



DISPATCH

The Saudis Go for Broke Against Iran

Riyadh and its allies are aiming to use their financial leverage to remake the Arab world — but their strategy could just as easily backfire.

BY [DAVID KENNER](#) | NOVEMBER 8, 2017, 11:14 PM



People in Riyadh watch a projection depicting a portrait of Crown Prince Mohammed bin Salman during an event on Sept. 23 commemorating the anniversary of the kingdom's founding. (//AFP/Getty Images)

BEIRUT — It's not only struggles for political office or military dominance that are rocking Saudi Arabia and Lebanon this week. Increasingly, Saudi officials and their Lebanese allies are banking on the idea that control over financial levers of power is the key to achieving their foreign-policy objectives and domestic political ambitions.

In Lebanon, Prime Minister Saad Hariri's [resignation](#) over the weekend from Riyadh — in a speech where he vowed to “cut off” Iran’s hands in the region — has raised fears that the country is heading toward a proxy war between Riyadh and Tehran. Saudi Arabia supports a number of Lebanese political actors, most prominently Hariri, and has increasingly pressed them to align themselves against Hezbollah, the powerful political party and militia supported by Iran. Members of Hariri’s party, however, threw cold water on the idea that the country is on the verge of a military confrontation.

“It takes two to tango, and there’s only one on the dance floor,” said Bassem Chab, a member of parliament who belongs to Hariri’s Future Movement.

In other words, the balance of force is so lopsidedly in Hezbollah’s favor that its rivals cannot hope to confront it militarily. Instead, Chab pointed to a different weapon that he believes gives Hariri and his Saudi allies leverage in the country’s internal political drama: the resigned prime minister’s role in propping up the Lebanese economy.

“[Hariri] was basically the liaison who kept relations with the West and kept relations with the Gulf states,” Chab said.

In effect, Chab said, Hariri’s premiership served as a moderating influence, keeping the United States and the Gulf countries from dialing up the pressure on the country due to Hezbollah’s impact. Hariri [lobbied](#) Washington over the summer to water down proposed sanctions on Hezbollah, which could cause American banks to exit the Lebanese market. Following a meeting with U.S. President Donald Trump, after which Trump [hailed](#) the role of the Lebanese Army, Hariri’s team also [expressed confidence](#) that military aid would continue despite budget cuts to the U.S. State Department. Chab also pointed to the possibility that the European Union could designate all of Hezbollah — rather than just its military wing, which is already designated — as a terrorist organization, throwing its relationship with the Lebanese government into turmoil.

The Lebanese economy has grown less than 2 percent in the last two years, and it has been further burdened by a massive refugee influx from Syria. Some analysts have [expressed fears](#) that the economy is poised for a crash, as it suffers from an unsustainable banking sector and inflated real estate prices.

But even if Hariri could help prevent the Lebanese economy from going over the brink, some experts are skeptical that this will allow him to extract concessions from Hezbollah.

“The question is whether greater economic pain translates to greater pressure on Hezbollah strategically,” said Emile Hokayem, the senior fellow for Middle East security at the International Institute for Strategic Studies. “Hezbollah as a movement needs financing, but it won’t stop operating because of that. And expecting that the state will be more likely to crack down on Hezbollah because of economic distress is wishful thinking — if anything, the state will be crippled and unable to do that.”

As Hariri hopes to use his role in sustaining the Lebanese economy to chip away at Hezbollah’s power in Beirut, Saudi Crown Prince Mohammed bin Salman’s sweeping crackdown against his own country’s business tycoons seems aimed at building a more centralized state — one capable of carrying through with reforms at home and confronting Iran across the region. *The Wall Street Journal* [reported](#) on Tuesday that the Saudi government is targeting assets worth as much as \$800 billion owned by arrested businessmen, whom it accuses of corruption, for seizure.

“I think we’re seeing Mohammed bin Salman remaking Saudi Arabia into the state that he intends to rule over for the next half-century,” said Kristian Coates Ulrichsen, a fellow for the Middle East at Rice University’s Baker Institute for Public Policy.

The sons of Saudi Arabia’s founding king, Ibn Saud, have ruled the kingdom since 1953 but have now almost entirely passed from the political scene. Ulrichsen said that Saudi Arabia is experiencing the repercussions of that transition: As the old guard loses its hold on power, Mohammed bin Salman has seized the opportunity to break up the entrenched economic interests that thrived off political connections to those princes.

Even before the current wave of arrests, former powerhouse Saudi businesses had fallen on hard times. The Saudi Binladin Group, a construction conglomerate, has seen previously lucrative government contracts [dry up](#) in recent years, forcing it to lay off tens of thousands of workers. The chairman of the Binladin Group, Bakr bin Laden, was one of the most prominent figures arrested last weekend. The changing of the guard has also affected Hariri’s fortunes: Saudi Oger, which is owned by his family, [was forced](#) to shut down over the summer. The construction company’s success initially propelled the Hariri family to political prominence in Lebanon — it even built Riyadh’s Ritz-Carlton hotel, where the princes and businessmen detained in the wave of arrests are currently being held.

But while Hariri’s Saudi business empire has withered, he and the crown prince share a desire to roll back Iranian influence. Mohammed bin Salman’s effort to remake Saudi Arabia is geared toward turning the kingdom into the region’s unquestioned power: He launched a war in Yemen to roll back what he describes as an Iranian proxy on his doorstep, organized a blockade of Qatar in part because of its alleged coziness with

Tehran, and recently [blamed](#) the 1979 Iranian revolution for Saudi Arabia's increasing social conservatism.

But if the crown prince hopes to bolster the kingdom's economy to confront Iran across the Arab world, he needs to attract foreign investment. The effort to woo investors is a cornerstone of his economic reform plan for the kingdom: Just two weeks ago, he [presided over a conference](#) where he aimed to convince foreign investors that he was diversifying the kingdom's economy and pushing society in a more liberal direction. Much of his success will now depend on convincing those same investors that he is building a more just, rules-based economic order than the one he has swept aside.

"Investors are basically looking at the outcome of these arrests," said Nabil Al Rantisi, the managing director of brokerage at Menacorp, a United Arab Emirates investment firm. "If it's only to fight anti-corruption and get the state its money back from whatever these people were doing, then they see it as a very good thing. If it looks like Saudi is trying to increase transparency, that could lead to attracting more foreign investment to the kingdom."

To make that determination, Rantisi said, investors are looking to see how the Saudi government moves forward with the prosecution of the accused princes and businessmen. They are looking for evidence that the cases will be handled in a transparent manner, and that there will be a legal process for recouping funds determined to have been taken illicitly.

Saudi Arabia's young crown prince, in other words, has taken on a series of massive tasks. In just the past week, he has set his Lebanese allies on a collision course with Hezbollah and swept away key pillars of Saudi Arabia's old economic order, and now he must assuage the concerns of investors whom he is aggressively courting. But while a domestic Saudi audience may applaud Mohammed bin Salman's efforts as taking on entrenched interests and Saudi oligarchs, Ulrichsen said, a foreign audience is likely to see these moves in a different light.

"The timing of this seems to be almost self-defeating — unless he was calculating that by cracking down so forcefully on corruption, as his people would say, he could convince international investors that they are clearing the field so that you can come in," Ulrichsen said. "But I have a feeling that is not the message that is going to be received, even if it's the one they were trying to send."

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