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**Covid-19 in the Gulf
Special Coverage**

**Covid-19 in Saudi Arabia: Beyond the health crisis
Antonino Occhiuto**

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Covid-19 in Saudi Arabia: Beyond the health crisis

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Introduction

The Covid-19 pandemic is already exerting a heavy economic toll on all areas of the world. The energy producing countries of the Gulf Cooperation Council (GCC) make no exception. In Saudi Arabia, the economic impact of the pandemic has been, so far, significant. Meanwhile, 2020 is a particularly important year for Saudi Arabia's internal socio-political cohesion and its international stance. Internationally, the Kingdom will be subject to increasing scrutiny ahead of the Riyadh-hosted November G20 summit while, domestically, authorities are expected to accelerate the pace of economic and social reforms related to Saudi Arabia's Vision 2030 programme. Economic turbulences are affecting the calculation of decision makers when it comes to both domestic and foreign policy.

Economy

Saudi Arabia's economy suffered the most immediate hit from the Covid-19 pandemic. This is underscored by the collapse of the price of oil—Riyadh's main source of revenue—triggered by the pandemic. Since February, China, Saudi Arabia's top export destination, has significantly reduced its imports [by some 3 million barrels a day, 20% of Beijing's total demand](#). The aviation sector, among the most energy-demanding industries with most flights grounded, is also requesting much less fuel. Overall, oil demand, and therefore its price, has plummeted.

This has influenced Saudi Arabia's decision to pressure Russia to find a common strategy to cut back oil production and reduce the current oversupply, triggering an oil price war lasting from 6 March until 14 April 2020, which drove the prices to unprecedentedly low levels throughout [March, between \\$25 and \\$30 \(USD\) per barrel for Brent crude](#). Worryingly, even the end of the oil price war, with Riyadh successfully persuading Moscow to fall in line with Saudi Arabia's oil strategy, has left the oil market in a fragile and volatile status. The oil supply is likely to continue to exceed oil demand for as long as the pandemic continues and throughout the upcoming global recession which will soon hit most advanced economies. [The oil demand is already expected to fall by some 23.1 million barrels per day compared to last year](#). In addition, it has been historically problematic to verify stakeholders' compliance with deals involving such significant supply cuts.

Developments related to the implementation of Saudi Arabia's Vision 2030 programme are also endangered as a consequence of the aforementioned economic downturns. [Vision 2030](#) is the programme promoted by Crown Prince Mohammad bin Salman (MbS), which aims to carry the Kingdom to a post-oil economy and provide new job opportunities for the increasing number of unemployed youth. The programme focuses on economic diversification and relies on Saudi Arabia's Public Investment Fund (PIF), to heavily invest in projects and companies unrelated to oil.

Such Vision2030-related investments are likely to be halted for as long as the pandemic continues. Instead, Saudi Arabia is diverting resources to finance a large stimulus and relief package for its economy in an effort to maintain current employment levels.

On a more positive note for the Kingdom's economy, Riyadh's national oil giant, Aramco, is better positioned than any of its global competitors to survive a long period of low oil prices. In addition, Aramco can recover faster due to its lower costs of production and superior stock capabilities. As such, the future normalization of crude oil prices could even put Aramco in the position to conveniently purchase shares of some of its struggling competitors in the energy market.

Social Cohesion

The Covid-19 crisis could reinforce already existing or underlying societal tensions within Saudi Arabia. Riyadh has taken unprecedented social distancing measures prohibiting movement between its provinces and imposing a partial nationwide curfew. The Kingdom was also forced to stop issuing visas for Muslims wanting to visit the holy sites of Mecca and Medina and restricted internal movement for religious purposes. Such decisions increased the frustration of the more conservative section of society which is already struggling to accept MbS-spearheaded social liberalization reforms.

The country-wide restrictions are particularly unpopular among the Kingdom's large youthful population. Indeed, all Saudis suffered from the sudden closure of universities, cafes, cinemas and other popular public spaces. This could create increasing

opposition between the country's youth and its older citizens, who are the most vulnerable to the disease and support, more generally, the lockdown. To contextualise, Saudi Arabia's society is currently undergoing significant changes. Despite that, the elders are the ones traditionally commanding the utmost respect, younger generations increasingly seek engagement and opportunities. Such shift is well-incarnated by Crown Prince Mohammad bin Salman Al-Saud (MbS), who is attempting to move decision-making towards a younger generation and prompting the introduction of substantial reforms which have been welcomed by Saudi Arabia's youth and opposed by older, more conservative generations.

