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Budget Problems of Saudi Arabia: Consequences in the Sphere of Security and Regional Policy

Abstract

The article presents an analysis of the Fiscal Balance Program, which has been implemented in Saudi Arabia since the beginning of 2017. The text discusses budget data from recent years and budget assumptions for 2018, and then assesses the extent to which they have a chance of implementation. The second part of the article describes political threats. The conclusion of the article emphasized that economic assumptions are difficult to achieve, but possible, however, one should take into account the delay in their implementation. The real challenge for implementing the plan to heal the finances of the state will be the inevitably impending moment of change on the throne, when internal problems can lead to uncontrolled changes, and external competitors may try to take advantage of this crucial moment.

Keywords: *Saudi Arabia, Fiscal Balance Program, Vision 2030, Middle East*

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Introduction

The Middle East has been constantly torn apart by conflicts for a hundred years, the fall of the Ottoman Empire. One of them is the endless dispute around Palestine. Another is due to the progressive radicalization of some groups building their identity on extreme forms of Islam and manifests itself in the clash of such a vision with a more moderate or even secular vision of the state. The most painful example of such a grouping is the Islamic State, although it is not the only organization of this type.

Another conflict is the Kurdish problem, affecting Turkey, Iraq, Iran and Syria. Another important conflict in the Middle East is the dispute between the Sunni and Shiite branch of Islam. And although it stems from religious premises, it has its obvious political repercussions due to the struggle for local hegemony over the Middle East by Shi'ite Iran and Sunni Saudi Arabia. Turkey should be added to the claimants for the role of a hegemon, trying to rebuild its dominant position. Finally, great world powers also maintain their influence in the region. First of all, they are the United States, whose closest allies are Israel and Saudi Arabia. It was these countries that were the first destination of the foreign trip of President Donald Trump, which perfectly shows their importance in world politics. At the same time, Russia is rebuilding its influence in the region by cooperating with Iran and Syria, as well as with Turkey, i.e. Saudi competitors.

It is important that Saudi Arabia plays an important role in virtually all of the conflicts listed above. Most extreme religious groups are associated with a radically Salafist version of Islam, which is very close to Wahhabism dominating the Saudi kingdom. This interpretation of Islam is also the most hostile to Shiites. It is not surprising then that Saudi Arabia and Iran clash in many fields, sometimes waging substitute wars such as in Syria or Yemen. It is also no accident that Saudi Arabia supports the Kurds, which is intended to weaken the main competitors to hegemony in the region.

Finally, it is Saudi Arabia, especially recently, which is establishing stronger contacts with Israel and is accused in the Arab world of abandoning the Palestinian case, while Iran is fooling with anti-Israeli slogans, while Turkey hesitates to take different attitudes depending on the situation. So a quiet coalition of Israel and Saudi Arabia is formed against Iran and its allies. She enjoys the support of President Donald Trump, known for his anti-Iran rhetoric.

There is therefore no doubt that the involvement of Saudi Arabia is important in resolving most of the conflicts in the Middle East. Of course, the country's position is largely due to its role in the global economy. We are talking about the largest global oil exporter. In addition, the Saudi kingdom is the leader of the Gulf Cooperation Council and has a dominant voice in the Organization of the Petroleum Exporting Countries (OPEC), which further increases its position on the oil market. It is not surprising then that Saudi Arabia is widely perceived as a country with a huge, almost infinite number of petrodollars. However, the reality is not so simple. Since oil prices have fallen sharply in the second half of 2014, Riyadh's economic situation has become increasingly difficult to gradually lead to a practical collapse of the budget. This caused Saudi Arabia to be threatened by the specter of losing its economic and, consequently, political position. The kingdom authorities are therefore trying to repair the difficult budget situation at the price of large savings on the one hand and significant investments on the other.

The article presents an analysis of the Saudi Arabia State Finance Remedial Program implemented since the beginning of 2017. At the beginning, the initial situation of the 2015-2016 budget and the major recovery program that began to be implemented in 2017 will be presented. Since we have data for 2017, we can assess to what extent these attempts have been successful. This analysis will concern both the size of the deficit and the structure of budget revenues and expenses. Then, the budget assumptions for 2018 will be discussed, with particular emphasis on planned GDP growth, the amount and structure of spending and revenue and the possibility of covering the deficit. After presenting budget data from recent years and the budget for 2018, you can already answer to what extent recovery plans are realistic in economic terms.

However, apart from the economy, politics also influences the possibility of implementing reforms, which is why the second part of the article describes political threats. It was divided into threats arising from the internal political situation and those that carries foreign policy led by Saudi Arabia.

The article ends with a summary containing conclusions on the possibilities of successful implementation of planned and ongoing budget reforms and critical points of the recovery program.

Initial situation

From the point of view of Saudi Arabia's budget, 2015 was a catastrophic year. The state budget deficit this year amounted to SAR 367 billion ($ 98 billion), which accounted for 14.8% of GDP. Therefore, the authorities of Saudi Arabia began intensive work on economic reforms. Their broad plan was included in the *Vision 2030* program presented in April 2016[1]. However, this plan is – as the name implies – rather a vision of how the authorities would like the country to look in a dozen or so years. To this end, a reconstruction of the economy was announced to lead to more independence from its extraction and export of crude oil. Significant changes in social policy were also assumed, including broader access of women (i.e. half the population) to the labour market.

These plans are so long-term and general that it is difficult to assess their implementation in the short term. On the other hand, the budget crisis demanded decisive, quick and most importantly concrete actions. Therefore, as part of the *Vision 2030* program, a program for healing state finances, i.e. the *Fiscal Balance Program 2020* (2016), was also created. It has been prepared in three versions, due to the information policy referred to as: "basic" (liquidation of the budget deficit in 2019), "conservative" (elimination of the budget deficit in 2020) and "very conservative" (small budgetary deficit in 2020). In fact, one should rather assume that the "conservative" version is the basic one, the "very conservative" one is a pessimistic option, while the "basic" one is the optimistic version.

