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HIGHLIGHTS

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I Political Developments

1. Iran: The principal ongoing debate in political and media circles in the US is the Trump administration's hostility to Iran and the likelihood that the nuclear agreement with Iran would be unilaterally terminated by the US and that the two countries could even "sleepwalk" into a direct military conflict.

The discussion in the US got sharper from mid-July, the second anniversary of the nuclear agreement, when critics recalled Trump's description during the election campaign that it was "the worst agreement ever negotiated". Critics of the agreement, including the President and some Senators, have been complaining that the accord has not changed Iran's regional behaviour, pointing to Tehran's continued support for regional proxies and ongoing ballistic missile tests as proof.

Other critics, including Senators Tom Cotton, Ted Cruz, David Perdue, and Marco Rubio, wrote a letter to the administration suggesting that Iran may actually be violating the agreement. They allege a range of technical violations, even though the International Atomic Energy Agency and the State Department have confirmed Iran's compliance. The commentator Robin Wright has written that Trump is "determined to destroy it [the agreement], without a coherent or viable strategy, so far, to replace it. It's also not clear that Trump fully understands its details, complex diplomatic process, or long-term stakes any more than he does health care."

Wright said that Trump fought the unified recommendation of his entire foreign-policy and military teams, including Tillerson; Mattis; the Joint Chiefs chairman, General Joseph Dunford; and the national-security adviser, H. R. McMaster, to certify to Congress—as required every ninety days—that Iran is complying with its obligations in the deal. Trump certified it earlier, in April, and finally agreed to do it again, on 19 July, but, reportedly, he does not want to do it a third time, in October.

To appease the president, his officials have prepared a list of complaints—on Iran's missiles, support for terrorism, aid to Syria, hostility to Israel, human-rights abuses, and cyberattacks—to show that Tehran is in "default of the spirit" of the nuclear deal. This laid the groundwork for a more aggressive policy. On 20 July, the Administration slapped new sanctions on eighteen individuals and entities linked to weapons development or procurement and software theft. In a joint statement, the State Department, Treasury Department, and Justice Department denounced Tehran for undermining "regional stability, security, and prosperity."

On 21 July, Jana Winter wrote in Foreign Policy that, dissatisfied with Tillerson on Iran, Trump has instructed a group of trusted White House staffers to make the case for withholding certification of Iran at the next 90-day review of the nuclear deal. The goal was to give Trump what he feels the State Department has failed to do: the option to declare that Tehran was not in compliance with the nuclear agreement.

David Sanger has said in the New York Times that US officials have already told allies they should be prepared to join in reopening negotiations with Iran or expect that the United States may abandon the agreement, as it did the Paris climate accord. According to some foreign officials quoted in this story, the United States has begun raising with international inspectors in Vienna the possibility of demanding access to military sites in Iran where there is reasonable suspicion of nuclear research or development.

Israel also got into some of its own sabre-rattling when Yaakov Amidror, former national security adviser, said that Iran's heightened "legitimacy" was derived from the nuclear agreement, which had made its military expansion possible; he said: "The ability of the Iranians to do what they are doing now in Syria and Iraq, and be involved in both Syria and Iraq, and their relations with Hezbollah, it is all built on the legitimacy they gained from this [nuclear] agreement." He concluded: "Israel may need to take out Iranian bases in Syria."

Supporters of the agreement, such as Philip Gordon and Richard Nephew, point out that, without the agreement, "Iran would today likely be only weeks from possessing enough weapons-usable material for a bomb. And without the verification procedures Iran committed to in the agreement, the international community would have no reliable way of knowing if it was stockpiling that material—until it was too late." They also note that Iran's role in the region has little to do with the agreement; they write: "The reality is that, for Iran, supporting its regional proxies is relatively cheap, and, in absence of a broader policy change (which should remain a U.S. goal), is likely to continue regardless of the regime's economic health, which remains mediocre."

