended the opposition-led National Assembly for a month – took many by surprise, and as *GSN* went to press it was not clear how things would play out. While the opposition is not likely to take the verdict lying down, the decision will probably lead to another round of elections.

—See page 6 and View

Riyadh cancels Yemen aid session

In a blow to hopes that vast sums of aid would soon be pouring into Yemen, Riyadh has cancelled a donor meeting planned for the Saudi capital in late June, aid agency and diplomatic sources have told *GSN*. The meeting, at which donor states including **Saudi Arabia** were due to pledge billions of dollars, will now be held in New York in late September.

Riyadh did not give any reason for the decision, though one diplomatic source said "internal politics", apparently referring to the death of Prince **Nayef** (*see above*), who had long held the Yemen portfolio. Ministers in Sanaa – seeking to plug a $2.3bn deficit in 2012 – were said to be extremely disappointed; an official at one aid agency said there had been an "incredible amount" of lobbying not to postpone the meeting. "This is not great news at all," one economic analyst said. "The government needs to sort its budget out, there is a critical need for rapid humanitarian response, and an injection of capital into the economy will be essential to get things moving. Three months is a long time when people are starving, and work needs to start on getting the economy going as soon as possible."

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Al-Saud reconfigure top team

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A younger Sudeiri brother, Prince **Ahmed**, had been looking to secure a more senior job, but his promotion to head the MoI was not inevitable (*GSN 925/3*). The veteran analyst observed that 71-year-old Ahmed, deputy minister since 1975, "may have been seen by some as now being a bit past it, so that someone else, such as [*General Intelligence Directorate* chief Prince] **Miqrin** [Bin Abdelaziz], might get the job". In the event, Ahmed held on – and may harbour ambitions to eventually go higher, maintaining Sudeiri claims to the throne.

After Salman, Ahmed (born in 1940 to **Hessa Bint Ahmed Bin Mohammed Al-Sudeiri**) and Miqrin (born in 1943 to **Baraka**, a **Yemeni** concubine) are seen as the last **Ibn Saud** sons (of 18 still alive) with genuine monarchical potential. Saudi-watchers are speculating whether a second deputy premier will be appointed to give more clarity on the succession: Ahmed or another Ibn Saud son such as Miqrin or Riyadh governor Prince **Sattam Bin Abdelaziz** (who holds ministerial rank) might be candidates for this unofficial second-in-line-to-the-throne title – unless it passes, finally, to a third-generation prince.

Within the crowded ranks of third-generation princes, the late crown prince's respected son Prince **Mohammed Bin Nayef** remains assistant to the interior minister for security affairs. There had been speculation that 'MBN' might be promoted to replace his father, given the internal support and foreign praise for his work at the MoI, where he has shown considerable personal bravery in taking a lead in shaping the Kingdom's response to the threats posed by ***Al-Qaeda*** and its affiliates (*GSN 925/4, 863/6, 861/8, 860/1, 726/1, 686/6, 673/4*). Also widely mentioned in dispatches has been Mecca governor Prince **Khalid Al-Faisal** (*GSN 925/4*).

Just before the 18 June announcement, analysts canvassed by *GSN* suggested the King might opt for a younger generation Al-Saud at the MoI, which "would be significant" as it might reflect Abdullah's feeling that, with the passing of his two crown princes, **Sultan Bin Abdelaziz** – who died last October (*GSN 911/1*) – and Nayef, he may "have greater freedom for manoeuvre and thus back a bold move on Interior".

Health remains the defining factor

Crown prince only since Sultan's demise on 27 October, Nayef died of undisclosed causes (believed to be a heart attack) at a hospital in Geneva, after prolonged health problems. Salman has also suffered from health problems – including at least one stroke, which has left him with limited movement of his left arm, and back problems – but he maintains a busy work and travel schedule, especially since becoming defence minister (a portfolio he keeps).

Salman visited the **US** and **UK** in April, and on 7-8 June was in Madrid for talks with **Spanish** counterpart **Pedro Morenés y Alvarez de Eulate** (*see page 10*). He has recently been accompanied on trips by a younger son (among several prominent scions), Prince **Mohammed Bin Salman** (*GSN 925/6*). Salman has a reputation for being one of the most austere, modest senior Al-Saud, with an appetite for work and a good understanding of the Kingdom's tribal structures. *Saudi Gazette* editor-in-chief **Khaled Almaeena** described him as "not extravagant, whether in his personal life or professionally".

Salman is a traditionalist, but is seen to be more flexible than Nayef, whose worldview was coloured by ultraconservative politics and ties to the Wahhabi religious establishment. The *New York Times* wrote: "The selection was considered a natural choice because of Prince Salman's reputation as an austere, hard-working family disciplinarian whose tasks included controlling the special jail for princes run amok." Other US reports reminded readers that Salman's charitable connections saw him named, along with other prominent Saudis, as a defendant in Al-Qaeda financing litigation; this was finally

Difficult geopolitical context

The prominent position accorded to ***Egyptian Supreme Council of the Armed Forces*** (***Scaf***) chairman Field Marshal **Mohammed Hussein Tantawi** at the funeral prayers for Crown Prince **Nayef Bin Abdelaziz** on 18 June highlighted the Saudi leadership's alignment with conservative influences across much of the Arab world (*see main story and Royals watch*). Tantawi took off for Jeddah soon after ***Muslim Brotherhood*** candidate **Mohammed Morsi**'s apparent election in Egypt's first competitive presidential poll had been overshadowed by the Scaf issuing an interim constitution giving it broad powers over any new government. Riyadh on 8 June approved $430m in ***Saudi Fund for Development*** project aid and gave Egypt access to a $750m line of credit to import oil products.

With Prince **Salman** as heir apparent and **Ahmed Bin Abdelaziz** in the Ministry of Interior, the Saudi leadership has opted for continuity. The argument is being rehearsed that, in dangerous times, continuity is preferable to change – with **Syria** an obvious exception. As commentator **Mahmoud Sabbagh** told *The New York Times*: "In the short run, you are surrounded by revolutions all over and the Iranian threat, so the same policies will continue."

Top of the Saudi agenda remains containing **Iran** and Syria, and the perceived Shia rising (which Riyadh argues is being played out in **Bahrain** and **Yemen**). Also highly visible was former **Lebanese** prime minister **Saad Al-Hariri** – no friend of **Bashar Al-Assad** – who was among those who met Nayef's body at Jeddah airport. **US** President **Barack Obama** and King **Abdullah** talked on 14 June, with Syria, plans to widen sanctions on Iran and ***Opec***'s decision to maintain existing production limits on the agenda.

Iran and Saudi Arabia are involved in another spat, over the late May execution of ten Iranians for alleged drug trafficking. Iranian deputy foreign minister for Arab and African affairs **Hoseyn Amir-Abdollahiyan** subsequently cancelled a mid-June trip to Jeddah – which was to include talks with foreign minister Prince **Saud Al-Faisal** – in protest, amid a media furore in Tehran.

ruled out by a New York appeals court on the grounds that the Saudi royal family and other defendants enjoyed immunity from such lawsuits.

More pertinent, during his long period as Riyadh governor (1962-2011), the capital was transformed into a modern metropolis, although it is still very poor in parts. A leadership based on an Abdullah/Salman axis points to conservatism with a slightly more modern, more tolerant face than Nayef might have promoted. Some analysts suggest Salman would be more comfortable with reforms advocated by Abdullah, which Nayef seemed to oppose, such as allowing women to vote and stand for election in municipal polls, now set for 2015.

With a new crown prince in place, speculation focuses on the health of King Abdullah, who is said to work for only a few hours a day at most.

Frustration at pace of reform sparks protests and arrests in Oman

Political activists have been increasingly vocal about the need for reform. Recent strikes and protests have put the government on edge and led to a number of arrests that have drawn condemnation from rights groups worldwide

Rising discontent at the slow pace of reform in Oman has led to a series of strikes, protests and arrests in recent weeks. An increasingly nervous government has charged several activists with incitement, and others remain in police custody.

There has been simmering frustration that reforms promised in 2011 by Sultan Qaboos Bin Said Al-Said have not been delivered, stoked by continuing high unemployment and dissatisfaction with employment conditions in several sectors. Oman-watchers have not been entirely surprised by the latest disturbances, a reflection both of deep-running social issues and an increasingly expressive political activist core, but some view them as a sign of an increased willingness to criticise the Sultan that could herald more unrest ahead.

The latest strike began on 24 May, when contractors working for Oman's main oil producer, ***Petroleum Development Oman*** (***PDO***) – more than 1,000, according to some news reports – demanded pay rises and pension provisions. Though it is not clear whether PDO agreed to these demands, the strike (which PDO said did not affect production) soon came to an end and, on 2 June, some 400 Omani workers who had been fired for taking part were reinstated after they apologised.

The strike had wider repercussions, however. On 31 May, three activists – **Habiba Al-Hinai**, **Yaqoub Al-Kharusi** and **Ismail Al-Muqbali** – who were attempting to visit a desert oil field to talk to the strikers, were arrested. According to ***Human Rights Watch***, all three are founding members of the ***Omani Group for Human Rights***, a relatively new organisation which maintains an active *Facebook* page and website documenting human rights developments in the sultanate. Al-Hinai had recently posted a blog entry on the website alleging widespread torture in Omani prisons.

Their detention prompted a few impromptu gatherings and protests, and substantial web traffic. Hinai and Kharusi were released on 4 June, but Muqbali appears to remain in custody. All three have been charged with incitement.

