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HIGHLIGHTS

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I Political Developments

1. Iraq: On 25 September, the Kurds voted overwhelmingly to secede from Iraq and set up an independent state. This referendum had been announced in July by Masoud Barzani, the president of the Kurdistan Regional Government (KRG). Over the last two months, the Iraqi Government headed by Prime Minister Haidar al Abadi made every effort to persuade Barzani to cancel the vote and discuss federal and other issues with Baghdad. These views were echoed by its neighbours, the US, the EU and the UN Secretary General.

Barzani ignored these blandishments and gleefully announced on 27 September that, in a 72 percent turnout, 92 percent of the voters had opted for freedom. Al Abadi has affirmed the primacy of Iraqi unity, while both Turkey and Iran are conducting military manoeuvres at the borders. Only Israel has supported Kurd aspirations for independence.

The dominant view about Barzani's motive to push for the referendum is that, with the Iraqi government and armed forces distracted by the war against Daesh at Mosul and other fronts, he is using the vote to bolster his sagging popularity, grab as much of disputed territory as possible and thus re-assert his authoritarian rule in the region.

The disputed areas are Kirkuk, Sinjar, Makhmour and Khanaqin, which have mixed ethnic populations but which the KRG has been claiming as part of its domain. Kirkuk is particularly coveted since it has 40 percent of Iraq's oil reserves and the country's richest agricultural land, both of which would be crucial for free Kurdistan. The city, now under Peshmerga control, has a mixed Turcoman, Arab and Kurd population and rising ethnic tensions.

KRG's claims over the disputed areas will almost certainly be questioned – there are already reports that the Iran-influenced Popular Mobilisation Units (PMU) are speeding up the mopping up operations against the Daesh after the capture of Mosul and are moving to challenge Kurdish control over Kirkuk, setting the stage for a bloody confrontation with the Peshmerga.

Given the opposition from the central government and the neighbours, the outlook for independent Kurdistan is grim. KRG territories are landlocked, with the area getting 92 percent of its needs from its neighbours. Its main source of income is from oil exports of about 650,000 barrels per day, but its sole pipeline passes through Turkey, which is also the major buyer of its oil.

The KRG is dependent on contributions from the federal budget, which generously provides 17 percent of the central revenues to the KRG. With hostile ties with the central government and the neighbours, the KRG will hardly seem an attractive destination for international aid and investment and could even face an economic blockade through closure of its pipeline, airports and borders.

Both Iran and Turkey, with large restive Kurd populations of their own, can now be expected to cooperate to neutralise the urge for freedom emerging from Arbil. The distinguished writer, Abdel Bari Atwan, has warned of an "ethnic war" in which the fate of the Kurdish state will be no different from that of the Daesh.

Another emerging area of contention will be Syria, where the US-sponsored Syrian Democratic Forces (SDF), mainly Kurdish, are poised to set up their *Rojava*, western homeland, along the Turkish border. Turkey has made known its opposition to this development: its troops have already entered Syria to bifurcate the Kurdish homeland, setting up the possibility of a military confrontation with the SDF.

The role of the US and Israel in this imbroglio is uncertain. While the US has made strong statements against the referendum, some commentators believe that Barzani could not have persisted with the referendum without tacit US support. A writer in Egypt's *Al Ahram* has described the US as the "true ruler" in the KRG, and highlights its interest to maintain a "permanent and guaranteed military presence inside Kurdistan", which would give it an attractive base to watch and manipulate events in Iran.

The Kurds seem to believe that the US and Israeli backing will help to realise their aspirations for statehood in both Iraq and Syria. But, determined opposition from Iran and Turkey will reveal the true extent and effectiveness of this support. There is every likelihood that Kurdish dreams of freedom could soon turn into a nightmare of competition and conflict, and this referendum will form one more chapter in their history of rising hope and rapid betrayal.

2. Iran: President Trump is expected to unveil a more aggressive strategy against Iran by the end of September that will point to a tougher line by the intelligence agencies and could include seeking regime change in Tehran. The hardening attitude towards Iran was underlined by the appointment in June this year of Michael D'Andrea, a senior CIA veteran known for masterminding covert operations targeting jihadi groups and Iran over the years. D'Andrea is known within the intelligence community as "the Dark Prince" or "Ayatollah Mike" for leading the undercover war against Osama bin Laden over several years that led to the al-Qaeda founder's killing by US Special Forces in May 2011.