The plan assumed that in 2016, that is when the program was being developed, the deficit in every possible version of the program would amount to SAR 297 billion (about $ 79 billion). Interestingly, the draft Saudi budget for 2016 assumed a larger deficit of SAR 326 billion (about $ 87 billion) (Al Arabiya News 2015). Although the final deficit for 2016 turned out to be slightly smaller, as it amounted to SAR 311 billion (about $ 83 billion) (General Authority for Statistics 2016, *Chapter 11: Financial and Monetary Affairs and National Accounts (Actual Revenues & Expenditures for the Kingdom's General Budgdet*), but at the outset the plan was a bit out of the picture: it was "slightly" around $ 4 billion, or around 4.5% of the total deficit. This was due to lower than expected

[1] This vision has been supplemented with a slightly more accurate and intended to close in a shorter time perspective (first five-year) *National Transformation Program 2020* (2016). In the middle of 2017, another document was also published, more specifically discussing individual projects within the entire program, *Strategic Objectives and Vision Realization Programs*.

revenues (instead of SAR 528 billion there were 519 billion SAR) and larger expenses (instead of 825 billion SAR there was 830 billion SAR) in 2016. Although the deficit in absolute numbers in 2015-2016 decreased quite significantly (from SAR 367 billion to SAR 311 billion), but in relation to to GDP in 2016 amounted to as much as 12.8% (*Ibidem*), which was a very worrying result, although better than in the previous year.

Plans for 2017

The Fiscal Balance Program 2020 for 2017 assumed a deficit reduction, depending on the version, to SAR 198 billion (approx. $ 53 billion, "basic" version), or 236 billion SAR (approx. $ 63 billion, conservative version), or even an increase in the deficit to SAR 336 billion (not $ 90 billion, "very conservative" version). Each version assumes the same state expenditure of SAR 890 billion (about $ 237 billion). The difference was only on the revenue side of the state. Depending on the version, income was assumed to be: 692 billion SAR (about $ 185 billion), 654 billion SAR (about $ 174 billion), or 528 billion SAR (about $ 141 billion) (*Fiscal Balance Program 2020* 2017, p. 81).

Figure 1. Basic assumptions of the Fiscal Balance Program, December 2016

Source: *Ibidem*.

In the following years (up to 2020), regardless of the level of income in individual versions of the program, expenditure was projected at a constant, increasing level each year (in accordance with Wagner's law). Of course, it can be assumed that Saudi Arabia has the financial resources and the possibility of taking loans to cover the deficit regardless of its size, but – as will be shown below – such an assumption is too optimistic. Anyway, the authors of the Financial Balance Program themselves admitted that without reforms, the state's account will fall to zero – depending on the version – in 2018 or 2020 (*Ibidem*).

Implementation of the first year of the *Fiscal Balance Program 2020*

2017 deficit

Since the first year of implementation of the *Fiscal Balance Program 2020* is behind us, moreover, budget assumptions for 2018 are known, it is worth looking at how the economy is developing, and above all, what are the results of the budget of Saudi Arabia.

According to the official budget, the deficit in 2017 was to be, according to the basic version of the *Financial Balance Program 2020*, SAR 198 billion (about $ 53 billion), with budget revenues of 692 billion SAR (about $ 185 billion), and expenses 890 billion SAR (about $ 237 billion). In relation to GDP, the deficit was supposed to be 7.7% (Ministry of Finance 2017a, pp. 21-23). However, according to preliminary estimates from December 2017, amounting to SAR 230 billion (Ministry of Finance 2017b, p. 27), the reality was slightly different.

Ultimately, the deficit was SAR 238.5 billion (around $ 63.5 billion)[2], i.e. it exceeded the plan by just over 20%. This means that the deficit in relation to GDP was about 9%, against the assumed 7.7%. This is obviously a progress compared to 12.8% in 2016, but it is still more than worrying. It is enough to remind, for comparison, that the convergence criteria for countries applying for joining the euro area amount to a maximum of 3% of the budget deficit in relation to GDP.

[2] The final budget data for 2017 was not announced for quite a long time, so that even the official statistical yearbook published in May still gave only estimates. The situation is similar with GDP data, although in this case also in previous years the years published around half of the year gave only preliminary data. Only the report on budget implementation in the first quarter of 2018 published in July showed full data on the deficit (Ministry of Finance 2018, p. 7).

Revenue 2017

While the amount of the deficit was different from the assumptions, the income side of the budget was practically fully realized. We managed to get SAR 691.5 billion (about $ 184 billion) of income[3]. Therefore, it seems that the reform assumptions in this regard have proved to be correct. However, when you look more closely at what the increase resulted from, you can see clear problems ahead of future budgets. Well – according to the Vision 2030 program – the increase in state revenues was to be the result of economic development, especially of the non-oil sector. In turn, in the 2017 budget, the increase in revenues was due to an increase in visa and local fees, taxes for foreigners and the introduction of excise duties on tobacco products, beverages (non-alcoholic, of course) and energy drinks (Ministry of Finance 2017b, p. 27). All these increases have been realized.

However, the increase in income from this type of sources in no way indicates the development of the economy, but only an increase in the fiscal burden. Budget revenues that indicate the development of the economy are mainly associated with income and turnover taxes. However, it should be remembered that in Saudi Arabia citizens do not pay either PIT or CIT, but only a religious Zakat of 2.5%. VAT, however, in the amount of 5%, was introduced only from January 1, 2018. Income taxes and capital gains taxes fell by 6% in 2017 compared to last year. Officially, the main culprits were foreign companies paying them and avoiding taxation, especially the tax introduced since July 2017, which can be called poll tax, in the amount of 100 SAR per month per family member (Ministry of Finance 2017b, p. 28).