Separately, on 25 May, there was a series of protests in Liwa and Sohar, where police detained, and later released, six people who had joined a march in support of outspoken shura member **Talib Al-Maamari**. The public prosecutor, seeking to try Maamari following a complaint from a housing ministry employee about a posting on *Facebook*, had called for Maamari's parliamentary immunity to be lifted, prompting the protests which began peacefully but resulted in a few skirmishes and burning tyres.

Building tensions

The confluence of all these events appears to have made the government nervous. On 4 June, the public prosecutor issued a statement noting the "recent increase in defamatory statements and calls for sedition by some people under the guise of freedom of expression". "The rise of rumours and incitement to behave badly ultimately harms the nation, its citizens and the national interests," the statement said, promising legal action against anyone who "undertakes any such words or deeds, or disseminates them, or incites, or helps in any way".

At least eight other people were arrested in the two weeks to 9 June. On 4 June, blogger **Ishaq Al-Aghbari**, who was detained during protests last year, was taken into custody, while on 6 June, so was blogger **Khalfan Al-Bawawi**. On 8 June, the following were detained: poet **Hamad Al-Kharusi**, writer **Hamoud Al-Rashidi**, bloggers **Hassan Al-Ruqaishi** and **Nabhan Al-Hanashi** (who had directly criticised the public prosecutor's statement in a blog post on 5 June), **Ali Haji** and **Ali Al-Saadi**. According to Paris-based ***Reporters without Borders***, at least some of the men have not been allowed access to a lawyer.

On 11 June, activists staged a sit-in outside the special section of the Omani police in Muscat. It was a small protest; many of those participating had signed a public appeal addressed to the presidents of the state and shura councils, to the head of police and the head of the quasi-official ***National Committee for Human Rights***, demanding the immediate release of the detainees. Witnesses told *Reuters* that police emerged from the station and surrounded the protesters, putting them on a bus and taking them away – reports put the number of those detained at between 22 and 29. Some have been released, but at the time of going to press, rights groups said most were still being held, most likely at Suhail Central Prison, north of Muscat.

Changing perceptions of the Sultan

Exeter University's Marc Valeri said the recent demonstrations and government response were not surprising given that only a few cosmetic reforms had been implemented since larger protests last year. He believes the placatory reshuffles made by Sultan Qaboos in 2011– in particular the removal of long-serving national economy minister **Ahmed Makki** – have left him exposed.

"People are more inclined to consider him as responsible for some problems," he told *GSN*. " Many people feel disillusioned even if it's not expressed directly. They feel anxiety about what he might (or might not) do."

Political activists have become more vocal in Oman in the past year, inspired by the popular uprisings elsewhere in the region. But in the past few months, a number of activists have complained that their *Facebook* and *Twitter* accounts have been hacked, as the authorities grow increasingly wary of criticism online.

One source described increasing fear among political activists, who viewed the statement by the prosecutor – who analysts say has long been unpopular – as a threat. "The authorities are getting a little but worried. The public prosecutor took this hard line which made things worse," the source said. "Paranoia is increasing among activists about hacking, being followed."

IRAQ

Maliki splits opposition, with help from Tehran

In post-occupation Iraq, even the parliamentary balance of seats may not be enough to oust a wily opponent. In late April, Moqtada Al-Sadr and Kurdistan Democratic Party (KDP) leader Massoud Barzani separately approached the Iranian government about replacing Prime Minister Nouri Al-Maliki. For Moqtada, the impetus was Maliki's determined attempts to boost Moqtada's rivals within the Sadrist movement; for Barzani, it was the total loss of confidence in Maliki's ability to deliver on promises, most clearly signalled by his handling of the deal between the Kurdistan Regional Government (KRG) and ExxonMobil,which he seemed to green-light in private and then oppose in public (GSN 921/1, 917/3, 915/14, 913/9).

According to multiple senior Iraqi politicians canvassed by *GSN*, Iran's answer was that Tehran had no personal commitment to Maliki, but would not support any breach in the solidarity of the Shiite ***National Alliance*** bloc in Iraq. If the National Alliance could agree on an alternative, Supreme Leader **Ali Al-Khamenei**'s interlocutors told Moqtada and the Kurds, Tehran would not oppose a vote of no confidence against Iraq's premier. But first, Iran demanded, there should be one last attempt at mediation.

The ensuing talks in Iran appear to have been a spectacular failure: Moqtada and Maliki met in Qom in late April and the meeting ended with Moqtada being whisked away to Erbil on KRG prime minister **Nechirvan Barzani**'s plane. In the KRG capital, Moqtada was finally admitted to the top table of Iraqi politics with Kurdish leaders Massoud Barzani and **Jalal Talabani**, Iraqi speaker **Osama Al-Nujaifi** and ***Iraqiya*** bloc leader **Ayad Allawi**. The group (which could easily raise the 163 votes needed to unseat Maliki if they acted cohesively) issued a letter to Maliki on 28 April, giving him 15 days to honour his previous commitments to power-sharing.

Fightback

The counteroffensive began immediately. On 1 May, a warning bomb exploded near Moqtada's house in Najaf, probably delivered by ***Asaib Ahl Al-Haq***, the rival Sadrist movement that Maliki has backed on and off since 2006. Maliki then deployed a battalion of his praetorian troops from Baghdad to "guard" Moqtada's home, effectively controlling his movements.

On 8 May, Maliki paid a surprise visit to Kirkuk and held a cabinet meeting there, touching a nerve in Kurdish-controlled northern Iraq and splintering Arab support away from Iraqiya's anti-Maliki effort (*GSN 924/7*). Nineteen Iraqiya members issued a letter of support to Maliki, claiming they would not vote against him. When the Erbil deadline passed, the group met again in Najaf (probably because Moqtada could not leave). They issued a call directly to the National Alliance, demanding it choose an alternative to Maliki within a week. Again, the call was not heeded.

Iran backs Maliki

The opposition had tried to follow Iran's guidelines to the letter – first mediation, then the search for Shiite consensus. But from mid-May onwards, they deviated from Iran's line and sought to bring the vote of no confidence by themselves. Iranian influence immediately showed in Maliki's favour. Two Shiite parties, ***Badr*** and ***Fadhila***, stated they would not vote against Maliki. Iran-based clerics such as Ayatollah **Kadhim Al-Haeri** and **Mahmoud Shahroudi** began issuing fatwas that warned Moqtada against breaching Shiite solidarity or working with secular parties. Eventually, due to Maliki's threat to reactivate arrest warrants against Moqtada and under Iranian pressure, Moqtada boarded a plane to Iran on 4 June, removing him again from the Iraqi political scene.

Iran also appears to have put pressure on Iraqi President and *Patriotic Union of Kurdistan* (*PUK*) leader Talabani to hold off from calling the vote against Maliki, mobilising the historic close ties between the PUK and Iran's government.

By late May, the opposition grew more desperate and contemplated beginning an impeachment process using the other legal mechanism: a call by speaker Nujaifi for Maliki to answer questions in parliament. To splinter Nujaifi's support base, Maliki visited Mosul on 30 May to receive anti-Kurdish petitions from Sunni Arabs, many of whom are turning against Nujaifi and his brother **Atheel**, the Nineveh governor, because of their growing ties to the Kurds.

It may be that the tide could once again turn against Maliki, but many believe that the opposition will be unable to call a vote; that Maliki might crush such an attempt militarily; and that even a successful vote to remove him might simply leave him as caretaker prime minister until the 2014 elections because of the difficulties of finding a successor. Even more depressing for the opposition, Maliki may have been strengthened by the attempt to remove him. As the Iraqi proverb says: "If you beat a man but do not break him, you make him stronger."

KUWAIT

Court rules February election unconstitutional

Kuwait plunged further into political crisis on 20 June, as the constitutional court ruled February's election void and said the previous assembly should be restored. A brief statement by state news agency *Kuna* said "[the] court rules 'unconstitutional' the call for the 2012 elections and restores [the] previous assembly". There were no further details given.

The announcement – just two days after Emir Sheikh **Sabah Al-Ahmed Al-Sabah** suspended the opposition-led National Assembly for a month – took many by surprise. Kuwait watchers said a number of challenges to the dissolution of parliament last December had been making their way through the legal system, but a ruling had not been expected (*GSN (GSN 918/7, 917/1, 914/4*). Prominent opposition MP **Musallam Al-Barrak**, quoted by *AFP*, described the verdict as "a coup against the constitution" and called for the opposition to take a united stand.

The ruling appears to be based on technical grounds. "The whole process of the resignation of the prime minister and the appointment of a new prime minister and the dissolution was incorrect," political science professor at ***Kuwait University*** **Ghanim Al-Najjar** said. "What happens now, we are unclear."

As *GSN* went to press, it was still not clear how things would play out. The court is Kuwait's highest, so there is no chance to appeal. Only the Emir can dissolve the assembly: one possible scenario is that he will do so, and reconvene the previous one, only to dissolve that again and call for fresh elections – this time constitutionally.

Several things could hinder that process. Some MPs from the former parliament are said to be pushing for a mass resignation – if more than half resign, the old assembly would be unable to reconvene. Opposition members of the current parliament, who have been increasingly belligerent since winning a majority of seats in February, may decide to take matters into their own hands. But whichever route Kuwait takes, it seems certain it is headed for further elections, and yet another period of political uncertainty (*see View*).

Assembly suspended

The Emir had already suspended the assembly for one month, starting 18 June, an unprecedented step intended to stem a crisis between MPs and the cabinet that has crippled the four-month-old National Assembly. It was the first time in Kuwait's history that article 106 of the constitution, which allows the ruler to announce a one-month adjournment, had been enacted, though the assembly has been dissolved seven times – twice without holding elections (in 1976 for five years and in 1986 for six years).