D'Andrea's track record of successful clandestine operations as head of the CIA's Counterterrorism Centre during 2006-2015 suggests that he will be aggressive in seeking to destabilise Iran. A convert to Islam, besides the killing of bin Laden, it is believed that he was a key figure in the February 2008 assassination in Damascus — carried out in collaboration with Israel's Mossad agency — of Imad Mughniyeh, the military chief of Hezbollah.

During D'Andrea's tenure in the counterterrorism centre, he also launched the CIA's controversial killer drone campaign against al-Qaeda in Pakistan, Yemen and Somalia that decimated its leadership cadres. These attacks killed several jihadis, but also many more civilians, thus possibly boosting the ranks of transnational jihadi groups with fresh recruits.

President Rouhani at the UN: Separately, in an interview with CNN on 18 September, Iranian President Hassan Rouhani said that the US will pay a "high cost" if US President Donald Trump scraps the Iran nuclear deal. Rouhani said such an action by the Trump administration "will yield no results for the United States but at the same time it will generally decrease and cut away and chip away at international trust placed in the United States of America."

Rouhani said Iran was ready to respond to the possibility of Trump walking away from the agreement. "Given that Mr. Trump's actions and reactions and policies are somewhat unpredictable, we have thought long and hard about our reactions," he said. He said any riposte from Iran would come "quite swiftly" and "probably within a week," adding that "if the US wants to increase the tensions it will see the reaction from Iran."

Later, on 20 September, President Rouhani, in his address at the UNGA, attacked Trump's for his "ignorant, absurd and hateful" speech before the United Nations a day earlier and vowed Iran would not

be the first to walk away from the historic 2015 nuclear deal. He said it would be a pity if the nuclear deal were undone by "rogue newcomers to the world of politics."

Rouhani denied that Iran had ever sought to obtain nuclear weapons and said the ballistic missiles it has been testing would be used only for defensive purposes. "Iran does not seek to restore its ancient empire, impose its official religion on others or export its revolution through the force of arms," he said.

Rouhani's remarks were a response to Trump's fiery speech in which he said that Iran is a "murderous regime" that he put in the same category of rogue nations such as North Korea. Trump had also called the agreement with Iran an embarrassment and "one of the worst and most one-sided transactions the US has ever entered into."

Rouhani presented Iran as a nation pursuing a peaceful world and called the nuclear deal negotiated with the United States and five other world powers a case in point. Characterizing it as an agreement negotiated with six world powers, not just the United States, and endorsed by the U.N. Security Council, he said that "it belongs to the international community in its entirety and not only to one or two countries."

3. Saudi Arabia: On 26 September, a royal decree personally signed by Saudi monarch King Salman bin Abdulaziz directed the Interior Minister to initiate action to enable women in the kingdom to drive motor vehicles in the country. The decree noted that the majority of the Council of the Senior Ulema had agreed that "the original Islamic ruling regards to women driving is to allow it". It also said that those who opposed this view did so on the basis of "excuses that are baseless and have no predominance of thought". The king directed that an inter-ministerial committee to work on the implementation of this decree and submit its recommendations within one month and that full implementation take place from June 2018.

Thus, in a few short sentences the king ended several decades of Saudi tradition which had isolated it world-wide for this unique restriction and condemned it at global fora the world over.

In Saudi Arabia itself, the royal announcement was accompanied by reports quoting Saudi religious scholars emphatically stating that driving by women was not against Sharia. The Secretary General of the World Muslim League, Sheikh Mohammed Al-Issa, a member of the Ulema Council, asserted that women had the legitimate right to drive, which could not be denied to them by an "isolated group". The king, he noted approvingly, had based his decision on Sharia law. Islam did not forbid women from driving; the government was very keen to promote Islamic values, "on which it had built its existence", the venerable Sheikh concluded.

Numerous distinguished commentators rushed to praise the king and his son, Crown Prince Mohammed bin Salman, for their courage and zeal for reform. Maha Akeel said the Saudi national day this year (on 23 September) had an "extra drive" to it, applauding the removal of a major source of global criticism against her country; some of the reasons advanced earlier by clerics to uphold the ban had made Saudi Arabia "the laughing stock of the world", she recalled. (One such reason was that driving would damage women's ovaries, making them infertile.)

Another commentator, Frank Kane, described the decision as a "game-changer" and felt it was part of realising the country's "Vision 2030" strategy of diversifying the economy and boosting private sector employment. Driving would increase women's employment, at present just 15 percent, and national productivity (as women were better-educated and more work-oriented than Saudi men). Again, the improvement in the country's image would improve global investment, while car manufacturers would enjoy a bonanza. The only sector suffering a setback would be the taxi and limousine services! Kane quoted a report saying that the initiative would boost national GDP by 0.4 percent.