In fact, the decline in revenues is, however, associated with a decline in GDP, which, according to estimates, decreased by about 0.9% (General Authority for Statistics 2017, *Chapter 20: GDP and Household Expenditure*). Even a significant increase in oil prices in 2017 did not help here, whose average year-round price increased from $ 40.68 in 2016 to $ 52.51, so it was 29% higher. It should be noted that oil production was virtually constant throughout the year and fluctuated around 10 million barrels per day (Trading Economics a.). Meanwhile, oil-related GDP (around 45% of the Saudi economy) was expected to fall by 4.3% year-on-year in 2017 (Ministry of Finance 2017b, p. 24). This

[3] Preliminary estimates were slightly more optimistic and reported revenues of SAR 696 billion (about $ 186 billion). Ultimately, however, revenues were verified slightly down (*Ibidem*).

can only partly be explained by the slight reduction in oil production compared to 2016[4], which was the result of the OPEC cartel agreement.

A slight increase in GDP in the non-oil sphere (by 1.5%)[5] was not able to change the negative trend of the whole economy. it is interesting that at the same time the budget revenues from oil sales in 2017 were to be 32% higher than the year before[6]. This may indicate a greater emphasis on channeling profits to the budget. Perhaps the Saudi authorities' anti-corruption campaign also gives some effect. Other budget revenues also increased significantly (by 33%)[7], however, the above-mentioned increases in fees and excise duties played a significant role here.

Therefore, a clear increase in budget revenues in 2017 does not mean that a long-term economic development strategy has been implemented, but rather an *ad hoc* increase in the fiscal burden. In the next year it will no longer be possible to increase revenues based on the same sources, you can even expect some decline. It will result from a decrease in the number of foreign employees for whom Saudi Arabia will cease to be such an attractive country, due to the declining economy and the increase in visa fees and taxes for foreigners.

Expenditure 2017

The expenditure side in the 2017 budget looked slightly worse than revenue. It was assumed that expenses would amount to SAR 890 billion (about $ 237 billion). Meanwhile, around 930 was finally released, i.e. by 4.5% more than planned and by 12% more

4 In the first half of 2016, production remained at around 10.200.000 barrels per day, to around 10.600.000 barrels per day in the second half (Trading Economics a.).

5 These are preliminary estimates, although the data for the first half of the year speak about an increase of only 0.6% (Ministry of Finance 2017b, p. 24).

6 *Ibidem*, p. 27. It seems, however, that such a high increase in budget revenues from the sale of oil has not been realized, because the final data show that instead of the planned 480 billion SARs (about $ 128 billion), only less than SAR 436 billion (about $ 116 billion), i.e. in this segment about 91% of assumed revenues were obtained (Ministry of Finance 2018, p. 7).

7 Initially, their increase was estimated at 38% (Ministry of Finance 2017b, p. 28). Later, however, their downward growth was verified, first to around 34% in the Statistical Yearbook (General Authority for Statistics 2017, *Chapter 20: Budget Data*), and finally to around 33% in the budget report for the first quarter of 2018 (Ministry of Finance 2018 , p. 7).

than it was issued in 2016[8]. However, it is not the amount of spending alone, or even exceeding the assumed level, that is the main cause for concern.

First of all, the structure of these expenses and the reasons for their increase are worrying. Although the largest item among expenses is education (SAR 228 billion, about $ 61 billion) (Ministry of Finance 2017b, p. 30) and it can be said that this is the best long-term investment, but the Saudi method of education raises doubts. It's enough to note that there are 9 hours of religion lessons per week in elementary school, compared to 23 hours for all other subjects. On the other hand, at the university level, almost 2/3 of students studying in the country have recently studied theology (House 2012), pp. 111, 142). Of course, they will not find employment corresponding to their ambitions in broadly understood business. Young Saudis, also studying abroad thanks to generous state scholarships, are worryingly often not achieving satisfactory results[9].

In addition, the education of girls leaves much to be desired, and especially the subsequent use of their education. Although about 60% of students in Saudi Arabia are women, they are still people employed they constitute only 21%. This means that a large part of the huge amount of money spent on education will not pay back to the economy in the form of well-educated specialists in the areas that this economy needs.

Just behind education, the second item among spending is the army (SAR 224 billion, about $ 60 billion) (Ministry of Finance 2017b, p. 30)[10]. Although officially this represents only about 8.7% of the estimated GDP for 2017, it is still a high indicator,

[8] December estimates said spending of SAR 926 billion ($ 247 billion) (Ministry of Finance 2017b, p. 29. Ultimately, this volume was slightly raised to SAR 930 billion (about $ 248 billion). Of course, exceeding the assumed expenditure by 4.5% (about $ 11 billion) is not a big deal, especially if you compare it with the record-breaking year 2014, when final expenditure was higher than assumed by almost 34%. However, it should be noted that at that time the Fiscal Balance Program was not introduced, and budget once the first for years had a deficit.

[9] Very often this is due to poor command of English. Opinions such as the following are not isolated: "My language when I came here was very poor. I have the basics only. This is an important problem which Saudi students face. 90% of Saudi students are not proficient in English"; "At the beginning, I was silent in the classroom in the language preparation program. I was afraid to talk. My linguistics ability was zero" (Al Murshidi 2014, p. 91). Unfortunately, it sometimes happens that Saudi students also graduate little improve their language skills, even living abroad in fairly hermetic Arab communities and simply buying term papers. Poor knowledge of foreign languages is due to both the low level of primary education in Saudi Arabia and the lack of motivation to study (scholarships were generously funded by the state) and cultural differences in relation to Western societies. These problems have been discussed many times (Alharbi 2015, pp. 105-116; Alsahafi, Shin 2017, pp. 53-72).