The latest crisis has been triggered by a series of grillings – interpellations of cabinet ministers by the opposition-dominated parliament. Two cabinet members have already resigned. Finance minister **Mustafa Al-Shamali**, in office since 2007, was interpellated in May over allegations of financial and administrative irregularities at his ministry. He denied the accusations, but resigned when threatened with a no-confidence vote. Minister for social affairs and labour **Ahmed Al-Rujaib** tendered his resignation on 11 June, nine days before he was due to be grilled over irregularities at his ministry. And powerful interior minister and royal family member Sheikh **Ahmed Al-Hamoud Al-Sabah** was due to be questioned on 19 June over the sensitive issue of citizenship. Parliament was also said to be mulling grillings of the oil and defence ministers.

Since the suspension was announced, rumours had been rife that the government was planning to dissolve parliament; the court ruling will only increase opposition distrust of the cabinet. Opposition MPs have been pushing for greater representation in the cabinet, saying they want nine of a total 16 seats.

Blasphemy law rejected as Naqi jailed for 10 years

Emir Sheikh **Sabah Al-Ahmed Al-Sabah** has rejected a draft bill passed by parliament that would have made blasphemy punishable by a maximum penalty of death (*GSN 924/5*). The bill will now be passed back to parliament, and will require a two thirds majority to override the Emir's objection. Approved by parliament in May, the bill stipulates that Muslims who curse

God, the *Quran*, all prophets and the wives of Prophet **Mohammed** should be punished by life in prison or death. Non-Muslims who commit the same offence would face a jail sentence of not less than 10 years, according to *AFP*. Defendants repenting in court could be spared the death penalty, unless they were repeat offenders.

The amendments to the existing penal code were put forward after the arrest in March of **Hamad Al-Naqi**, a 26-year-old Kuwaiti Shiite accused of insulting the Prophet Mohammed on *Twitter* (*GSN 924/5*). On 4 June, Naqi, who pleaded not guilty, was sentenced to ten years in prison. The written verdict, delivered by Judge **Hisham Abdullah**, found him guilty of insulting the Prophet, his wife and companions, mocking Islam, provoking sectarian tensions, insulting the rulers of **Saudi Arabia** and **Bahrain** and misusing his mobile phone to spread the comments, according to the *Kuwait Times*. Under Kuwaiti law, the defence can file an appeal within 20 days of the verdict; jail sentences have been reduced in the past for similar convictions.

Human rights groups including ***Amnesty International*** condemned the sentencing. ***Human Rights Watch***'s deputy Middle East director **Joe Stork** said: "Kuwaiti authorities clearly violate international rights standards when they punish Hamad Al-Naqi for criticising neighbouring monarchs. This harsh sentence appears designed to intimidate other Kuwaitis from exercising their right to freedom of expression."

UAE

Lebanese deported as bilateral relations strained

The deportation of scores of Lebanese Shia from **Abu Dhabi** and two foreign ministry warnings against non-essential travel to Lebanon have strained relations with Beirut, prompting an emergency visit by President **Michel Sleiman** to the Emirates on 6 June.

Press reports say as many as 1,000 Lebanese have been deported in recent months, though sources in the UAE and Lebanon told *GSN* that fewer than 100 were sent home. One restaurant owner, who had lived in the UAE for 17 years, told Beirut-based newspaper *Al-Akhbar* that he was given just 15 days to dissolve his business and leave when his residency visa was cancelled without warning. He said he was not involved in politics and had not worshipped at the mosques so as not to "raise anyone's ire". Others have said they were given just 24 hours to leave.

UAE President Sheikh **Khalifa Bin Zayed Al-Nahyan** gave Sleiman assurances during his visit that any future such deportations would be undertaken in consultation with the Lebanese government, according to a source in the Lebanese president's office. "They are, of course, free to take a decision to deport someone if they consider them, but President Sleiman urged them to co-operate with the Lebanese government to exchange intelligence information in the future," the source said.

It is not the first time the UAE has deported Lebanese Shia; similar deportations began in 2009 amid escalating tension with **Iran**, some of whose UAE residents were also expelled. A visit to Abu Dhabi by Lebanese parliament speaker **Nabih Berri** in 2010 led to a temporary halt.

Analysts say such clampdowns tend to reflect wider regional tensions. **Syria**'s role as a proxy battleground between Iran and ***Hizbollah*** on one side and Sunni Gulf monarchies on the other is cleaving open divides and stoking long-standing paranoia about a pro-Iran 'fifth column' in the Gulf. The political stalemate that has followed the **Bahrain** uprising has also contributed to Sunni-Shia tensions, according to a ***Chatham House*** report released on 14 June. "The failure to resolve the tensions in Bahrain increases the danger of sectarianism spreading more widely through the Gulf," the report says.

Though Sleiman was assured the deportations did not target a particular sect, the deportees were all Shia, many of them from the Hizbollah heartland of the Bekaa valley. The village of Yohmor, for example, has been particularly affected, with nine individuals expelled this year – bringing the total deported since 2009 to 250, according to Lebanese press reports.

A travel warning for Lebanon issued in mid-May by the UAE, **Qatar** and **Saudi Arabia**, has also riled politicians in Beirut. The warning came before violence between pro and anti-Assad factions first flared up on the streets of Beirut and was criticised as an overreaction by politicians including interior minister **Marwan Charbel**. Questions were raised in the local press as to whether the move was political – in reaction to Lebanon's sympathetic stance towards the Syrian regime or its arrest of Qatari citizen **Abdulaziz Al-Attiyah** for alleged links to terrorist groups.

There is currently no Lebanese ambassador in Abu Dhabi, where the embassy is run by acting chargé d'affaires **Farah Al-Khatib**. The source in Sleiman's office said the UAE government had assured Lebanon the travel ban was temporary, and would discuss lifting the ban with Saudi Arabia and Qatar. However, in what appeared to be a swipe at the efforts of the Lebanese to reverse the ban, just days after Sleiman left the UAE, Abu Dhabi reiterated its travel advice.

"The recent deportations of Lebanese from Abu Dhabi are highly significant in the context of the continued deteriorating relations between Lebanon and UAE," said **Theodore Karasik**, director of research at the ***Institute for Near East and Gulf Military Analysis***. "The UAE is strengthening its capability to weed out those who may be part of a fifth column as the situation with Syria and Iran intensifies."

Defence to refile in Emirati citizenship case

An **Abu Dhabi** court has rejected the case of seven Emiratis stripped of citizenship in December, on the basis that the case was not under the jurisdiction of the *Abu Dhabi Federal Court of First Instance* (*GSN 924/4, 915/7*). The seven, all members of the Islamist group *Jamiat Al-Islah wa Tawjih*, had been accused of threatening national security (*GSN 924/3*). They say the government accusations are fabricated, and that the interior ministry had no right to withdraw their passports because they were born Emirati.

The *Gulf News* reported that, on 31 May, the court presided over by judge **Waleed Al-Ammari** said it was illegal to file a plea against the ministry of interior as it had simply been implementing a presidential decree revoking the citizenships. Defence lawyer **Mohammad Al-Rokn** told the paper he would challenge the ruling before the Court of Appeals, and would file a new petition against the presidential decree. He said he had not been shown the decree until after the original filing against the ministry.

BAHRAIN

Court upholds convictions

A Bahrain court of appeal has upheld the convictions of nine doctors and medical staff given sentences for their role in protests in 2011, and acquitted nine others (GSN 911/15). On 14 June, the court reduced the sentences imposed by a military court (which had ranged from five to 15 years), imposing a five-year sentence on orthopaedic surgeon Ali Al-Ekry, and three years on Ibrahim Al-Dimistani. Seven others were given between a month and a year.

The medics were among 20 doctors and medics convicted in September, on political charges including forcibly taking over the *Salmaniya Medical Complex*, refusing treatment to patients based on sectarian affiliation, "instigating hatred against the ruling system", "incitement to overthrow the regime" and "spreading false news". Two others, who were sentenced to 15 years, are believed to have left Bahrain. The accused say they were tortured and forced to sign confessions. Rights groups say the charges violate basic rights such as free assembly.

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Global leaders attend funeral prayers for Crown Prince Nayef

Following the death of Crown Prince **Nayef Bin Abdelaziz** in **Switzerland** on 16 June, apparently from cardiac failure, his body was kept in state at the Geneva Mosque before being flown to Jeddah on 18 June on a special ***Saudi Arabian Airlines*** flight. The body – accompanied by Northern Frontier Region governor Prince **Abdullah Bin Abdelaziz Bin Musaid**, the late crown prince's eldest son Prince **Saud** and princes **Faisal Bin Mohammed Bin Saud Al-Kabir**, **Abdelaziz Bin Salman** and **Faisal Bin Salman** – arrived at King Abdelaziz International Airport in Jeddah, where Prince **Salman Bin Abdelaziz** and other senior royals received the body.

King **Abdullah Bin Abdelaziz** attended the funeral prayers, led by Sheikh **Saud Al-Shuraim** at the Grand Mosque in Mecca, with what local reports called "hundreds of thousands of other worshippers". Prominent in the prayers was Prince **Mohammed Bin Nayef**. Seated next to the King were chairman of ***Egyptian Supreme Council of the Armed Forces*** Field Marshal **Mohammed Hussein Tantawi**, **Jordan**'s King **Abdullah II Bin Al-Hussein** and **Kuwait**'s Emir Sheikh **Sabah Al-Ahmed**. Behind him stood ***Saudi Arabian National Guard*** commander **Miteb Bin Abdullah Bin Abdelaziz**, Mecca governor **Khalid Al-Faisal** and Nayef's grandson **Abdelaziz Bin Saud**. Also in attendance among senior family members were **Ibn Saud** sons **Bandar**, **Miteb**, **Turki**, **Salman**, **Mamdouh**, **Abdel-Illah**, **Ahmed**, **Mashour** and **Miqrin**.

