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BULLETIN

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BOLD CHANGES IN RIYADH

King Salman once again moved boldly to inject new energy into the top of the Saudi government with a slew of Royal Decrees issued at dawn this morning. The changes should be seen in the context not of deep internal discontent, but rather of high optimism about the future, especially among Saudi youth. This optimism is borne out in recent published and unpublished polls.

In replacing Muqrin bin Abdul Aziz, 69, with Mohammed bin Naif, 55, as Crown Prince, the King removed any lingering doubts about the succession of power to the next generation. Muqrin, who is well-liked, did not really fit into the new team assembled under the King. The appointment of the King's son Mohammed bin Salman, who was born in 1985, as Deputy Crown Prince, also saw Mohammed relinquishing his post as Head of the Royal Court, which he believes should not be the kind of policy-making post that it became in the latter years of King Abdullah's reign.

Consolidation of Power Not the Objective

The key to these and other promotions is not--as some analysts have conjectured--a matter of the King consolidating his power or that of his Sudairi clan within the family. The key objective is to rationalize the organization and structure of decision-making and to set benchmarks for evaluating the performance of individuals in executing policy goals. In some areas, like the Ministry of Health, performance clearly fell short.

Foreign Ministry

Foreign Minister Saud Al Faisal, 75, has been a star performer during his 40 years in that post, but more recently his health has become so frail that he asked to be relieved. He will remain a cabinet minister, be an advisor and special emissary for the King, and act as Supervisor of Foreign Affairs. In his place, Saudi Ambassador to Washington Adel Jubeir, 53, will take over the Ministry after 28 years in the diplomatic service. He has very much been a member of the new team around King Salman since January--as became publicly obvious when he was chosen to announce the Saudi-led coalition's air campaign against the Houthi rebels on March 25. During his eight years as ambassador to the U.S., he has been widely regarded as the single-most effective member of the diplomatic corps in Washington during the terms of both President George W. Bush and Barack Obama.

Saudi Aramco

Among the more intriguing appointments for the oil market is the appointment of Saudi Aramco CEO Khalid al-Falih to be the company's chairman as well as the new Minister of Health. The Ministry appears to be in dire need of Falih's skills in managing a large and diverse organization which has difficulties across the board, including coping with the MERS virus.

Abdullah al-Rabeeah, a noted surgeon, was replaced as minister in April 2014 after questions were raised about how the ministry handled the MERS outbreak. Adel Fakieh was then named as Acting Minister. King Salman appointed Ahmed al-Khatib as minister on January 29, but relieved him on April 10 with another acting minister, Mohammed al Al-Sheikh. According to Saudi media accounts, Khatib was fired after a video of him in a heated argument with a citizen went viral.

Past Practice in Saudi Aramco Leadership

Minister of Petroleum Ali Naimi has held the Chairmanship of Saudi Aramco since January 1995. His predecessor as minister, Hisham Nazer, also held the Chairmanship. Naimi became President of Saudi Aramco in 1983 and CEO in 1988, the first Saudi to hold those then-combined posts. Prior to that, the chairmen and CEOs of the company were Americans.

In the immediate post-war years, Aramco, then a Delaware corporation, had its headquarters in New York. Its chairmen were named by its four U.S. oil company shareholders. The first American chairman to reside in Saudi Arabia (in 1951), Fred Davies, hailed from Standard of California; the first Chairman to come out of the ranks of Aramco was Tom Berger, in 1962. The next four CEOs of the company also were Americans, but all came from within Aramco. When Naimi became Minister and Chairman of the company in 1988, he selected Abdullah Jum'ah as his successor as President/CEO. Jum'ah retired at age 67 in 2008, after which Naimi appointed Khalid al-Falih, who is now 55.

As the new Chairman, Falih presumably will be in the best position to choose a successor as President, CEO, or both, with the consent of the company's sole shareholder, the Saudi Government. Whether that consent is exercised through the Ministry of Petroleum or directly by a higher authority isn't publicly known at this point. But the working assumption is that Falih has superior knowledge of the skills and potential of those who have worked for him and that the 53-year-old tradition of naming a leader from inside Saudi Aramco will continue.

Oil Policies

There is no indication whatsoever that today's changes at the top of the government will have any impact on current Saudi oil policy. However, the general policy thrust of the new team around King Salman towards rationalizing government policy decisions is likely to lead it to tackle the issue of energy conservation through higher domestic prices, especially

in electricity sales. While Deputy Minister of Petroleum Abdul Aziz bin Salman has successfully spearheaded programs to limit the growth of domestic energy consumption, price has not been a tool available for use in those programs.

Public Opinion

The changes at the top must also be seen within the context of public opinion in the Kingdom. By all accounts, Saudi Arabia's more assertive foreign policy, especially its decision to lead its own coalition against the Iranian-backed Houthis in Yemen, is very popular--as opposed to whining about a perceived lack of American leadership in the region.

A poll of Arab youth between the ages of 18-24, conducted for the seventh year this past January by ASDA's Burson-Martseller, found that 81% of respondents in Saudi Arabia thought that their government is headed in the right track and 11% thought it was on wrong track. 70% thought their best days are ahead of them. 77% were confident in the government's ability to deal with the ISIS threat and 68% were confident in the government's ability to deal with unemployment. 59% said they believed that democracy "will never work" in the Middle East.

The findings of this poll match up well with other unpublished but thorough polling done in the Kingdom. It should be noted that the Burson-Martseller poll was conducted before Salman became King.

Alternate View

The polling data contrasts starkly with comments President Obama made to columnist Tom Friedman in an interview published on April 5. He described the populations of U.S. allies like Saudi Arabia as "alienated, [with] youth that are underemployed, an ideology that is destructive and nihilistic, and in some cases, just a belief that there are no legitimate political outlets for grievances.... I think the biggest threats that they face may not be coming from Iran invading. It's going to be from dissatisfaction inside their own countries."