[10] However, more objective data provided by SIPRI speak of actual expenditure of around $ 69.5 billion (SIPRI 2018a, p. 21).

and in fact it needs to be increased to over 10%[11]. Just to remind you that NATO countries are obliged to spend 2% of their GDP on defense, and this is still a ceiling unattainable for many of them. Given that Saudi Arabia has practically no armaments industry at all and buys all military equipment abroad, this means that large sums spent on armaments are virtually useless for the country's economy. Of course, these costs are largely related to the military intervention conducted since 2015 in neighboring Yemen.

Expenses for health and social development are the third largest (SAR 133 billion, about $ 35 billion). All these areas, as well as other areas such as security and local administration (SAR 110 billion, approx. USD 29 billion), municipal services (SAR 49 billion, approx. USD 13 billion) and central administration (SAR 30 billion, approx. 8 billion $) exceeded expenditure (Ministry of Finance 2017b, p. 30). A significant part of these funds are various types of additions for the poorer part of society. This is not changed by the fact that subsidies are very clearly limited to water and fuel prices, whose prices from 2016 have increased by several hundred, and for some recipients by several thousand percent. To ease the "realisation" of prices, allowances for poorer families were introduced. These expenses also cannot help the economy of Saudi Arabia in transforming it in line with the goals of the *2030 Vision*.

The only spheres in which expenditure was reduced in 2017 compared to those initially planned are infrastructure and transport (SAR 29 billion, i.e. approx. $ 8 billion, instead of planned 52 billion SAR, i.e. a decrease of 44.2%!) And economic resources (SAR 39 billion, or approx. $ 10 billion, instead of the planned 47 billion SAR) (*Ibidem*).

Therefore, it turns out that those spheres of government spending that could fuel economic development, even in plans, were among the smallest items. What's worse, that's where the government is looking for savings and far-reaching. In view of the announced large infrastructure investments (construction of a new mega-city on the Red Sea, expansion of the road and rail network and construction of dams, water intakes and water supply) to free the economy from dependence on oil, the reality seems to be mundane.

[11] The highest military expenditure ratio was achieved in 2015, when it amounted to 13.5% of GDP. In 2016, they fell to 9.9%, to increase again to 10.3% of GDP in 2016 (SIPRI 2018b, p. 14. For comparison, Poland in 2017 spent about $ 10 billion on the army, i.e. 2% of GDP, and Russia around $ 66 billion, or 4.3% of GDP.

Anti-corruption action

The data presented above indicate that the assumptions of the Fiscal Balance Program were only partially achieved in 2017. The assumed revenues were increased, increasing the fiscal burden, but the expenses were higher than assumed despite the slashing of social subsidies, and therefore the deficit exceeded the originally planned one. In this way, from the "basic" assumptions of the program, the budget shifted to the "conservative" version, which assumed a deficit of SAR 236 billion in 2017. After all, it would have been a good result if it had not been for the fact that since November 2017 the authorities of Saudi Arabia have undertaken an unprecedented action called anti-corruption, in which 201 persons belonging to the highest governmental circles and the royal family were detained and agreed to the payment of multi-billion "agreements" to compensate for their alleged corruption.

At the end of January 2018, Prosecutor General Sheikh Saud al-Mudzib, who was also a member of a special anti-corruption commission headed by heir to the throne Mohammad ibn Salman, stated that the assets were recovered as a result of the action, real estate and cash worth over 400 billion SAR (over $ 106 billion). The cash was transferred to the accounts of the Prosecutor General's Office (Center for International Communication 2018). It is not known, however, what exactly the expression "over SAR 400 billion" means, what part of this amount was in cash, whether the assets were cashed in and in what part (it will probably be a longer process), whether it took place last financial year or in current (probably in both), and finally whether this money was included as budget revenues.

In other words, the official budget is one reality, and the real money that was at the disposal of the state at the end of 2017 and at the beginning of 2018 is the second, more real reality. There is no doubt that the money that was obtained under the "agreements" means a huge strengthening of the state budget. It must be remembered that budget revenues for the entire year 2017 amounted to approx. $ 186 billion. Thus, adding another over $ 100 billion, even if it is extended in time, means a one-off increase in budget revenues of almost 54%! Unanswered is the question of what the 2017 budget would look like and the assumptions of the 2018 budget without such extra-coordinated action.

New version of the *Fiscal Balance Program* – budget for 2018

Already during the first year of implementing the *Fiscal Balance Program*, the Saudi authorities had to realize that its assumptions are unrealistic. Therefore, in December 2017, together with the publication of a new budget for 2018, they presented a new, improved version of the program – *Fiscal Balance Program 2018 Update* (2017).

