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## HIGHLIGHTS

- Political Developments
- Oil-Related Developments

## I Political Developments

**Prince Mohammed bin Salman's visit to Washington:** Prince Mohammed bin Salman, Saudi deputy crown prince and defence minister, became the first Arab leader to meet President Donald Trump in Washington and have a well-attended lunch with the US president. Official Saudi sources said that the visit marked a "reset" in the US-Saudi relations, after the estrangement of the Obama years. It also marked a turn-around on the part of Donald Trump who, during the election campaign, had called for greater Saudi contribution towards its own security, and had also pointed out that, but for US backing, the Saudi regime would have collapsed a long time ago.

A Saudi official statement after the meeting referred to it as a "historical turning point" in bilateral ties, and that Prince Mohammed considered the president a "true friend of Muslims". The statement added: "The meeting today restored issues to their right path and form a big change in relations between the two countries in political, military, security and economic issues." An unnamed "senior advisor" said that the prince and the president had identical views on "the danger of Iran's regional expansionist activities".

The Saudis view the Trump administration as an important corrective to the Obama presidency, given the latter's reluctance to join the conflict in Syria and its eagerness to push the nuclear deal with Iran at a time of a serious strategic confrontation between the kingdom and the Islamic Republic. Trump's hardline posture vis-à-vis Iran, his lack of interest in human rights issues, and his business background are other plus points from the Saudi perspective. Saudi commentators have also noted that the kingdom already has close ties with three of Trump's security advisers: secretary of defence Jim Mattis and national security adviser Lt Gen HR McMaster, who have known Saudi Arabia from their earlier military stints in the Gulf, and secretary of state Rex Tillerson, from his time as head of ExxonMobil.

Economic matters are expected to be the glue that will cement bilateral ties: while the possibility of Saudi investment in the US of \$ 200 billion over the next four years has been mentioned in the media, Prince Mohammed is believed to have suggested that the kingdom could even invest \$ 1 trillion over the next decade. The White House has spoken of this "expanded economic cooperation" creating as many as one million American jobs directly and millions of jobs indirectly.

The enthusiasm relating to the Saudi-US encounter reflected in Saudi statements has not found an echo in US sources. The strategic analyst, Gregory Copley, has said that Saudi cries of victory in Washington are "hollow" and even "apocryphal". He quotes unnamed US officials as saying that the president "did not feel any chemistry" with the young prince and that the US administration was reluctant to back the

Kingdom in its various regional conflicts. Simon Henderson of the Washington Institute for Near Eastern Studies has also said that the US media was “muted” about the visit and that Trump had indicated a “coolness” towards Prince Mohammed, possibly because “he showed no apparent deference”. These assessments may not be entirely accurate given indications of increased US military involvement in Syria and Yemen, and US’s obvious hostility to Iran.

On the sidelines of the visit, the Saudi energy minister, Khalid al Falih, had told the US media that the “Justice Against Sponsors of Terrorism Act” (JASTA), passed in 2016, had “stoked tension in US-Saudi relations and threatens to chill Saudi investment in the US”. Within a week of Prince Mohammed’s return from Washington, more than 800 persons injured in the 9/11 attacks and families of those killed filed a lawsuit against Saudi Arabia in federal court in lower Manhattan. The complaint accuses the Saudi government of funding and supporting Al Qaeda and of its officials knowing at least three of the 9/11 attackers.

**King Salman concludes Asian tour:** King Salman of Saudi Arabia completed his month-long tour of Asia with a high-profile visit to China where deals valued at \$ 65 billion were signed. While energy figured prominently in the discussions in Beijing, the king is said to have sought a larger Chinese political role in West Asia.

King Salman’s Asian odyssey, which took him to Malaysia, Indonesia, Japan and China, was aimed at bolstering the Kingdom’s status as the principal oil supplier to these countries at a time when prices are low and the market is most competitive. The strategy its national oil company, ARAMCO, has adopted, is to expand its role in the downstream sector by investing in the region’s refinery projects.