Iranian foreign minister Javad Zarif visited the US to salvage the agreement. He rejected the option of re-opening negotiations on the agreement, and regretted there was no direct contact between him and Tillerson. Following the new US sanctions, the Iranian parliament responded by increasing funds for Iran's missile programme, the Revolutionary Guards, and its élite Quds Force, which has a presence in Syria, Iraq and Lebanon.

2. Qatar crisis: The embargo on Qatar by Saudi Arabia, the UAE, Bahrain and Egypt, continued in place as the diplomatic initiative by secretary of state Tillerson ended in "failure and humiliation", as described by commentator Thomas Siebert. Tillerson had ruefully admitted at the end of his mission that "the parties are not even talking to one another at any level". Siebert later said that the failure revealed that the US did not have the "credibility to mediate the Qatar crisis", given its long record of failure in West Asia following its interventions in Afghanistan and Iraq from 2001 onwards.

Tillerson's initiative had been dogged by public differences between him and his president: he had described the Qatari position as "reasonable"; Trump said that he and Tillerson had "a little bit of a difference, only in terms of tone" on the Qatar issue. Qatar was "known as a funder of terrorism," Trump insisted, "and we said you can't do that." He also said the United States would have no problem giving up a key military base in Qatar. "If we ever had to leave, we would have ten countries willing to build us another one," he said.

Later, on 14 July, Trump reiterated support for the countries boycotting Qatar in a phone call with Saudi King Salman bin Abdulaziz, when he "emphasised the need to cut all funding for terrorism and discredit extremist ideology," the White House said in a statement.

Shortly after the Tillerson visited Turkey and reaffirmed Doha's commitment to enhancing military cooperation with Ankara. Both Thani and his Turkish counterpart, Mevlut Cavusoglu, rejected the Saudi-led bloc's demand that the Turkish military base in Qatar be shut down.

Separately, the United Arab Emirates warned that it expected the dispute to last a long time. "We are headed for a long estrangement... we are very far from a political solution involving a change in Qatar's course and, in light of that, nothing will change and we have to look for a different format of relations," UAE Minister of State for Foreign Affairs Anwar Gargash said.

3. Palace intrigues in Saudi Arabia: On July 18, the global media carried stories of how Saudi crown prince Mohammed bin Nayef was ousted from his position and replaced by his cousin, deputy crown prince Mohammed bin Salman. The reports said that in the previous month, on June 20-21, the Saudi monarch, King Salman bin Abdulaziz, had summoned the crown prince for a meeting in Mecca. The monarch told the prince that he had refused to take treatment for his addiction to pain-killers, which had impaired his judgement. He then asked the prince to step down and make way for his son and Nayef's deputy, Mohammed bin Salman.

Soon thereafter, the ousted crown prince was confined to the room, deprived of his mobile and denied outside contact, while his personal guards were replaced. Then, a letter from the king was read out to each member of the Allegiance Council, the 37-member body of princes empowered to approve the appointment of the crown prince, which mentioned the prince's addiction and asked that he be relieved of his position and Mohammed bin Salman be appointed in his place.

The responses of support (34 out of 37 princes) were recorded and played before the crown prince, finally persuading him at day-break that he had no support within the royal family. He accepted his downfall and signed the resignation letter.

There are persistent reports that the former crown prince is under house arrest, though these have been firmly denied by official Saudi sources.

When these stories first appeared, they were sourced to the ousted prince's aides. However, later reports say that this was most unlikely: they say that the points made in the articles would not have been made by any friend of Mohammed bin Nayef to the foreign media as they speak of a man with impaired judgment, the one quality the former crown prince prides himself on. Fingers are now being pointed instead at Saud al-Qahtani as the source of the story that Mohammed bin Nayef is a drug addict. Saud al-Qahtani is said to be the principal hatchet-man of Prince Mohammed bin Salman in the Royal Court.

Within a few days of these reports, there was news of a major revamp in the country's security and intelligence setup. A new Presidency of State Security has been set up, and is attached to the Prime Minister's office (the king is also the Prime Minister), not the interior ministry, along with several other security and intelligence departments.