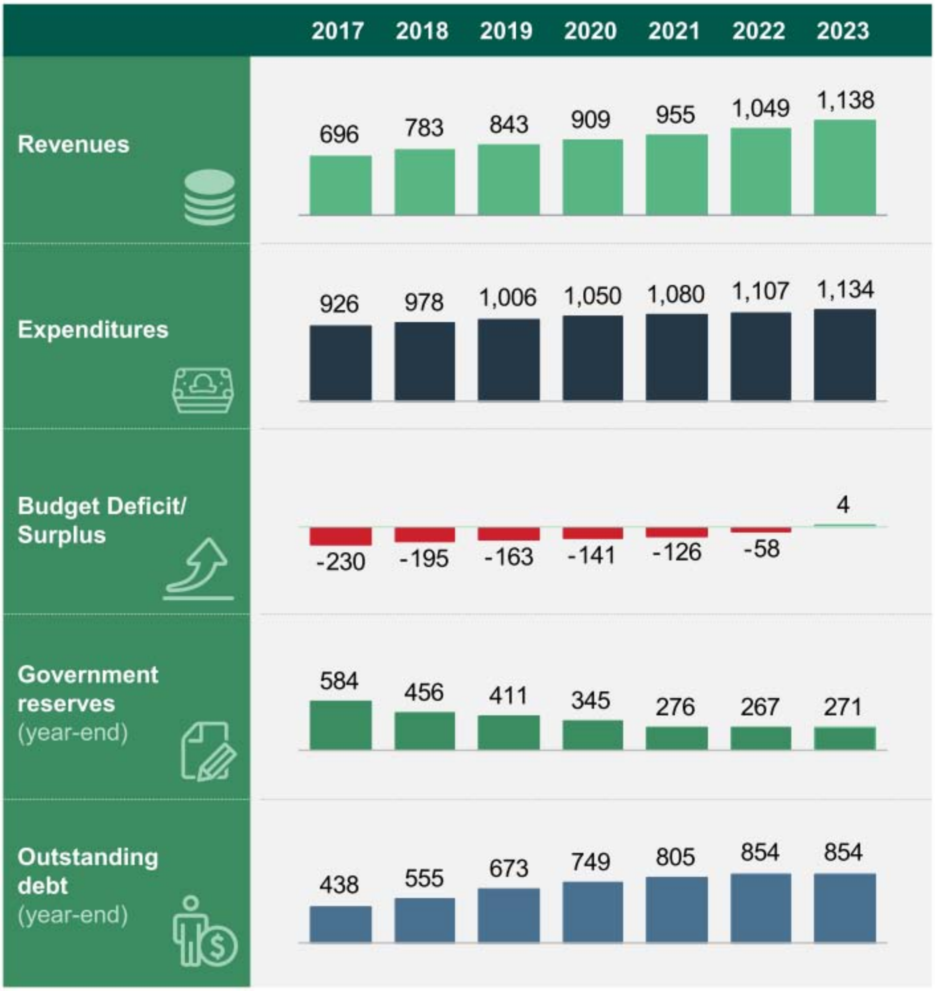

Figure 2. Basic assumptions of the revised version of the Fiscal Balance Program, December 2017

Source: *Ibidem.*

This time it is a definitely shorter document, containing only one version and it is similar to the “very conservative” one from the original version of the program. The deficit is to be eliminated only in 2023. For 2018, the Program and the budget duplicating its assumptions assume a 196 billion SAR (about $ 52 billion) deficit, with revenues of SAR 783 billion (about $ 209 billion) and expenses estimated at SAR 978 billion (about $ 261 billion) (*Ibidem*) This means slower deficit cutting, in line with the recommendations of the International Monetary Fund, which after a May visit to Saudi Arabia suggested slowing down the pace of increases in basic products such as water, electricity and fuel. This is an unusual situation because the IMF is rather urging you to balance the budget and cut spending. This is due to the obvious concern about social moods with such drastic increases, which will be discussed later.

Planned GDP growth

The assumed rate of deficit cutting is of course important, but more important are the assumptions leading to budget balancing. And here again you can meet with doubts. The 2018 budget assumes a GDP growth of 2.7%, similarly to the years 2019-2020 (2.7-2.8%). The role of the locomotive driving the economy was envisaged – in line with the assumptions of Vision 2030 – for the non-oil sector. It is to increase by 3.7% (Ministry of Finance 2017b, pp. 38-41). However, if we compare these assumptions with the estimates for 2017 (GDP drop by 0.9% in the whole year, and 1.4% in the fourth quarter, despite a slight increase in the non-oil sector), they should be considered very optimistic.

It is not clear on what premises this optimism is based. Authorities in Saudi Arabia are aware that domestic demand cannot be a source of fuel for the economy in the face of a very sharp cut in social subsidies. Therefore, they rightly assume its growth at a very low level of 0.4%. Apparently, it is the civic investments that are to play the role of one of the engines driving the evaporator, as it is planned to increase by 3.3%. It is worth noting, however, that they fell by 6% last year! (*Ibidem*, p. 41). The planned increase seems impossible to realize, especially in view of the anti-corruption campaign carried out, which certainly clearly limited the financial possibilities of the richest Saudis. In addition, many of them will carefully consider the location of their investments and prefer safer foreign investments, fearing another wave of purges.

Budget expenditure 2018

Of course, the economy will be driven by state investments. In this case, there is a clear change in the approach of the Saudi authorities. Expenditure on investment and related to the programs envisaged under the 2030 Vision is to increase very clearly. Expenditure on infrastructure and transport are to increase by 86.2% (SAR 54 billion, about $ 14 billion), while on economic resources and public programs by as much as 169.2% (SAR 105 billion, about $ 28 billion)! (*Ibidem*, p. 69).

At this point you can see the authorities' clear efforts to really stimulate the economy to develop. Of course, the problem remains whether this will be a sufficient stimulus, and whether there is enough money for such large programs[12]. To avoid this threat, Saudi authorities are trying to reduce spending in almost all other budget headings. In 2018, the military will be the largest item on the expenditure side (SAR 210 billion, about $ 56 billion, less by 6.1%), followed by education (SAR 192 billion, about $ 51 billion, less by as much as 15.8%) and regional security and administration of 101 billion SAR, about $ 27 billion, less by 8.2%) (Ministry of Finance 2017b, p. 69).

So it is clear that the priority in spending public money is changing. Although military expenditure, necessary from the authorities' perspective, due to the involvement in the Yemen war, is falling quite slightly and it can be estimated that they are expected to be about 8.5% of GDP compared to 8.7% in 2017, but the remaining expenses are cut more decisively. The most visible is the reduction of the budget for education by almost 16% and for public administration by over 13%. Reducing expenditure in these two sectors will not cause quick negative effects (the teaching cycle takes several years, and the disturbed administration has demanded to cut it anyway), but it will give quite large savings in the short term. Therefore, this move should be considered apt.

[12] Another problem is whether this inefficient and corrupt clerical apparatus will be able to spend at all, taking into account the results of the 2017 budget, when a significant part of the funds allocated for investment was not used as intended. The first data for 2018 show similar problems. While expenses in the first quarter for the army, education, public administration, security, health and social protection amount to approximately 1/4 of planned expenditure, for economic resources it is only 4%, and for infrastructure and transport 7%. One may be afraid that the improvement of budget assumptions will not translate into real investments, and in any case not to the extent as planned (Ministry of Finance 2018, p. 7).