The veteran Saudi journalist, Abdul Rehman Al-Rashid, saw the reform as the end of "the mother of all battles" and "the beginning of a new era"; we are now witnessing "a new modern kingdom" taking its place among "civilised nations on a broader scale". The initiative had great political and social significance, Al Rashid said, in that it signalled that the government was committed to reform and change, and would not tolerate opposition from any source in this endeavour.

The remarks of religious scholars that driving by women was not against Sharia, evoked much derisive comment from residents in the kingdom. One asked whether Sharia had now changed, or whether the

clergy had so far been following the wrong Sharia! Another said that the scholars had been told the correct Sharia, which they were now dutifully repeating. One said simply: "Scholars for dollars."

The dramatic lifting of the ban on women driving serves several purposes for the crown prince. It projects him as modern and liberal, a true leader of the youth of his country, which has 70 percent people below the age of 30 years. It also confirms his commitment to his transformation plans in which the youth are to be important partners in the building of a new nation.

The Prince has further endeared himself with the young by taking on the Wahhabi clergy – he has forced it to reverse a firmly-held and cherished position and then allowed it to be lampooned in the national media for its "flexible" position on Sharia.

With the Saudi ambassador's simultaneous press conference in Washington, the announcement of the change was orchestrated to appeal to Trump and the US public. As intended, Trump has responded positively, affirming that the Trump-Al Saud alliance is in place. This has enabled the prince to maintain tough positions against Qatar and Iran, while retaining his links with Israel, an important part of the Trump "doctrine" for West Asia.

4. Syria: The Russian Ministry of Defence announced on 18 September that "Syrian government troops" crossed to the east bank of the Euphrates River using a Russian pontoon bridge and amphibious vehicles. This development has important implications since it sets up the possibility of a direct confrontation between the Russian-backed Syrian government troops and the US-supported Syrian Democratic Forces (SDF) that are largely Kurdish and are reaching Deir ez Zour from the northeast.

Syrian government spokeswoman Bouthaina Shaaban told Iran's Press TV that Bashar al-Assad's "strategic intent" was to halt the SDF's advance, describing the joint Kurdish-Arab brigade as an illegitimate aggressor and equating it with IS.

If Russian and pro-Assad forces hold the bridgehead on the east bank, they will likely block the primary north-south road on that side of the river, forcing the SDF to continue pushing down the IS-controlled Khabur River Valley in order to reach the oil fields further south.

Commentators have noted that the crossing brings Iran closer to its stated goal of creating a land bridge between Iraq and Syria, giving the Islamic Republic another avenue through which to place troops and weapons on the borders of U.S. allies. To head off this growing list of problems in Syria, the United States is engaging in serious diplomacy and communication with Moscow to avoid further military complications.

5. Israel: An important part of the "Trump Doctrine" for West Asia is the promotion of ties between the Saudi-led Sunni Arab states and Israel. Observers believe that progress is already taking place in this area with Gulf States developing covert ties with the Jewish state without establishing formal diplomatic relations. Commentator on West Asian affairs James Dorsey has noted "the willingness of Saudi Arabia, the United Arab Emirates and Bahrain to be more open about their long-standing relations with Israel, [which] reflects their growing common interest with the Jewish state in countering Iran and groups that they include in their sweeping definitions of terrorism". These moves have also boosted Israeli Prime Minister Benjamin Netanyahu who has talked for months about 'breakthroughs' in Israel-Arab relations and recently asserted that "cooperation is much larger than any other period in Israel's history".

In the clearest sign to date of an upgrading of ties between the three Gulf States and Israel, Bahrain's King Hamad bin Isa Al Khalifa authorized Rabbi Marvin Hier, the dean and founder of the Simon Wiesenthal Centre in Los Angeles to announce a series of gestures towards Israel at a ceremony at the centre's Museum of Tolerance. The Bahrain-funded ceremony was attended by the king's son, Prince Nasser bin Hamad al Khalifa, who is commander of Bahrain's Royal Guard and president of the country's National Olympic Committee. The centre released at the event a "Bahrain Declaration on Religious Tolerance" authored by King Hamad, the first of its kind by an Arab head of state. Prince Nasser and Mr. Hier signed the declaration at the ceremony.

According to Dorsey, Bahraini officials recently discussed with Israel the institutionalization of mutual visits, allowing Bahraini nationals to freely travel to Israel and opportunities for trade between their two

countries. Gulf States legally ban their citizens from visiting the Jewish state. A few weeks before Bahrain's public moves, Israeli media reported that a member of a Gulf ruling family, believed to be a Saudi prince, had secretly visited Israel in a bid to kickstart Israeli-Palestinian peace talks.