This means assured oil supplies from ARAMCO to the refineries concerned and an influential position in the region’s products and petrochemicals sectors, with attendant marketing and distribution roles as well. These investments will also have a positive impact on the ARAMCO’s valuation when it makes the world’s largest public offering expected in 2018.

Observers have noted that Saudi interest in Asia emerges from its interest in consolidating its presence in a market to which it sells two-thirds of its oil. Asia is also the major trade partner for the GCC countries, having outstripped the European Union recently. But, the kingdom’s interests go beyond oil to investments, technology and logistics: following the king’s visit, Saudi Arabia has approved a Chinese proposal to set up a drones manufacturing facility in the country.

**Syria:** The meeting convened by Russia, Turkey and Iran in Astana on 14-15 March ended without the participation of the opposition teams: the latter accused Russia of failing to uphold the ceasefire agreed to in December. The three convenors agreed to meet again on 3-4 May.

The beginning of the seventh year of the Syrian conflict was marked by two suicide bombings in Damascus which targeted the Palace of Justice and a restaurant, killing 31 persons. Jabhat Fatah al Sham, the former Al Qaeda-affiliated Jabhat Nusra, claimed responsibility for this attack. Jabhat forces also launched attacks on the eastern part of Damascus, but were beaten back after fierce fighting in which government forces used air strikes against the rebels.

The confusing conflict scenario in Syria was affirmed when, under a Russian-sponsored truce, several hundred rebels and their family members, with their personal weapons, were evacuated from Homs and taken to Jarablus, on the Syria-Turkey border. At the same time, other rebels from Tahrir Al Sham (coalition with Jabhat Nusra as its main constituent) launched numerous attacks in Hama, taking several villages from government forces.

Amidst this confusion, Israel has also intervened, with air strikes targeting weapons going to Hezbollah from Syria. Israel then threatened to destroy Syria’s air defence system if its aircraft were attacked in future.

In spite of the heightened attacks from rebel and external forces, the Syrian government appears to be tightening its grip in the country’s major population centres – Aleppo, Damascus, Homs, Hama and Latakia.

The Trump administration, reversing the Obama policy of keeping out of the Syrian conflict, has signalled an enhanced military role in the country by sending in 400 additional troops to Syria, bringing the total US presence to about 800-900, and indicating that another thousand could be sent shortly. Officials have said these troops will not be used in a combat role, but will train the Kurdish-Arab force from the Syrian Democratic Forces (SDF) in the north of the country.

Some commentators believe that the US might deploy more forces in Syria after ISIS has been defeated to avoid a power vacuum in the east of the country which had facilitated the entry of ISIS earlier in 2011. Given the pace of operations against ISIS in Mosul, observers believe that this deployment could take place only at the end of this year.

**Iraq:** As Iraqi forces continue their slow progress against the Islamic State in Mosul, the fighting has led to several thousand persons being displaced from west Mosul, the scene of the present conflict, and seeking refuge in camps or with relatives in the liberated eastern part of this city. It is estimated that about 180,000 people have fled west Mosul, of whom about 110,000 have been accommodated in the already over-crowded camps. The government is attempting to expand the camps to take in another 100,000 persons, but there are fears that, in coming weeks, the number of people fleeing west Mosul could be even as much as 400,000.

Amidst the fighting, Prime Minister Haidar Al Abadi visited Washington from 20 March. At his meeting with Trump, the latter praised him for doing a "good job" and applauded the performance of the Iraqi forces in the Mosul attack. In his public remarks, Al Abadi said he sensed that the Trump administration wished to be "more engaged" in fighting terrorism and added that he had been promised increased support, though details were not spelt out.