Gulf Co-operation Council leaders at the prayers also included **Qatar**'s Emir Sheikh **Hamad Bin Khalifa Al-Thani** and prime minister Sheikh **Hamad Bin Jassem Bin Jaber Al-Thani**, **Abu Dhabi** Crown Prince Sheikh **Mohammed Bin Zayed Al-Nahyan**, and **Bahraini** prime minister Sheikh **Khalifa Bin Salman Al-Khalifa**.

In a precedent-setting move, Nayef's body was buried at Al-Adl cemetery in Mecca, not in Riyadh's Al-Oudh cemetery, as per his last wish. Local reports said that participating in the burial ceremony were Nayef's brothers **Abdelrahman**, Turki, Salman, Ahmed and Mamdouh, along with Khalid Al-Faisal.

Condolences came from leaders led by **US** President **Barack Obama**, ***UN*** secretary-general **Ban Ki-moon** and **Chinese** President **Hu Jintao**. In his tribute, Obama said "the United States and Saudi Arabia developed a strong and effective partnership in the fight against terrorism … Nayef also strongly supported the broader partnership between our two countries begun by his late father, King **Abdelaziz Al-Saud**, and President **Roosevelt** in their historic meeting in 1945".

A special plane was sent to carry foreign diplomats to Jeddah from Riyadh's King Khalid International Airport. The 110 Saudi missions outside the Kingdom opened books of condolence and were to observe a three-day mourning period. Those travelling to pay condolences included **Spain**'s King **Juan Carlos** and **Japan**'s Crown Prince **Naruhito**. Foreign dignitaries at the funeral prayer included **Moroccan** royal brother Prince **Rashid Bin Al-Hassan**; presidents **Hamid Karzai** (**Afghanistan**), **Idriss Déby** (**Chad**), **Ismail Omar Guelleh** (**Djibouti**), **Sharif Sheikh Ahmed** (**Somalia**), **Mahmoud Abbas** (***Palestine Liberation Organisation***), **Mohamed Ould Abdelaziz (Mauritania)**; prime ministers **Syed Yousuf Raza Gilani** (**Pakistan** – since disqualified from office), **Hamadi Jebali** (**Tunisia**) and **Najib Mikati** (**Lebanon**); and **Algerian** National Assembly speaker **Abdelkader Bensalah**.

In Kuwait, local MPs condemned *Twitter* attacks on Nayef by bloggers who "harbour a grudge against the Kingdom of Saudi Arabia". The Saudi embassy in Kuwait assigned ten lawyers to sue the tweeters.

SAUDI ARABIA

SENIOR PRINCES: Travels

Allegiance Commission chairman Prince **Mishaal Bin Abdelaziz** arrived in New York from London on 12 June. He had left Riyadh on 29 May on special leave. On the same day, *Saudi Arabian National Guard* commander Prince **Miteb Bin Abdullah** was in Paris, where he was received by new French President **François Hollande** at the Elysée Palace. Deputy defence minister Prince **Khalid Bin Sultan** was in **Turkey** on 15 June, apparently for talks with national defence minister **Ismet Yılmaz**. Prince **Alwaleed Bin Talal** was in **Bangladesh** on 10 June for a brief visit to discuss investment opportunities there. This followed his late May visit to **Bahrain,** where he met King **Hamad Bin Isa Al-Khalifa**.

QATAR

HBJ: French relations

Prime minister and foreign minister Sheikh **Hamad Bin Jassim Bin Jaber Al-Thani** (**HBJ**) was in Paris on 7 June to meet the new **French** President **François Hollande**. HBJ said ties between Qatar and France were institutionalised relations, and that Emir Sheikh Hamad and heir apparent Sheikh **Tamim Bin Hamad** attached great importance to the relationship (*GSN 921/13, 871/6*). The Emir and his wife Sheikha **Mozah Bint Nasser Al-Misnad** were seen as having close relations with the former French leader **Nicolas Sarkozy** and his wife, regularly attending Bastille Day as a guest of honour and sending one of their sons to the French military academy ***St Cyr*** rather than to ***Sandhurst*** in the **UK**.

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Saudi navy edges towards major procurements

Ageing inventories, the threat of Iran and a widening set of commitments are setting the scene for a long-overdue Saudi naval investment. GSN's defence contacts say the time may finally have come for Riyadh's first major fleet replacement in a decade

The overlap between defence diplomacy and defence sales was clear when the **British** destroyer HMS Daring docked in Jubail on 18 May. The ship, the ***Royal Navy***'s newest Type 45 destroyer, is a front-runner in the hard-fought competition to become Saudi Arabia's next major surface combatant. Though this race is more of a marathon than a sprint – with major naval platform procurement being frozen for almost ten years – *GSN*'s Gulf defence contacts point to a range of factors suggesting we may be nearing the finish line.

With oil prices comfortably high and unlikely to nosedive any time soon, Saudi Arabia's coffers are full. With defence and aviation minister Prince **Salman Bin Abdelaziz** now crown prince following the death of Prince **Nayef** (*see page 1*), restrictions on procurement could loosen. The imperatives for naval investment – the **Iranian** threat, ageing inventories and broadening commitments – are all pushing towards long-overdue investment. Manpower shortages, always the key limitation on Gulf naval forces, have been partly overcome. And the main competitors to the navy – the air and air defence forces plus the ***Saudi Arabian National Guard*** (*SANG*) – have sated their need for upgrades in deals worth tens of billions of dollars since 2008. For these reasons, Saudi Arabia is more likely than ever to press ahead with a major naval procurement deal in the coming year.

Long-delayed naval overhaul

The ***Royal Saudi Naval Forces*** (*RSNF*) made its first major leap forward through an extended modernisation programme between 1974 and 2004 called the Saudi Naval Expansion Programme (SNEP). The sequel to this programme, coined SNEP-II by industry analysts in the absence of a formal announcement, has been on ice for nearly a decade but is taking shape behind closed doors. Indications of the size of SNEP-II have ranged from as low as $3bn to as high as $23bn. The wide range between estimates reflects uncertainty about the nature of SNEP-II, which has received far less open source coverage than, for instance, ***Royal Saudi Air Force*** procurement. At the lower end, SNEP-II could unfold as a minimal programme focused on operations, maintenance and systems upgrades. If mid-sized, it could involve replacement of up to eight frigate-sized medium surface combatants. At its most grand, the programme could also incorporate the procurement of the Kingdom's first large surface combatants, ballistic missile defence vessels and submarines.

Growing naval requirements are one factor driving the prospects of significant naval expansion. The threat posed by Iran is well understood by Saudi planners: the Naval Forces Division of the ***US-Saudi Joint Advisory Division*** (*JAD*), which provides **US** advice to the general staff of the Ministry of Defence and Aviation on operations, planning, maintenance, logistics, and training, continues to make RSNF aware of the nature of the littoral threats posed by Iranian forces. This is driving the need for larger, longer-ranged and more capable surface combatants to undertake 'blue water' missions outside or at the edges of Saudi Arabia's territorial waters. Anti-submarine warfare (ASW) is a growing priority due to Iran's investment in large diesel submarines and smaller midget submarines, which present an acute threat to Saudi export terminals and shipping on the country's west and east coasts, respectively. The ballistic missile threat posed by Iran has likewise focused the Kingdom's planners on missile defence, a priority mission to which the RSNF would like to contribute.

The range of non-traditional missions facing the RSNF is also diversifying. These include asymmetrical threats such as

Saudi Arabia looks to Europe for tanks

The prospect that the ***Royal Saudi Land Forces*** might buy hundreds of battle tanks is exciting European manufacturers, despite controversy in **Germany** over such sales (*GSN 911/16, 909/15, 908/9, 904/9*).

A potential purchase was reportedly on the agenda when defence minister Prince **Salman Bin Abdelaziz** visited **Spain** in early June. Salman met King **Juan Carlos** and officials including his ministerial counterpart **Pedro Morenés y Alvarez de Eulate** and foreign affairs minister **José Manuel Garcia-Margallo**; they discussed the possible purchase of some 200 Leopard combat tanks to be built by ***General Dynamics Santa Barbara***. Madrid daily *ABC* noted that Morenés had held talks with Salman when he visited Riyadh on 12 May.

On 17 May, German newspaper *Bild am Sonntag* reported that Saudi Arabia wanted to buy 600-800 Leopard battle tanks from Germany, at least twice the number previously expected, and industry sources said that a deal for around 300 tanks could be signed before Ramadan begins around 20 July.

Such a deal would be politically difficult to sell in Germany, although the tanks would be assembled in Spain under licence from German manufacturers. *Bild am Sonntag* said there was opposition to it in Germany's Chancellery, Ministry of Foreign Affairs and Ministry of Defence, but it was supported by the Ministry of Economy. The paper observed that "the Saudi order could secure the future of German tank-makers ***Krauss-Maffei Wegmann*** and ***Rheinmetall***, which urgently need new markets because of the restructuring of the German army".