Budget revenues 2018

The basic question is whether there is enough money for these ambitious programs. The budget assumes a large increase in revenues, by as much as 12.6% to SAR 783 billion (about $ 209 billion). This means that the increase in budget revenues is to be about 10% larger than the GDP growth, which is already optimistically assumed. This means a marked increase in the fiscal burden on society. Similarly, it will be in the following years, where with the planned GDP growth of 2.7-2.8%, revenues are to increase by 9.3% on average (*Ibidem*, p. 56).

In 2018, revenue growth is more or less half-divided (i.e. around SAR 45 billion) is divided into tax revenues (SAR 142 billion, i.e. $ 38 billion assumed) and others (SAR 641 billion, or approx. assumed $ 171 billion).

The increase in tax revenues concerns practically only one sphere, i.e. the tax on products and services, which is to increase by 82% compared to 2017! (*Ibidem*) Of course, this involves the introduction of VAT. However, it should be clearly stated that these estimates are linguistic, since they relate to a tax that was not present at all, so it is difficult to predict the amount of income. The second, most part of ("other income") is mainly based on oil revenues and hence depends primarily on the price of oil on the market. For now, oil is slowly rising, which is certainly good news for the Saudi budget. At the same time, it should be noted that the tax rate for Saudi fuel giant Aramco was reduced last year from 85% to 50%. This is probably related to the partial (approx. 5% share) privatization of this company, planned for this year.

However, this means that the impact of oil prices on the Saudi budget will be less than usual. It is not insignificant to what extent "other revenues" will include revenues from financial "agreements" concluded with persons accused of corruption.

It can be guessed that the vast majority of the proceeds from the sale of securities and real estate (if sold) acquired as a result of the anti-corruption action will be realized in 2018. Unfortunately, the 2018 budget does not indicate at all what kind of revenues "other revenues" consist of.

The possibilities of implementing the 2018 budget

Based on the presented data, it can be assumed that the budget this year has a chance to be implemented on the expenditure side and in the context of the great program *Vision 2030* this part of the adopted assumptions should be assessed positively. Indeed, large government investments can lead to GDP growth, although it is difficult to assess whether it will be as high as it was assumed. In turn, the income side may raise doubts. The assumed high increase in tax revenues may not be realized at a lower than assumed economic growth. Oil receipts remain unknown due to the volatility of its price.

The biggest unknown is budget revenues as a result of anti-corruption action, which are not specified in the budget at all. If they are large, they may be enough to finance many government investment projects. Nevertheless, the budget assumes a deficit of SAR 196 billion (about $ 52 billion), which will have to be covered either by selling off the accumulated reserves or taking out further loans. At this point, we come to the key question about the financial reserves and credit possibilities of Saudi Arabia.

Deficit coverage options

Reserves

In the years of prosperity resulting from high oil prices, the reserves of the Saudi Arabian Central Bank (SAMA, Saudi Arabian Monetary Authority) reached a record almost 2 trillion 797 billion SAR reserves (about $ 737 billion, August 2014). At the beginning of 2015, reserves remained slightly lower. However, from that moment they began to fall drastically, in September 2017 reaching the amount of less than 1 trillion SAR 820 billion (about $ 486 billion). This means a 35% drop in two and a half years. If this rate of decline were maintained, this would mean that in 4-5 years Saudi Arabia would have used up all its foreign reserves[13].

Fortunately, since October 2017, the decline in reserves has been halted and at the end of December they amounted to less than 1 trillion SAR 862 billion (about $ 496 billion) (Saudi Arabian Monetary Authority 2017, p. 19). Even if this positive tendency could not be fully maintained and a further, but not so rapid decline in reserves would

[13] This caused nervous comments in the world press (Torchia 2017).

occur, then the situation in this respect would be controlled, as it should be noted that Saudi Arabia's foreign reserves are still among the highest in the world and currently would be enough to fully cover imports for about 45 months. Of course, most of the assets (largely US debt securities) cannot be cashed in right away and this process takes time, but the resources are still very substantial and a source to cover the budget deficit, provided that this will be under control, as assumed in the Fiscal Balance Program.

The situation of government reserves in SAMA, which are needed for current financing of budget expenditures, looks worse compared to foreign exchange reserves. At the end of the record-breaking 2014, the government had a reserve of 1 trillion SAR 326 billion (about $ 354 billion)[14], but at the end of 2016 it decreased to SAR 641 billion (about $ 171 billion) (Saudi Arabian Monetary Authority 2017, p 18)[15], so by more than half in two years. This decrease was not halted, although it slowed down and reserves amounted to SAR 589 billion (about $ 157 billion) at the end of 2017 (Saudi Arabian Monetary Authority 2017, p. 19)[16]. The Improved Fiscal Balance Program predicts that reserves will fall until 2022, when it is expected to reach SAR 267 billion (about $ 71 billion), to start increasing next year (Fiscal Balance Program. 2018 Update 2017, p. 17). Therefore, it can be assumed that in this case the loss in reserves is acceptable, provided that control over this process is maintained.

Debt

The second source of covering the budget deficit is the possibility of incurring debt. In this respect, Saudi Arabia was in a very good situation, because during the boom in the oil market it repaid almost all its debts and in 2014 its debt-to-GDP ratio was only 1.6% (SAR 44 billion, about $ 12 billion). However, in 2015 debt increased to 5.8% of GDP (142 billion SAR, around 38 billion USD), and in 2016 to 13.1% of GDP (317 billion

[14] Saudi Arabia has not created a fund that would invest surpluses from oil sales, such as Norway or neighboring Oman. Surpluses were accumulated in the government reserve, or secure securities were bought, usually US bonds.

[15] The 2018 budget gives slightly different data, specifying government deposits in SAMA at SAR 683 billion (about $ 182 billion) – Ministry of Finance 2017b, p. 32.