A week later, the Wall Street Journal reported that a video has been recorded in recent weeks in which the king says the time has come for Mohammed bin Salman to become king. Such an announcement, according to "people familiar with the royal court," could be used upon the king's death or as a public abdication announcement.

These new arrangements seem to have the blessings of the Trump presidency: even as these important changes were taking place in Riyadh, the State Department released a statement praising the strong US-Saudi counter terrorism partnership. The content and timing of the statement suggest that, despite the US's close ties with the former crown prince, it now supports the rapid elevation of Mohammed bin Salman.

These unprecedented changes in the royal family, which have seen the removal of two crown princes to facilitate the untrammelled authority of one young prince, have led to considerable speculation about possible resistance to Mohammed bin Salman's accession to the throne in the event of King Salman's death or abdication. Prince Mohammed bin Salman seems to be depending on the backing of the Trump presidency to ensure his trouble-free accession. Given Trump's own unpredictability and the US's low credibility, it is not clear if this will be sufficient.

4. Yemen: The UN Special Envoy for Yemen Ismail Ould Cheikh Ahmed announced the details of a plan to effectively remove the governorate of al-Hudaydah from the Yemeni civil war and declare it a "safe zone". The governorate is to be administered by a third Yemeni party which is not affiliated with the "legitimate" government of President Hadi or the Houthi-Saleh alliance. The various key parties in the Yemen conflict will participate in the "Supreme Council for the Governorate of Al Hudaydah" with one member each; these include: Al-Mu'tamar (Saleh's General Peoples' Congress), Ansar Allah (the Houthi Movement), Islah Party, and the Hadi government, along with three to five persons who are not affiliated with these parties; one of those nonpartisan members will be appointed as the president of the council.

The council will function through sub-committees made up of those who have not participated in the military operations or were not previously a part of the administrative parties; the committees are: security and military committee; the port reconstruction and operations committee; the airport reconstruction and operations committee, and the services committee. The plan also includes the payment of salaries to civil servants, and spells out the role of the “international community”.

If implemented, the “al-Hodeidah Plan” could serve as a model for a nation-wide peace agreement. The Government of President Abd Rabbo Mansour Hadi and the Government of Egypt have reportedly announced their support for the plan, it is not yet clear whether any of the other warring parties will agree to the plan.

Some problems have already emerged. On 27 July, Reuters reported that the Saudi-led military coalition and the government of Yemen had denied four oil tankers access to Hodeidah port last week, a move that could hurt the flow of aid and exacerbate a cholera outbreak in the country. The four ships were carrying just over 71,000 tonnes of fuel, which represents over 10 percent of Yemen’s total monthly fuel needs.

More than 1,900 people have died from cholera in Yemen and 400,000 cases have been reported since the start of the outbreak in April. Since the disease spreads in polluted water, fuel is needed to run pumps for clean water and power generators in hospitals, among other uses. Yemen is also facing a looming famine: about seven million Yemenis, nearly a third of them malnourished children, are on the cusp of starvation; the number who do not have enough access to food is much higher, estimated at 17 million.

II Oil-Related Developments

NA meeting of the Joint Ministerial Monitoring Committee (JMMC), set up to monitor compliance with announced production cuts by participating OPEC and non-OPEC countries, took place in St Petersburg on 24 July. The meeting occurred in the background of increased US oil production, standing at 600,000 b/d, and increases in Nigerian and Libyan production of about 700,000 b/d. At the meeting, Saudi Energy Minister Khalid al-Falih said his country would limit crude exports to 6.6 million barrels per day (bpd) in August, down almost 1 million bpd from a year earlier. Nigeria also agreed to join the deal by capping or cutting its output from 1.8 million bpd once it stabilizes at that level.

Accordingly, following the meeting, oil prices rose 3.3 percent on 25 July to the highest close in more than a month. Brent crude futures rose \$1.60 or 3.3 percent to settle at \$50.20 a barrel, the first time the benchmark closed above \$50 since June 6. U.S. West Texas Intermediate futures rose \$1.55 or 3.3 percent to settle at \$47.89 a barrel, the highest close for that benchmark since early June.

(The views expressed are personal)