Under heavy opposition pressure, **Angela Merkel**'s government in mid-2011 denied reports that Germany had agreed to export 270 Leopard tanks to Riyadh, just weeks before Saudi-led forces moved in to **Bahrain**. German exports of military equipment are deemed confidential; their disclosure is a punishable offence.

maritime counter-terrorism, counter-piracy, drug and economic migrant interdiction, enforcement of exclusive economic zones, environmental monitoring, port security and search-and-rescue operations. These missions are increasingly important on the west coast, which faces the 'uncontrolled areas' of **Sudan** and the Horn of Africa. Policing **Yemeni** territorial waters has become a major commitment of RSNF vessels from the Western District (the west coast fleet based at Jeddah), with Saudi patrol boats running 24/7 exclusion zone operations against small anchorages believed to be resupplying ports for the ***Houthi*** rebels in northern Yemen. The Saudi navy also has to stand its ground in the few remaining territorial disputes with its neighbours (in March 2010, **UAE** and Saudi naval forces clashed in disputed waters close to the Dolphin gas supply pipeline between **Qatar** and **Abu Dhabi**, resulting in the capture of Saudi sailors).

In the face of these growing requirements, the RSNF has a number of acknowledged weaknesses. It has only six mine-countermeasures (MCM) vessels in the Gulf, half of which are late 1970s vessels and all of which would struggle to operate much farther out than the Kingdom's harbour approaches. This contrasts with the 18 modern MCM vessel-fleet envisaged in the Kingdom's first post-Gulf War naval plan in 1991. Nor does the RSNF field any effective ASW vessels or maritime patrol aircraft, leaving the Kingdom entirely dependent on foreign navies to protect its maritime trade routes. With the majority of RSNF medium surface combatants built in the 1980s, the Kingdom lacks multi-mission vessels capable of surviving in conventional warfare as well as remaining on-station for long periods of time as floating bases for helicopters and naval special forces in constabulary missions.

Senior Yemeni commander killed

A suicide bomber killed senior Yemen military commander Major General **Salem Ali Qatan** in Aden on 18 June. Qatan had been promoted to commander of the southern military district on 1 March, and was heading a major offensive against ***Al-Qaeda***-linked militants in which the army has reclaimed significant territory in recent weeks (*GSN 919/4*). Yemen's defence ministry said the attacker – who reportedly threw himself on to Qatan's vehicle, was **Somali**. Two guards accompanying him were also killed.

Major platforms needed

The RSNF operates four Badr-class (PCG-1 Tacoma-class) corvettes received from the US in 1980 and four Medina-class Type-F frigates delivered by French shipbuilder ***DCNS*** in 1985. Within the next decade, the four large Riyadh-class frigates bought from DCNS in 2004 will also need replacement or upgrade. SNEP-II could contain plans to procure up to 12 new multi-role surface combatants. Front-running options include:

- French-built heavy frigates. Significant speculation surrounds a potential Saudi Arabian buy of three or four FREMM multipurpose frigates built by DCNS. The FREMM type is a large frigate with a displacement of around 6,000 tonnes (compared to the 2,870-tonne displacement of RSNF Medina-class frigates and the 4,300-tonne Riyadh-class vessels). If selected, the FREMM frigates would likely act as a one-for-one replacement of the Medina-class frigates.

- British Type 45 destroyers. ***BAE Systems*** and ***VT Shipbuilding*** had been interested in marketing Type 45 destroyers to the RSNF in a four-ship deal estimated to be worth between $2.9bn and $4bn. The UK ***Royal Navy*** has six Type 45 ships on order from ***BAE Systems Surface Fleet Solutions*** for delivery from 2009 onwards. Like the ***Eurofighter*** Typhoon, one advantage in buying British would be the option for the RSNF to take two of the Type 45s already being built for the Royal Navy to speed delivery. The 6,000-tonne Type 45s would likely include the Principal Anti-Air Missile System (PAAMS) using Aster 15 and 30 missiles, giving the RSNF ballistic missile defence capabilities.

- US Arleigh Burke-class cruisers. Saudi Arabia has considered procurement of two or more Arleigh Burke-class guided missile destroyers. These 8,000 to 10,000-tonne destroyers are the platform for the Aegis Ballistic Missile Defence System (the Aegis SPY-1F air and missile defence radar plus interceptor missiles).

- US Surface Combat Ships (SCS). An alternative to the larger vessels outlined above is the SCS, a 3,300-tonne version of the Littoral Combat Ship. The hulls could be provided by ***Lockheed Martin*** (with a semi-planing hull) or ***General Dynamics*** (using a modified variant of its trimaran design). Subsystems would likely include the Aegis SPY-1F radar and RIM-161 Standard Missile 3 (SM-3) interceptors for ballistic missile defence. In May 2011, Lockheed Martin offered Saudi Arabia eight SCS ships in a $5bn deal.

Stumbling blocks

The US has considerably tightened its defence relationship with Saudi Arabia under King **Abdullah**, and once again claims the lion's share of Saudi defence procurement. Britain has held its own in the defence sector due to Eurofighter sales; France has struggled to win very large deals but has kept up a drumbeat of mid-sized sales of ground forces equipment, particularly to the SANG. A number of factors will feed into the fight for the next major naval procurement.

One significant pointer will be ballistic missile defence, which is likely to be a requirement in any medium-sized surface combatant procured by Saudi Arabia due to RSNF's eagerness to play a part in this vital mission. Manpower requirements may also play a role, with the candidates ranging from the manpower-heavy Arleigh Burke-class cruisers (300 personnel versus 140-180 on existing RSNF frigates) to the 110-190 personnel on French and UK vessels, to the 50-75 required for the unconventional SCS vessels. This factor may weigh less heavily than expected, however, with improved RSNF manning levels (*GSN* was told by a Gulf security official that, in a recent recruitment, RSNF received 24,000 applications for 4,000 positions). Perhaps the most significant requirement will be flexibility and endurance. RSNF mission requirements point to a need for larger vessels with multiple capabilities and good ability to remain on station for long periods. Though the major platform buys in SNEP-II will likely be split between the US and European vendors, the traditional destroyers and frigates being offered by British and French firms have some significant advantages.

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Gas and unconventional energy trouble Opec

Ministers gathering in Vienna for an Opec seminar were confronted with concerns over the profitability of their oil and gas production, despite a broad consensus that long-term global dependence on hydrocarbons is unshakeable

Oil producers gathering in Vienna for the fifth *Opec* seminar in mid-June, particularly those from the Middle East who have until now dominated conventional energy production, had to grapple with a number of threats. Foremost is the fear that Opec's ability to influence total world production of around 90m b/d could be undermined by the emergence of shale and other unconventional hydrocarbons resources.

In the short term, the Eurozone sovereign debt and banking crisis, combined with economic slowdown in **India** and **China**, is also haunting the market. Some experts in Vienna speculated about a worst-case scenario in which the oil price could fall as low as $50/bbl, well below the $92/bbl needed by **Iran** and the **UAE** to balance their budgets, and even the $85/bbl required by **Saudi Arabia** and **Iraq**. The price has already fallen from $128/bbl in March to about $100 now.

The strong downward pressure on demand in Europe, combined with increasing **US** self-sufficiency, has exaggerated a shift in consumption from the West to the emerging economies of Asia, even if their high growth is slowing. **Qatari** minister of energy and industry **Mohammed Bin Saleh Al-Sada** told the seminar the recent oil price fall "reflects the extent of uncertainty" and the "bearish" outlook for the global economy.

Production unchanged

Faced with global economic uncertainty, Opec ministers decided on 15 June not to change the current total production ceiling of 30m b/d, which members are exceeding by about 1.6m b/d. Opinions over whether this was the right thing to do are divided along the main regional faultline, with Iran on one side and the ***Gulf Co-operation Council*** (*GCC*) states led by Saudi Arabia on the other.

Iran's oil production is falling sharply as a result of increasingly effective sanctions. At the seminar, Iranian minister of petroleum **Rostam Ghasemi** criticised "the politically motivated" imposition of sanctions which he said would "damage the stability of the oil market and the world economy". But he failed to persuade fellow Opec members to reduce output.

In spite of the economic headwinds, Saudi Arabia has controversially refused to rein back production from the current three-decade high of nearly 10m b/d. Most of its fellow GCC oil producers are investing heavily in long-term production. Qatar's Al-Sada predicted a "redesign of the world economy", with 92% of the increase in oil demand expected to come from emerging economies. He emphasised the possibility of a "game-changer" such as the emergence of shale gas production, with technology being applied to extract tight oil from low-capability reservoirs. Citing successful fields in the US states of North and South Dakota, Al-Sada said "such results could be repeated in many mature basins worldwide, but at what pace and at what price is yet to be seen". **Bahrain**'s energy minister Dr **Abdul Hussain Bin Ali Mirza** said the kingdom had "already drilled 240 development wells since 2010" – a huge increase in activity compared to the total of 800 wells drilled in the previous 70 years. Kuwaiti oil minister **Hani Hussein** said Kuwait aimed to have production capacity (not actual production) of 4m b/d in 2030.

Opec dominance threatened

Representatives from a trio of the largest international oil companies presented disquieting visions of the future for Opec. ***ConocoPhillips*** chief executive **Ryan Lance** said unconventional technology would increasingly be applied to oil reserves. He said the shale gas revolution had brought the US "a century of supplies", and predicted it would become a net exporter of gas. An expected 14% increase in oil output would mostly come from shale reserves and oil sands so that "North America could become self-sufficient in oil by 2025".

Total chairman **Christophe de Margerie** presented data which showed how the rise of unconventional oil and gas as an exploitable resource had rebalanced and to a great extent weakened the region's dominance over supply. The Middle East holds 32% of total world oil resources and 16% of gas resources, most of which are conventional. Thanks to unconventional resources, the US is now able to challenge that domination with an estimated 27% of oil resources and 23% of gas resources, even though its conventional resources are relatively small. Margerie said worldwide unconventional resources now account for 30% of oil resources and 50% of gas resources.