[16] The budget for 2018 is very similar to the data provided by SAMA, which determines the state of reserves for SAR 584 billion (about 156 billion), see Ministry of Finance 2017b, p. 32.

SAR, around 85 billion $) (Trading economics b.). Preliminary estimates for 2017 indicate a debt of SAR 438 billion (about $ 117 billion), representing 17% of GDP (Ministry of Finance 2017b, p. 32).

The increase in the state's debt by more than 15% in relation to GDP in just three years is obviously a strong alarm signal, all the more so because according to the updated version of the Fiscal Balance Program the debt is to increase until 2022 reaching the amount of SAR 854 billion (about $ 228 billion). However, this growth is to slow down clearly, which was already visible in 2017. Although the program does not provide such data, it can be estimated that the debt in 2022 is expected to reach around 30% of GDP. Such a level of the country's debt in European conditions is considered very low and certainly does not pose a threat to the stability of the budget and the possibility of further crediting the needs of the state.

Summary of economic data

It should therefore be recognized that Saudi Arabia has sufficient financial reserves to carry out the process of painful budget reforms. Given the low level of debt at the beginning of the current crisis, even a fairly rapid increase in debt should not threaten the kingdom's economy. What are the threats to the presented improved version of the *Fiscal Balance Program?*

First, it should be recognized that only this improved version is closer to economic reality. The initial version definitely sinned of excessive optimism and in the first year of implementation required updating by extending the entire process of remedying the state budget. The 2018 budget tries to show the current threats. It lists oil prices first, which – if they fell – could significantly threaten planned revenues. The next factor of uncertainty is the assumed growth of KB in sectors of the economy not related to oil and the general risk of implementing economic reforms. As one of the threats, the document also mentions the problem with the possibility of absorption of funds by government agencies responsible for modernization, which shows what problem is the human factor employed in state positions. Finally as a potential threat the document mentions the dependence of the Saudi economy on the development of the world economy (Ministry of Finance 2017b, pp. 72-74).

Political threats to the reform plan

Internal threats

Of course, the threats presented have their significance, but it seems that the document does not mention the most important challenges facing the Saudi state. Well, the presented plan for the rehabilitation of state finances, although ambitious and in some places very optimistic, can be successful, but only in one case: maintaining peace within the state and peace outside.

And this is the biggest challenge facing the current Saudi authorities. There is no doubt that the desert kingdom will soon face a key moment of transferring the power of the new generation to the very advanced age of King Salman. The successor is of course the royal son of Mohammad, who is also the first deputy prime minister, minister of national defense, chairman of the Council for Economy and Development (the equivalent of our Economic Committee of the Council of Ministers), he also sits on the authorities of Aramco and manages anti-corruption action. The people associated with him staffed all strength departments. In practice, Mohammad ibn Salman already heads the nave. This may facilitate the process of taking over power in the future. It is also a hindrance, because all the failures are already charged to the heir to the throne.

Undoubtedly, the removal of much of the royal family from power, even the previous heirs to the throne, the princes: Mukrin Ibn Abd al-Aziz and Mohammad Ibn Najif, does not increase the prince's support among the elite. An even more risky step was the anti-corruption action, which hurt a large group of people from the highest circles of power very painfully. Certainly Mohammad ibn Salman will not be able to count on their support.

It is also not entirely clear that he is supported by very conservative Wahhabite clergy, for whom the major social reforms, especially the increase in the role of women in economic life, are difficult to accept. Thus, among the significant elite, the heir to the throne will not find his followers. Formally, the king's appointment as heir to the throne is enough to take power, but the history of Saudi Arabia knows the case when the king was overthrown and replaced by his half-brother[17]. Calls to the overthrow of the king

[17] On February 2, 1964, King Saud was removed from power, and his half-brother Fajsal sat on the throne. The allegations against the ruler were favoring one's own sons at the expense of other members of the

and the real ruling heir to the throne[18] are directly related to this event. The young age of the heir to the throne is not without significance, which – considering what age the last rulers ascended the throne – is by no means seen as an advantage.

Therefore, one may be afraid that at least some of the Saudi elites, including the numerous branches of the royal line, will not accept the new ruler and, at the time of King Salman's death, will seek to put another person on the throne than Mohammad ibn Salman[19]. Perhaps such tensions in the bosom of the royal family testified to the events of April 21, 2018, which were officially presented as the shooting down of a toy drone over the royal palace in Riyadh. However, amateur films published on the web clearly show that the exchange of fire in the palace lasts several minutes. After these events, Prince Muhammad ibn Salman did not appear in public for a long time, which even aroused – unfounded as it turned out – media rumours about his death (Brennan 2018).

The heir to the throne, being in conflict with some of the Saudi elite, often refers to "ordinary Saudis", including as one who exterminates corruption among the rich. Certainly, popularity brings him an open lifestyle, interviews to the media, thanks to which ordinary citizens have the impression of learning (successor) of a ruler who is no longer locked in an inaccessible palace.

This positive PR, complemented by the opinion of a modern and flowing spirit of the time, is intended to help calmly go through a dangerous period of reforms. However, even the best advertising activities will not overshadow the fact of a clear increase in the cost of living in Saudi Arabia. Certainly, the introduction of taxes by the current authorities does not add popularity, especially when it affects citizens and not foreigners. So you can be arguing whether the majority of society will really be satisfied with the

family, inept foreign policy and economic problems. All these arguments are alarmingly valid in the current situation. King Faisal, in turn, was killed by his nephew Fajsal ibn Musaid on March 25, 1975.

[18] See. two letters written, of course, by an anonymous prince of the Saud family, and published on the "Guardian"'s website – Miles 2015.