Another source of social tension that is gaining momentum and deserves ad-hoc monitoring in the months ahead, is certainly the increasingly problematic relationship between Saudi citizens and the country's expatriate workers. Foreign workers, who often perform crucial functions in Saudi Arabia's economy, have already been [identified as Covid-19 "spreaders" in the public discourse](#). This narrative could foster the already existing stigma of significant sections of the Kingdom's society towards expatriate workers. The longer Covid-19 related disruptions will affect everyday life inside Saudi Arabia the more citizens' stigmatic perception of expatriate workers could consolidate. For some expatriates such stigma is already translating into discriminatory treatment with [reports](#) of low-class workers quarantined and isolated in specific areas with little or no access to health care.

The Covid-19 crisis retains also the potential to revamp sectarian

divisions characterising Saudi Arabia's society. In particular, citizens in the oil-rich Shia-majority Eastern Province (Al-Qatif), have long complained of marginalization and discrimination by Riyadh's Sunni-dominated government. Al-Qatif was the first province of the Kingdom in which Covid-19 related restrictions were implemented—[the province has been in lockdown since 8 March](#)—as it was identified as the hotspot of Saudi Arabia's first Covid-19 cases. Despite that Riyadh's government assistance to Al-Qatif citizens during the health crisis was not influenced by sectarian discrimination, it is worth pointing to the fact that hundreds of their countrymen used social media to blast them as traitors. [Contagion in Al-Qatif was linked to its residents' frequent travels to Iran and Iraq for religious purposes](#). Crucially, Iran has registered the earliest and most significant spike in Covid-19 cases in the whole region.

International Stance

The Covid-19 crisis is also having an impact on Saudi Arabia's foreign affairs during a particularly important year for the Kingdom's international reputation. The coming months will be leading to the high profile November 2020 G20 summit, scheduled in Riyadh—a major test for MbS and his leadership skills.

In this context, the Crown Prince needs to secure the full support of Saudi Arabia's most important ally, the US, to limit the potentially negative outcomes of the increased international scrutiny that the Kingdom will face as the G20 summit nears. Despite that MbS and the US President, Donald Trump, have so far enjoyed an excellent interpersonal

relationship throughout the latter's time in office and that this has consolidated the Trump Administration's support for Riyadh, unprecedentedly low oil prices have the potential to strain bilateral ties. As a collateral effect, the Riyadh-Moscow oil price war greatly contributed to the collapse of the American energy industry. In reaction, members of the US Congress [lobbied the Trump administration, and wrote open letters](#) to urge Saudi Arabia's Crown Prince to end the oil price war. Even more significantly, Republican Senators introduced consecutive [bills calling for the withdrawal of the US military from the Kingdom's territory](#), aiming to pressure Riyadh in the oil-related negotiations.

Another international dossier in which Saudi Arabia is under pressure is the ongoing conflict in Yemen, in which Riyadh has been fighting since 2015 against Iran-backed Houthi rebels. The spread of Covid-19 inside Saudi Arabia, certainly contributed to the Saudi-led coalition's decision to answer UN truce calls and declare a two-weeks unilateral ceasefire. In Riyadh's calculations, a suspension of the hostilities would benefit the state budget and ease international criticism over the Kingdom's military involvement in Yemen. However, the Houthis have already announced that they intend to continue fighting by targeting Yemen government's assets and the forces of the Saudi-led coalition. The Iran-backed group largely views Saudi Arabia's Covid-19 related preoccupations and distraction as an opportunity to advance militarily on the ground and make potential gains count during future negotiations. The Southern Transitional Council (STC) is another faction in Yemen that is currently attempting to take

advantage of the Covid-19 related chaos. The recent [STC's self-rule declaration](#) adds pressure on Yemen's internationally recognised government and its main patron, Saudi Arabia, to obtain more concessions regarding autonomy for the southern provinces, in exchange for a continued STC commitment in the fight against the Houthis.

Conclusion

All considered, the collapse of the oil prices triggered by the Covid-19 pandemic is reducing Saudi Arabia's ability to implement important development initiatives. In addition, when it comes to Saudi Arabia's most prominent ongoing foreign involvement, the conflict in Yemen, local militias are attempting to exploit the fact that Saudi Arabia is diverting its attention and resources to deal with the Covid-19 outbreak. Covid-19 related restrictions are also stressing the Kingdom's internal social cohesion. To date, the Covid-19 health and economic crisis has not threatened Saudi Arabia's internal stability or the country's foreign policy at their core. However, the longer the crisis of the oil market continues the more the aforementioned issues could turn increasingly problematic.

About the author:

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