Opec's influence may also be undermined by a shift from oil to gas consumption driven by a large price differential. ***Eni*** chief executive **Paolo Scaroni** said that, in the US, gas was trading at one-sixth of the price of oil when evaluated by calorific value, a situation that "makes little sense". Scaroni estimated that unconventional gas reserves worldwide could amount to 400tcm, equivalent to 125 years of supply, though developing these reserves would be extremely costly compared to the low production costs of the Middle East. Any slump in the price of oil could wipe out a lot of this potential development.

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No quota for Iraq as production rises

In spite of getting close to its historic limit, Iraqi officials do not yet accept that the moment when they will have to accept an ***Opec*** quota is close. Prime ministerial energy adviser **Thamir Ghadhban** told the Opec seminar in Vienna that Iraq was heading for production of 3.4m b/d this year. This would exceed its pre-first Gulf War quota of 3.14m b/d. "We hope we will hit 4.5m b/d by 2014 and more than 6m b/d by 2017," said Ghadhban, who expected investments of $130bn in the sector over a 15-year period to achieve and sustain these targets. According to one source, the Iraqi Ministry of Oil is arguing that long-term expectations for global demand growth may mean that the country never has to formally reimpose a production quota.

YEMEN

Government out of touch with poverty and hunger

As well as the urgent need to plug a projected budget deficit of $2.3bn-$2.4bn in 2012, Yemen is facing a growing hunger and poverty crisis which aid workers say will not be averted without a rapid injection of funds. A *UN* appeal for around $446m in aid has reached only about a quarter of that target half way through the year.

Yet a draft copy seen by *GSN* of a transitional plan authored by the Yemeni Ministry of Planning and International Co-operation which was due to be issued at a donor meeting now delayed until September (*see page 1*) suggests the government is far from getting to grips with the massive problem. In the pipeline since early 2012, the report was intended to spell out in detail how the government planned to meet the country's economic needs. But it is light on specifics, and prioritises the peaceful transfer of power and security and stability over any discussion of humanitarian relief or economic development.

The plan's total cost is $2.66bn, only $330m of which the government says it can fund. It calls for $150m in external assistance for the peaceful transfer of power – $20m for national dialogue, $30m for constitutional and legal reforms and $100m for national elections to be held in 2014. On the second priority area, security and stability, it outlines costs of $120m for the delivery of police services, $115m for counter-terrorism, $130m for army restructuring, and $60m for the "urgent needs" of the judiciary.

The third prong of the government strategy highlights the need for the reconstruction of damaged public facilities ($276m) and private buildings ($398m). Only then does it mention humanitarian aid, where its focus is on internally displaced people ($447m), many of whom are already being cared for by international aid agencies. It does not mention aid for the poor.

"The report shows that the government's idea of urgent priorities are well out of whack with the reality on the ground in Yemen," one economic analyst said. "And it isn't much of a coincidence that the total amount the government reckons it will need – $2.3bn – is effectively its projected deficit for the coming year and they basically want a lump-sum payment."

Aid workers and diplomats in Sanaa say meetings with government officials up to and including prime minister **Mohammed Basindwa** and President **Abd-Rabbu Mansour**

Yemen's reliance on Saudi Arabia

Sanaa had been hoping its Gulf neighbours – and Saudi Arabia in particular – would help plug its massive budget deficit at the June donor meeting, now postponed (*see page 1*). At the last meeting of the ***Friends of Yemen***, an international group of foreign ministries with an interest in the struggling state, in May, Riyadh pledged $3.25bn in aid, but it did not set out its plans for the funds in any detail. Already disappointed that Riyadh has postponed June's meeting, Sanaa will be eagerly watching for signs of how the death of Prince **Nayef** will impact on its relationship with its generous northern neighbour.

Nayef, who was also interior minister, had taken a lead role in the Kingdom's Yemen policy in recent years, first during the rise of ***Al - Qaeda in the Arabian Peninsula*** in the mid-to-late-2000s, and then with growing interest after Sanaa's war with the ***Houthis*** spilled over the border into Saudi Arabia in 2009 (*GSN 919/7*). His predecessor as crown prince, **Sultan Bin Abdelaziz**, had long held the Yemen file, but ill-health and growing concerns over domestic security saw Nayef increasingly leading the decision-making process on Yemen. The new crown prince, **Salman Bin Abdelaziz**, is not thought to be well acquainted with Yemen, and Riyadh is yet to decide who will now take on the Yemen file.

Hadi show a worrying lack of understanding of the country's humanitarian crisis, with both "shocked" by recent research by the *World Food Programme* that estimates 44% of Yemenis go hungry on a daily basis.

A second assessment of the economy sponsored by the *World Bank*, UN, *European Union* and *Islamic Development Bank*, which was set to spell out priorities for international donors, was also due to be issued at the June donor meeting. A draft seen by *GSN* shows it to be far more detailed and practical than the government report. It prioritises humanitarian aid and plans to boost economic growth, though sources working on it say that they are not sure if it will be released before the meeting, now rescheduled for September – or indeed if it will have any impact if it is.

SAUDI ARABIA

Sanea/Gosaibi saga continues

The Grand Court of the **Cayman Islands** has ruled in favour of *Ahmad Hamad Al-Gosaibi and Brothers* (*AHAB*), instructing **Maan Al-Sanea** to pay the **Al-Gosaibis** $2.5bn, by way of interim payment. The ruling follows a default judgment in November 2011, which prompted AHAB to push for an assessment of damages for conspiracy and breach of fiduciary duty against Sanea, who had declined to present a defence. Under Cayman Islands procedure, the holder of a default judgment may apply for an enforceable interim order for "a reasonable proportion of the damages which in the opinion of the Court are likely to be recovered".

The Al-Gosaibis declared a "major victory" in a convoluted saga which has been running since 2009, with the two families at loggerheads in a complex legal battle in London, New York, Saudi Arabia and **Bahrain** (*GSN 921/12, 899/11, 898/12, 894/12, 866/18, 859/11*). Sanea has always denied the allegations, and did not immediately comment on the latest ruling.

"It puts us in a very strong position to go against Maan Al-Sanea and use those assets to reach commercial solutions with the banks," **Eric Lewis**, lawyer for the Al-Gosaibis, told *Reuters*.

So far, Sanea has only contested (unsuccessfully) the jurisdiction of the Caymans, saying the dispute can only properly be resolved in Saudi Arabia. The ruling opens the possibility he may at last make a detailed defence case in the Caymans. In September, it was he who claimed a victory in the Caymans when a court there unfroze his assets.

BAHRAIN: Banking merger vote

Shareholders at Bahrain-based Islamic banks *Capivest*, *Elaf Bank* and *Capital Management House* will vote on a proposed merger this month. If the deal goes ahead, it will create a bank with assets of more than $400m, according to a statement from *Kuwait Finance House (Bahrain)*, which is advising on the deal. The merger, a rare example of consolidation in the Islamic banking market, would also be subject to regulatory and other approvals. If it goes ahead, it is expected to be completed in the H2 2012.

UAE

Plans to overhaul stock ownership rules

UAE market regulator the *Securities and Commodities Authority* (*SCA*) has drafted new regulations intended to increase transparency in takeover deals. It is not clear when these will come into effect, or what penalties will apply for failure to adhere to them. Chief among the changes announced in the SCA's 12 June statement is that corporate buyers will have to inform the stock market if they intend to buy 30% or more of a listed company in the UAE.

The changes to the rules of the Disclosure and Transparency Regulation require every investor or group of affiliated investors to pool their investments in a company, and to notify the market immediately if they own more than 5% of a company or 10% of affiliated companies. The company must disclose any 1% increase or decrease in ownership following the initial disclosure, and anyone wishing to acquire 30% or more of a company must notify the market before they offer the purchase order to the trading floor. "The market, after consultation with the SCA, shall withhold the purchase order if it has reason to believe that such a purchase may harm its interest or the national economy," the statement said.

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GSN Risk Grade — B2: Rising discontent leads to protests and arrests

Political and social developments

Overview: Oman is ruled by Sultan Qaboos Bin Said Al-Said, who has been the central figure in the governing structure since succeeding his father Sultan Said Bin Taimur in a bloodless coup in 1970. Qaboos has overseen sweeping modernisation of Oman, most of whose 3.3m citizens follow the Ibadi rite, making the traditional society culturally distinct from other Gulf states. Efforts to modernise the sultanate include promoting women, particularly in front-line public service, and helping poorer communities. There were peaceful protests during the Arab Spring, in which several people were arrested, but Sultan Qaboos reacted swiftly with cabinet reshuffles and an economic stimulus package. Many Omanis feel he has been slow to deliver on promises, however. Turnout for the October 2011 elections for the Majlis Al-Shura, the bi-cameral parliament's elected second chamber, was 76%, compared to 62% in 2007, and the number of candidates competing for the 84 seats more than doubled to 1,300. Sultan Qaboos has ordered three cabinet reshuffles since February 2011, and has taken steps to increase the independence of the judicial system.

Discontent: Rumbling discontent at the slow pace of reform has tipped over into a series of strikes and demonstrations in the past two months, resulting in a number of detentions (*see page 4*). Three activists attempting to cover strikes at oil producer Petroleum Development Oman (PDO) in late May were arrested. Their arrest provoked a few protests and increased criticism of the government, mostly online, which in turn prompted the authorities to threaten action against 'incitement to commit negative behaviour'. A number of activists have since been arrested, and several charged. The PDO strike appears to have been resolved after officials agreed to reinstate 400 workers on full pay. They had been fired after taking part in industrial action aimed at improving retirement benefits and health insurance. It was not clear whether their demands would be met.