Al Abadi on 22 March attended the meeting of the "global coalition" against ISIS, a grouping of 68 member-countries. The meeting agreed to seek a "quick and lasting victory" against ISIS, while Trump promised a tough new strategy to combat ISIS. This might include the deployment of another 2500 troops from the 82nd Airborne, bringing their strength in Iraq to 4000. (Official sources are reluctant to go public with figures of troops deployed in Iraq and Syria to avoid public criticism of this steady expansion of US military presence in West Asian trouble spots.) Al Abadi at the conference called for unity in the region to fight ISIS, while an American senator estimated that reconstruction in the Anbar and Ninewah provinces would cost about \$ 50 billion.

On 26 March, there were reports that possibly 200 persons had been killed in bombings on residential areas, including a basement in which the people had taken shelter from the bombardment. The mayor of Mosul said that ISIS was using the residents as "human shields"; it had locked residents in their homes and placed their flags on terraces, making them the targets of the bombardment. A US general has described the last three weeks of March as the "most kinetic" phase of the Mosul conflict, in that 500 precision-guided munitions have been launched against the city.

As the Iraqi forces are approaching endgame in Mosul, two areas of concern have emerged: one, the fact that ISIS has re-entered some of the provinces from which it had been ejected recently and is carrying out a series of terrorist attacks on the beleaguered populations; and two, the aftermath in Mosul after ISIS has been evicted.

The latter is a particularly serious concern because of the fear of revenge attacks against the Sunni population and the possible assertion of claims on Kirkuk and perhaps Mosul itself by Kurdish forces. An unidentified Iraqi colonel has been quoted in a news report that "reconciliation and winning the peace in Mosul will be harder than winning the war", and blamed politicians for fomenting sectarian differences.

**Yemen:** Stalemate in the fighting and the peace process continued over the last fortnight, with reports of clashes in different areas of the country, but with no clear outcome. The UN special envoy, Esmail Ould Sheikh, has said that the Houthis will have to relinquish their ballistic missiles as part of any future peace deal. He also affirmed that the UN only recognised Hadi as the legitimate president of the country who would approve any peace deal arrived at and appoint a new Vice President and Prime Minister.

At end-March, there were reports that the US might expand its military role in Yemen in support of the Saudi and UAE forces. Defence secretary Jim Mattis has recommended to national security adviser McChrystal that “limited support” from the GCC allies would enable the US to confront a “common threat”. Commentators see in this initiative support for the anti-Al Qaeda offensives of the UAE and greater aggressiveness against Iran. Saudi Arabia has contended forcefully as the principal military and political support behind the Houthis and has supplied the latter with lethal ballistics used both against sea and land targets, the latter against Saudi Arabia in the border areas.

**President Rouhani visits Russia:** Iranian president Rouhani visited Moscow on 27-28 March, signalling the solid political and economic ties between the two countries. During the visit, ten economic agreements were signed, covering trade, investment, energy and transport projects. The two countries are partners in Syria and are said to be coordinating their approach to Afghanistan. Thus, defence cooperation is an important aspect of their relationship, with supply of defence equipment and systems from Russia even as Iran has announced that it will allow Russia to use its air fields to carry out bombing raids against rebel targets in Syria.

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## II Oil-Related Developments

The fall in oil prices that began on March 7 in response to news of high US inventories has not recovered as US inventories continued on their upward trajectory. Brent prices hovered around \$ 51, higher than the low of \$ 47 they had reached in mid-March; WTI remained around \$ 47.

To boost market confidence, Saudi energy minister, Khalid al Falih, said on 17 March that OPEC and its associates could extend their agreement to cut production beyond 30 June if the global inventory situation continued to be excessive. Again, though there are reports that some OPEC and non-OPEC members have not been fully complying with their production cut commitments, al Falih said he believed “in the sincerity of their effort”. He also said he had warned US shale oil producers that, if they with their excessive production of 3-4 years ago, the global market would not absorb it. OPEC will take a view on continuing production cuts at its meeting in Vienna on 25 May.

The Dammam-based Arabian Petroleum Investment Company (Apicorp), that is owned by the ten Arab oil producers, has said that even with the existing cuts oil prices will not go above \$ 60 this year on account of the high inventories built up by consumers and the increasing shale oil production.

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*(The views expressed are personal)*

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