The UAE is also playing a role in Palestinian affairs by arranging the return to Palestine of its protégé, Mohammed Dahlan, a controversial Abu Dhabi-based former security chief with presidential ambitions. The UAE effort, coupled with Gulf gestures towards Israel, are in tune with the Trump administration's efforts to create an environment conducive to Israeli-Palestinian peace by first strengthening informal ties between the Jewish state and key Arab nations. The administration has been pushing for more open relations on issues like trade as well as more open contacts built on a common front against Iran and militant Islamic groups.

Jewish leaders in the US have been roped into the Saudi-led confrontation with Qatar. Leaders influenced by Saudi Arabia, the UAE and Bahrain have condemned efforts by the Qatari emir Sheikh Tamim bin Hamad Al Thani to meet with the Jewish community during his visit to New York to attend the United Nations General Assembly. (Sheikh Tamim has hired a Jewish PR firm to organize meetings.) Reflecting divisions among American Jewry, Rabbi Shmuley Boteach organized a full-page ad in The New York Times to denounce Jews willing to meet with the Qatari leader. "It is a shameful episode for our community when those who fund the murder of Jews in Israel are being embraced by Jews in the United States," the ad said, referring to Qatari relations with Hamas that have been endorsed by the United States.

6. Qatar: Qatar's Arab critics are targeting a new pressure point in their feud with Doha - the country's ruling family - by permitting state-linked media outlets to portray two little-known Qatari princes living abroad as distinguished statesmen. The two men, hailing from a branch of the ruling Al-Thani family, are Sheikh Abdullah bin Ali, based in London but now living in Riyadh, and his younger nephew, Sheikh Sultan bin Suhaim.

These two sheikhs now feature regularly on Saudi and UAE television channels and are being portrayed as talented decision-makers capable of solving the rift between Qatar and its GCC partners. Praising Saudi King Salman and Crown Prince Mohammed bin Salman, they both called for a meeting of the Qatari ruling family to "discuss the crisis. "Because of the government's current policy that allowed hateful and bitter people to infiltrate Qatar and to spread their poison everywhere, we have now reached the abyss," Sheikh Sultan, based in Paris, said in a statement carried by UAE-based Sky News Arabia TV.

II Oil-Related Matters

1. Prices show an upturn: Almost nine months after OPEC and its non-OPEC partners implemented production cuts in a bid to rebalance oversupplied markets, tighter supply and demand fundamentals are now supporting prices in a higher \$50-55 per barrel range.

Against a backdrop of much stronger oil markets, the OPEC and non-OPEC Joint Ministerial Monitoring Committee (JMMC) concluded its September 22 meeting noted the alliance had reached its highest ever level of compliance in August at just over 115 percent. The JMMC reportedly discussed the possibility of extending production cuts that expire in March 2018 by an additional three to six months to allow more time for markets to rebalance. Russian Energy Minister Alexander Novak, however, said it was too early to make any decisions on an extension. The next JMMC meeting is scheduled for the day prior to the full ministerial meeting on November 30 in Vienna.

Brent futures have increased by an average \$8.60/b from January to mid-September over annual 2016 levels. The OPEC Basket price, a weighted average of selected crudes from member countries, has posted an even stronger recovery of \$9.25/b for the same period, which has provided an extra dividend to revenue of some member countries. By contrast, U.S. West Texas Intermediate (WTI) has posted a lower \$6/bbl, with rising shale production and swelling inventories weighing on prices.

2. ARAMCO IPO delayed: The long-awaited Saudi Aramco IPO, scheduled for mid-2018, could be delayed to 2019. The listing of 5 percent of the world's largest oil company, Saudi Aramco, could bring in

around \$300-\$400 billion, based on a valuation of Aramco at between \$1.5-2 trillion. The cash generated by the IPO has already been earmarked for the coffers of the Saudi Public Investment Fund (PIF), to be used as financial support for Saudi Vision 2030, the economic diversification programme being promoted by Crown Prince Mohammed bin Salman.

International advisors and banks are said to have been appointed, but no decision (officially) has yet been made on where Aramco will be listed: New York, London, Frankfurt and Hong Kong are under consideration.

One reason for the delay is the uncertainty relating to the global oil price. A higher price setting —above \$60 per barrel — would surely drive up the overall interest in the IPO, but this has not yet been achieved despite considerable cooperation between OPEC and non-OPEC members over the last several months.

(The views expressed are personal)