Unemployment: Unemployment among nationals is a pressing issue. The government has increased the number of public sector jobs since early 2011, raised the minimum wage for Omanis in the private sector, introduced a new unemployment benefit, and almost doubled the intake for higher education. In a March report, the International Monetary Fund (IMF) said resolving high unemployment was linked to progress on economic diversification. "Neither the hydrocarbon sector nor the new energy-intensive industries provide many jobs," the IMF said. As well as boosting jobs in the less capital intensive and more knowledge intensive parts of the private sector, there is a need to resolve the large wage and benefit differentials between the public and private sectors and between Omanis and expatriates.

Deportations: As many as 3,353 illegal workers were arrested in the first quarter of 2012, 33% higher than in the same period in 2011, the *Muscat Daily* reported. The ministry of manpower also deported 1,565 workers during that period. Meanwhile, the Royal Oman Police said it had arrested 116 illegal immigrants between 2 and 8 June, and had deported around 835 illegal immigrants arrested previously.

Economic and commercial outlook

Overview: The Omani economy has picked up strongly since 2009, with growth accelerating in the past year, according to the IMF. Real GDP growth is estimated to have reached 5.5% in 2011, up from 4% in 2010 and 1.1% in 2009, driven by higher oil prices and rising government spending. "With higher oil revenue and despite an estimated 16% increase in government expenditure, the fiscal and external surpluses are estimated to have increased by about 4 percentage points of GDP to, respectively, 9.8% and 12.7% of GDP in 2011," the IMF said in late March, following the conclusion of its Article IV consultation with Oman. Price pressures have remained moderate, with consumer price index inflation holding steady at an annual rate of about 4% during 2011. The economy has been largely unaffected by international financial unease. Omani banks have little exposure to the Eurozone, and the country's export structure is dominated by oil and oriented primarily to Asia. The local stock market fell by 16% in 2011, but real sector activity has been little disturbed, and bank credit will accelerate.

Outlook: The IMF team viewed Oman's medium-term outlook as broadly positive, but noted that the economy remains highly vulnerable to oil price fluctuations, and that fiscal sustainability is a growing challenge. Non-oil growth will be supported by the large public investment programme already under way. "Absent continued increases in oil prices, however, the currently sizeable fiscal surplus is set to disappear within a five-year period. A prolonged drop in oil prices would entail large deficits that could ultimately force cutbacks in government spending and lead to sharply lower economic growth," the IMF said. The IMF recommends reducing fuel subsidies, cutting the pace of government spending increases and strengthening budget procedures. It also advises a closer correlation between annual budgets and five-year plans. Over the long term, diversification is important, and there is a need to encourage private investment outside the oil sector.

HSBC: HSBC has received formal regulatory approval to merge its business in Oman with Oman International Bank. In a statement on 3 June, HSBC said shares in the combined entity HSBC Bank Oman, 51% owned by HSBC, would begin trading on 5 June. Simon Cooper, chief executive of HSBC Middle East and Africa, was named chairman, with Ewan Stirling as chief executive.

Power lines: A 200kV power line connecting Oman to Abu Dhabi is set to have its capacity doubled to 400MW, as Muscat looks for export and import opportunities, according to the *Muscat Daily* on 12 June. While no arrangements for commercial import or export of power have yet been made, Muscat hopes to have its side of the grid ready within 18 months. "The link is solidly connected at the moment. There may not be a lot of import or export due to certain technical and regulatory reasons, but there are plans," the paper quoted Oman Electricity Transmission Company chairman Saif Al-Sumry as saying.

OMAN: Banking

Islamic Banking: Bank Nizwa, the sultanate's first Islamic bank, attracted OR681m ($1.77bn) of bids in its initial public offering of shares, 11 times the sum it was raising. On 10 June, *Reuters* reported that Bank Nizwa shares rose 12.8% on its first day of trading. Oman's new Islamic finance sector is due to open in 2012 after years of resistance, following a decree by Sultan Qaboos in May 2011. Shareholders at National Bank of Oman gave their formal approval on 10 June for the bank to start Islamic banking operations, according to a bank statement to the Muscat Securities Market.

Oman Arab Bank: The banking arm of Oman International Development and Investment Company (Ominvest) has delayed its initial public offering on the Muscat bourse until September, according to news reports on 10 June. The bank did not give a reason for its decision. Shares in Ominvest fell 5.6% on the Muscat Securities Market following the news, according to *Reuters*.

OMAN: Selected economic indicators

	2010f	2011f	2012f	2013f	2014f
GDP (constant prices)**	4.0	5.5	5.0	4.0	3.2
GDP (cur prices, $bn)	57.8	71.9	78.9	80.5	80.6
Gross nat savings*	35.7	41.8	44.0	40.1	34.9
CPI inflation**	3.3	4.0	3.2	3.0	3.0
Value of oil exports ($bn)	25.2	31.4	36.0	34.5	31.3
Gen govt gross debt*	5.4	5.1	5.6	6.3	7.2
Current a/c bal ($bn)	5.1	9.5	10.2	6.7	2.1

* % of GDP, ** % change, f = forecast

Source: IMF, World Economic Outlook Database, April 2012

GSN Risk Grade — C↓2: Political crisis continues as election ruled unconstitutional

Political and social developments

Overview: Kuwait's limited parliamentary democracy has often been held up as the most democratic political system in the region, but it has also led to a string of political crises; there have been four elections in less than six years, and the friction between the elected parliament and hand-picked government means it is very hard to get anything done. In the most recent polls on 2 February, Islamists made sweeping gains, taking 34 of the 50 seats in the National Assembly. Parliament has been gridlocked since, with MPs confronting the cabinet at every opportunity, leading two ministers to resign and heaping pressure on the government.

On 18 June, Emir Sheikh Sabah Al-Ahmed Al-Sabah decided to adjourn parliament for one month (one of his constitutional rights) to give everyone time to cool down. Just two days later, however, the constitutional court ruled that the call for the February elections was unconstitutional, and that the previous assembly should be reconvened. The court ruling appears to have been based on technicalities, and it is not clear what will happen next. Only the Emir has the power to dissolve the assembly, and the opposition, emboldened by its February wins, is likely to protest. It looks likely the crisis may lead to yet more elections. Opposition MPs have been pushing for representation in the cabinet, calling for the formation of a so-called national salvation cabinet in which they would have at least nine places. "We are ready to participate in the government and are awaiting a response from Sheikh Jaber," prominent MP Musallam Al-Barrak was recently quoted by agencies as saying.

Scandal: Former prime minister Sheikh Nasser Al-Mohammed Al-Sabah was forced to resign in November after opposition protests at alleged corruption. He has twice refused to attend a parliamentary probe into alleged foreign money transfers. A panel headed by MP Faisal Al-Mislem is investigating allegations that Sheikh Nasser transferred tens of millions of dinars of public funds into his private accounts overseas. Sheikh Nasser – who was previously cleared by a special tribunal – refused to appear before the panel on 14 May, and again on 9 June, saying he was not obliged by law to be questioned. According to the *Kuwait Times* on 10 June, the foreign ministry has issued a statement denying that part of the money was spent on singers and fashion designers.

Ministers resign: The adjourning of parliament was precipitated by two ministerial resignations. Finance minister Mustafa Al-Shamali stepped down in May after being grilled in parliament by opposition MPs who accused him of squandering public funds (*see page 6*). And social affairs and labour minister Ahmed Al-Rujaib, due to be grilled on 20 June, tendered his resignation on 11 June. The Emir accepted his resignation the following day, and appointed communications minister Salem Al-Othaina as acting minister in Rujaib's place. According to the *Kuwait Times* on 13 June, the prime minister was considering whether to offer the resignation of the whole cabinet or to carry out a limited reshuffle.

Economic and commercial outlook

Overview: The economy is set to grow in 2012, with the International Monetary Fund (IMF) predicting GDP growth of 4.5%, but political instability has led the country to perform less well than many of its neighbours. Kuwait launched a four-year development plan in 2010/11, which is intended to feed into a 2035 strategic vision that would see a more diverse economy, better infrastructure, health and education, and a better public/private sector balance. Following a visit to Kuwait in April, the IMF noted the country's stable macroeconomic performance in recent years, but also that it compares poorly to other countries in terms of health, education and infrastructure. Kuwait has posted fiscal and external surpluses for 14 years in a row, but its economy is dominated by oil. Around 80% of the Kuwaiti workforce is employed in the public sector, leaving the private sector highly dependent on government spending and expatriates.

Oil: Kuwait relies heavily on crude, exports of which account for around 95% of government revenues, although ambitious expansion plans at Kuwait Petroleum Corporation (KPC) have dragged due to the political climate. Domestic consumption has risen sharply in recent years, largely due to demographic changes and heavy consumption encouraged by subsidised domestic prices, and the need to meet that demand is increasingly eating into exports. Kuwait is currently pumping 3m b/d and appears to be at capacity. Its 2030 strategy sees production increase to 4m b/d by tapping heavy oil reserves and newly discovered reservoirs, and enhancing recovery.

Spending: Government spending increased by 9% in 2011/12, largely as a result of rises in the wage bill, but this was offset by higher oil revenues. The IMF estimates that fiscal and external surpluses reached more than 30% and 41% of GDP in 2011, respectively. Fiscal support to the economy – measured as the non-oil deficit to non-oil GDP, after adjusting for investment income and transfers to the pension fund – remained above historical figures, at 63%. Non-oil growth in 2011 was estimated at around 4.5%. Kuwait's annual inflation eased to a four-month low of 3.3% in April, according to state news agency *Kuna*, and prices fell on a monthly basis for the first time in more than a year due to a drop in food prices.

