

Saudis 'Tweak' Cabinet, Confirming Commitment to Reform

Jun 17, 1999



Brief Analysis

Yesterday's cabinet reshuffle in Saudi Arabia was another sign that the kingdom is going down a path toward a government that is more professional, more transparent, and more accountable. The cautious Saudis' penchant for slow steps can mask how much change is occurring.

In some ways, the most important aspect of the cabinet reshuffle is that it took place at all. Saudi cabinets changed little for more than two decades, leading to grumbling from eager young Saudis concerned that promotions seemed frozen. In 1993, King Fahd set down basic laws about the government's structure, including the provision that cabinet appointments were for only four years. In 1995, he then reshuffled the cabinet significantly. Yesterday's reshuffle of some ministerial positions showed that the four-year term is for real and that the kingdom strictly follows the basic laws.

Several lessons emerge from the reshuffle.

Reformers Remain. Those ministers who have been instrumental in promoting privatization retained their positions. The minister of post, telegraph, and telephones (PTT), Dr. Ali Al-Jehani, was reappointed even though he is said to be quite ill. Al-Jehani has been remarkably outspoken; he recently said, "I would like to see it [the telecommunications sector] completely privatized and the ministry of PTT gone." This privatization has already had enormous benefits for U.S. business: AT&T and Lucent Technologies are currently working under contracts worth \$6.5 billion to expand the country's telephone system.

Another strong proponent of foreign investment who was retained was minister of industry and electricity, Dr. Hashim Yamani. He has made clear that foreign investment will be required to boost the kingdom's power generation capacity -- estimated to require more than \$120 billion in investment over the next twenty years. The retention of these two men, both strong proponents of foreign investment, is good news for U.S. business, which is well-positioned in the country to win many of these contracts.

Also remaining is the minister of finance and national economy, Dr. Ibrahim Al-Assaf. He has been instrumental in fiscal restraint in the last year that has chipped away at the vast budget deficit mountain. In 1998, prices and fees were increased to raise revenue by 1 percent of the gross domestic product (GDP), the equivalent in the United States of an \$80-billion-a-year tax increase. Premium gasoline at the pump now costs \$0.91 a gallon, not much below the U.S. level. Meanwhile, Al-Assaf has promoted channeling the extra oil revenue from the recent price increase into repaying arrears rather than into new spending. (Over the last two years, \$13.3 billion has been repaid to domestic contractors.) It is worth noting that the kingdom has not made major arms purchases for some time; instead, it keeps stretching out execution of the existing contracts, often to the frustration of U.S. military contractors but to the benefit of the overall economy; last month alone, \$7.2 billion was rescheduled.

Professionalism Promoted. The promotion of the Bureau of Civil Service to ministry status reveals that the government is intent on continuing the process of professionalizing and streamlining the bureaucracy. This entails decreasing its bloated ranks, implementing higher standards for individuals wishing to join the public sector, and

assessing the performance of civil servants while they are on the job. There is even talk of implementing a civil service examination, along the lines of Britain's successful model. Mohammed Al-Fayiz was the obvious choice to head this ministry; he is currently heading the Bureau of Civil Service.

The cabinet changes showed the importance of the Consultative Council. The new ministers of planning, pilgrimage, and labor and social affairs, were all Consultative Council Members with experience in their respective fields before being brought into the cabinet:

- Khaled Al-Ghosaibi takes over the Planning Ministry from the outgoing Dr. Abdul-Wahab Attar. Al-Ghosaibi has also served for six years in the Consultative Council, on the Economic and Financial Affairs Committee.
- Ayad Madani takes over the Pilgrimage Ministry from Dr. Mahmoud Safar. Madani served for two years on the Health and Social Committee of the Consultative Council.
- Dr. Ali Ibrahim Al-Namlah replaces the out-going Mousaed bin Mohammad Al-Sanani as labor and social affairs minister. Al-Namlah has served for six years in the kingdom's Consultative Council, on the Committee for Education, Culture, and Information Affairs. In this capacity, he spearheaded the drive to begin a reorganization of the educational system. His appointment shows the government's intent to prepare society for the massive changes that economic reform will likely bring about.

Continuity is a Main Theme. The appointment of Saleh Al-Alsheikh as Islamic guidance minister reaffirms the fundamental alliance between the ruling Al Saud family and the religious leadership of the Al-Alsheikh family, which has historically formed the bedrock of Saudi domestic stability. The Al-Alsheikh currently hold all the important religious positions -- Grand Mufti, the Islamic Guidance Ministry and the Ministry of Justice. This relationship shows that the senior leaders are working to placate the religious authorities in the kingdom, who have grown wary of the reforms being implemented from above. The priority is clearly on gaining consensus for reforms, even if it takes time. The Al-Alsheikh's representation in the cabinet means that reforms adopted by the government will have a better chance of gaining more widespread support and, thus, of succeeding.

As is to be expected in a country that prefers cautious change, twenty-four ministers were reappointed. Not including the new Ministry of Civil Service, there are twenty-one ministers with portfolio and seven ministers of state (without portfolio). Royal family members continue to occupy the central ministries of defense, interior, foreign affairs, and public works and housing. What is new in the reshuffle is that the Al-Alsheikh now occupies two ministerial portfolios, the central province of Najd commands ten, the western province of Hijaz has five portfolio ministries, and the oil-rich eastern province now has representation with a portfolio (it had none for some years before).

Rumors of changes in the key foreign affairs and oil ministries proved unfounded. Foreign Minister Prince Saud al-Faisal was rumored to want to retire, but he has remained. Oil Minister Ali Al-Naimi was also rumored to be on the way out, given his role in the ill-fated autumn 1997 decision to increase oil output -- a move which, when coupled with the ensuing Asian recession, sent oil prices around the world tumbling. Yet, after he and Prince Saud orchestrated production cuts at the March 1999 Vienna meeting of the Organization of Petroleum Exporting Countries (OPEC) which returned oil prices to "comfortable" levels, his job became more secure. His reappointment may dishearten the international oil companies, which have found him to be a formidable opponent in their bid to quickly reenter the kingdom's lucrative upstream oil sector.

Conclusion. Faced with many serious economic and social problems, such as growing youth unemployment and a large budget deficit, Saudi Arabia has embarked on the path of broad reform, at the slow pace preferred in this

cautious society. The challenge is to pace the reforms fast enough to meet the problems without proceeding too quickly to sustain support among the public and key elite groups.

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