Outlook: The IMF predicts that economic recovery will strengthen, but progress will be hampered by legislative bottlenecks and a slow pace of implementing the development plan. Non-oil economic activity is expected to expand to 5.5% in 2012 as the expansion of government expenditures filters through to the economy. High oil prices will keep fiscal and external surpluses high. As well as domestic political problems, Kuwait is relatively exposed to problems in the international financial markets.

Telecoms: The chief executive of Kuwait's second telecoms operator Wataniya has resigned. Parent company Qatar Telecom said on 12 June that Scott Gegenheimer had left to "pursue other opportunities", and that Abdulaziz Fakhroo, his deputy since earlier this year, would take on the role of acting chief executive.

KUWAIT: Selected economic indicators

	2010	2011	2012f	2013f	2014f
GDP (constant prices)**	3.4	8.2f	6.6	1.8	3.3
GDP (cur prices, $bn)	124.3	176.7f	202.2	199.3	199.1
Gross nat savings*	48.7	59.6f	62.6	60.6	58.8
CPI inflation**	4.0	4.7	3.5	4.0	4.0
Value of oil exports ($bn)	61.7	100.9f	120.0	110.5	103.8
Gen govt gross debt*	10.5f	7.3f	6.3	6.2	6.1
Current a/c bal ($bn)	36.9	73.9f	93.3	83.6	76.3

* % of GDP, ** % change, f = forecast

Source: IMF, World Economic Outlook Database, April 2012

KUWAIT: Free Syrian Army

Syrian uprising: Dozens of Kuwaitis have gone to Syria to fight with the rebel Free Syrian Army (FSA), according to Kuwaiti media reports. *Al-Qabas* newspaper reported on 9 June that the fighters had crossed into Syria from Turkey, with the intention of joining the uprising against President Bashar Al-Assad. Quoting relatives, the paper said the Kuwaitis were joining "large groups" from Saudi Arabia, Pakistan and Algeria, and that on arrival they were given weapons and Syrian IDs by the FSA, and asked to leave their belongings in FSA offices on the border. The Syrian rebels were said to have sent home a number of Kuwaiti fighters who were under 18.

Rebel chief: Syrian rebel army chief Colonel Riyadh Al-Asaad subsequently denied the presence of Kuwaitis. In comments carried by *AFP* on 11 June, Asaad said: "Reports indicating the presence of Arab fighters [in Syria] are totally baseless… There are no non-Syrian members in the FSA, which consists only of Syrian soldiers and officers fighting to protect the revolution."

3-6 September: International Erbil Gas and Oil Exhibition

Web: *www.erbiloilgas.com*

17-19 September: NOCs and Governments Summit, Dubai

Web: *www.nocs-governments.com/summit*

17-20 September: Iraq Future Energy 2012, Istanbul

Web: *www.theenergyexchange.co.uk/iraq-2012-future-energy/s13/a255/*

24-26 September: Arabian Water and Power Forum, Dubai

Web: *www.cwcawpf.com*

26-27 September: Heavy Oil & Oil Sands Summit, Abu Dhabi

Web: *www.fleminggulf.com*

1-3 October: Iraq Mega Projects, Dubai

Web: *www.cwcimp.com*

2-4 October: World Independent Oil Companies Congress

To be held in London. Web: *www.terrapinn.com/independentoil*

9-11 October: Plant Shutdown and Turnaround Management

To be held in Doha. Web: *www.fleminggulf.com*

2-4 December: Saudi Water and Power Forum, Jeddah

Web: *www.ksawpf.com*

3-5 December: Kurdistan-Iraq Oil & Gas, Erbil

Web: *www.cwckiog.com*

Middle East risk indicators

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating*	Ducroire Delcredere short-term political risk rating	ONDD medium- to long-term political risk rating
Bahrain	ILC	A4	Baa1	BBB+	3	4
Iran	CIA	D	—	—	7	7
Iraq	CIA	D	—	—	6	7
Israel	OA	A3	A1	AA–	3	3
Jordan	OA	B	Ba2	—	3	5
Kuwait	SD/OA	A2	Aa2	AA+	2	2
Lebanon	OA	C	B1	B	5	7
Oman	OA	A3	A1	—	2	2
Palestine	CLC	—	—	—	7	7
Qatar	OA	A2	Aa2	—	1	2
Saudi Arabia	OA	A4	Aa3	AA	2	2
Syria	ILC/CLC	D	—	—	7	7
Turkey	ILC	A4	Ba2	BBB–	3	4
United Arab Emirates	OA	A3	Aa2	AA+*	2	3
Yemen	CLC	D	—	—	7	7

* = Abu Dhabi

Sources: *Agencies and Cross-border Information Ltd, Hastings, UK.*

Stock markets and exchange rates

Stock Market (Index)	Index value (20 June 2012)	Index % change One week		Since 01.01.12	2011 performance	Currency	Exchange rate £	$	€	¥ (x100)
Bahrain[1]	1,129.23	1.10	↑	– 1.26	– 20.15	(Dinar)	0.5925	0.3771	0.4780	0.4771
Iran[2]	26,165.90	– 1.03	↓	7.22	29.43	(Rial)	19,301.70	12,283.50	15,571.20	15,542.80
Iraq[3]	116.55	– 0.15	↓	– 14.32	34.71	(New Dinar)	1,829.05	1,164.00	1,475.54	1,472.86
Jordan[4]	1,903.37	1.37	↑	– 4.60	– 15.94	(Dinar)	1.1137	0.7088	0.8985	0.8968
Kuwait[5]	5,916.73	0.01	↑	2.24	– 16.80	(Dinar)	0.4392	0.2795	0.3543	0.3537
Oman[6]	5,689.59	– 0.37	↓	– 0.10	– 15.69	(Rial)	0.6050	0.3850	0.4881	0.4872
Qatar[7]	8,307.18	– 0.42	↓	– 5.37	1.12	(Rial)	5.7218	3.6413	4.6159	4.6075
Saudi Arabia[8]	6,838.05	1.39	↑	6.55	– 3.07	(Rial)	5.8933	3.7505	4.7543	4.7456
UAE – Abu Dhabi[9]	2,489.55	NA	–	3.63	– 12.44	(Dirham)	5.7716	3.6730	4.6561	4.6476
UAE – Dubai[10]	1,476.57	– 0.09	↓	9.10	– 17.00	(Dirham)	5.7716	3.6730	4.6561	4.6476
Yemen	n/a	n/a	n/a	n/a	n/a	(Rial)	337.840	215.000	272.545	272.049

[1]Bahrain Stock Exchange – All Shares Index. [2]Tehran Stock Exchange – Tepix Index. [3]Iraq Stock Exchange – ISX Price Index. [4]Amman Stock Exchange Index. [5]Kuwait Stock Exchange Index. [6]Muscat Securities Market – MSM 30 Index. [7]Qatar Exchange – QE Index. [8]Tadawul All Shares Index. [9]Abu Dhabi Securities Exchange. [10]Dubai Financial Market.

What good an independent parliament if nothing ever gets done?

The announcement on 20 June that the February election in **Kuwait** was unconstitutional was an unexpected twist in a political drama already thick with confrontations, resignations and involuntary vacations (*see page 6*). It is not likely to change the finale, however: once again, Kuwait looks headed for elections in the months to come, and what will probably be its fifth parliament in just over six years.

The suspension of parliament for one month, starting 18 June, had already led many to predict the country would wend its way towards another dissolution of parliament and another round of national polls. With Ramadan due to begin on 20 July, and a long summer break slated for 2 August, a season of political inactivity was in any case expected. It is possible that the court ruling may inflame the opposition, and plunge Kuwait into a greater political crisis. Still coasting on momentum from a hard-fought election, opposition MPs are not likely to relinquish their seats without protest.

But arguably, Kuwait's biggest crisis is the one built in to its political system: as the last few months have clearly demonstrated, pitting an elected parliament against a hand-picked government is a recipe for paralysis, not much-needed progress. In the four months since parliament opened, Kuwait's opposition, emboldened by its gains in February's election, has been so busy pouring energy into confronting the cabinet that it has scarce had time for the more traditional business of state: health, education, economy and infrastructure (*GSN 922/17*).

The Emir's calling of a time out was precipitated by a series of grillings that had already led two cabinet members to resign. While pursuing corruption is laudable, there was a sense that MPs had gone too far – and not just among the cabinet. Writing in the *Kuwait Times* on 22 May, columnist **Badrya Darwish** said it seemed to be a case of grilling for the sake of grilling. "This parliament sucks!" she wrote. "I am sorry to use this term but I have tried to be patient. Me and the nation have lost our patience. Since this parliament was formed in February, all we hear is tribalism, sectarianism and grill threats. There has been a total stalemate in the development sector… Parliamentarians think that they are in a cowboy movie. They think they are heroes and are not MPs who represent the nation."

Kuwait has long been held up as having the most democratic system in the region, streets ahead of its neighbours in terms of parliamentary independence. But the price is that, in development terms, it is lagging behind. Despite macroeconomic stability and fiscal and external surpluses for 13 years, Kuwait fares badly in comparison with other countries in terms of infrastructure, health and education, given its GDP per capita. Projects simply haven't been implemented – delayed by "red-tape and bureaucracy, an outdated legislative base, deficiencies in laws that have been passed in recent years, and holdups in passing new legislation", as the ***International Monetary Fund*** said in April.

Parliament's confrontational stance may be counterproductive, but it is symptomatic of a system which breeds frustration. Only constitutional reform – as *GSN* has long argued (*GSN 917/1*) – will break the cycle. The government may use the next few months to push through much-needed decrees to implement projects stalled by parliament, but going it alone would be no more than a temporary solution. Without fundamental changes to the constitution, Kuwait will find itself back in a political impasse, again and again.