[19] The above-mentioned letters are directed primarily to living sons (there are thirteen of them) the founder of the monarchy, King Abd al-Aziz. The youngest of them (born in 1945) is Prince Mukrin ibn Abd al-Aziz, former heir to the throne. It is noteworthy that Mansur, son of Prince Mukrin, died along with seven other people in a helicopter crash on the Yemeni border on November 5, 2017, the day after the start of anti-corruption cleansing. Although the authorities and later even the family announced that it was an accident, the official cause of the disaster was never given. There were unverifiable rumours that the prince was trying to escape from Saudi Arabia, despite the flight ban issued, and the helicopter was shot down (*Saudi prince Mansour killed in helicopter crash near Yemen border* 2017).

vision of a "modern" life, but definitely more expensive, requiring more work and for less pay.

In practice, this may turn into a question, whether in a critical situation society will support Mohammad bin Salman, if there were any competitor to the throne? One can recall here the situation in Turkey, where the coup against President Erdoğan was in practice paralyzed by mass demonstrations and rallies of support for legitimate authorities convened through social networks and a text message sent to all citizens by the president. It is difficult to imagine similar mass support for the authorities in Saudi Arabia.

In addition, Mohammad ibn Salman clearly realizes that he cannot quite trust the armed forces and the police, despite putting his people in their lead. It is enough to note that during the operation against members of the royal family at the beginning of January this year (on January 4, 2018, eleven princes were arrested), no police forces, not even elite forces, or special units of the army were used, but the forces of the Al-Adrab Sword Brigade created in 2015 after the takeover of power by King Salman and directly subordinated to Mohammad bin Salman.

One may be afraid that in the event of a possible threat during the takeover of power, the heir to the throne will not be able to count on active support from "ordinary Saudis" whether in civilian or uniform. Only the circle of the closest family and co-workers as well as the 5000-strong special forces unit will remain secure. Time will tell if this is enough and whether possible opponents of Mohammad bin Salman will be strong enough on the one hand and united on the other to put one opponent on the throne.

In addition to the opposition among the elite, and especially in other branches of the Saud family, religious opposition should be taken into account. The announced liberal reforms can certainly not be accepted by the supporters of the extreme Wahhabic interpretation of Islam, with which supporters of Al-Qaida or the Islamic State have much in common. It must be remembered that both of these organizations are active in the kingdom with their branches there (Al-Qaida of Arabian Pennisula, i.e. AQAP and Wilayata Nadż and Hijab of Islamic State in Saudi Arabia). This shows some support that such extreme ideologies find in Saudi society, including some of the elite. Without a doubt, the proposals of Mohammad bin Salman, who says that "We will return to what was before – a country of moderate Islam that is open to all religions and the world" sound like a declaration of apostasy in the ears of some people.

Apart from the problems mentioned above, which can be expected when the throne changes, the social situation of Shiites in Saudi society is still unresolved. This conflict is constantly warmed up by the international conflict between Saudi Arabia and Iran. It must be remembered that at least about 10% of Saudi society is made up of Shiites, constituting the local majority mainly in the oil-bearing eastern parts of the country. The situation in this area since the bloodily suppressed demonstrations in 2011 is constantly threatening to explode. Shiites are treated as second-class citizens, and special services arrest anyone charged with supporting terrorism who opposes power. Certainly the beheading of Sheikh Al-Nimra, the leader of Saudi Shiites, on January 2, 2016 did not help here. One may be afraid that possible stronger repression against this community will result in a significant increase in tension between Saudi Arabia and Iran, although it must be remembered that relations between these countries are already extremely bad and that diplomatic relations have been broken since the riots in Iran after the Al-Nimra execution.

External threats

In this way, we move from external threats to internal threats that may prevent the implementation of the Saudi Arabian budget recovery program. Of course, the conflict with Iran is not only the situation of Shiites in Saudi Arabia. Iraq is the first chronologically for the two countries to fight for hegemony in the Middle East. In this case, it is clear that Saudi Arabia has lost and Iran's dominant voice in Iraq. Riyadh is trying to make a bad face and on January 1, 2016, after a 25-year break, it opened its embassy in Baghdad. Nevertheless, the situation in Iraq cannot be considered a success for the current Saudi authorities. The Shi'ite coalition of the winning Sairun Muktada as-Sadr party with the second in the election race emerging after the last, really democratic elections in Iraq

The pro-Iranian Alliance of the Conquest of Hadim al-Amiri (in which the militia of the People's Mobilization Units of the PMU play the main role) will certainly not look kindly towards Riyadh. The hopes associated by the Sauds with the independent, and thus somewhat anti-Iranian, Sadr attitude and meeting it with Mohammad bin Salman will not change.

The situation is similar in Syria, where, supported, among others, by Saudi Arabia, rebels clearly lose to the forces of the regime of President Assad, supported by Iran and Russia. Saudi Arabia did not decide to intervene directly, which it and Turkey considered before September 2015, when Russia engaged in the fight in Syria. After this date, military intervention against Assad, and therefore against Russia, was out of the question. Even worse, Ankara, who had previously cooperated with Riyadh, agreed with Moscow and Tehran, leaving Saudi Arabia alone. Assad's military successes (occupation of Aleppo, reflection of the area in the east of Syria up to Euphrates together with Deir ez-Zor, gradual recovery of land in Idlib, full subordination of all Damascus and suburbs, and finally taking over the "cradle of revolution", or Dara's muhafase) only seal the defeat of Riyadh's foreign policy.

King Salman and his son inherited the conflicts in Iraq and Syria after their predecessors, but they have already been caused by others. The first of these is, of course, the war in Yemen, to which Mohammad ibn Salman himself was directly involved in 2015, who was then - and now - the minister of defense. According to plans, intervention in Yemen was to be only a short episode calming the internal situation of a poor and dependent Riyadh neighbor. Meanwhile, the conflict has been going on for the third year and there is no chance for a quick resolution. Saudi armed forces, despite the huge amount of money spent on them, showed their inefficiency and confirmed the popular culture belief in the inefficiency of the Arab army. This is all the more painful because the opponents are primitively equipped units, often fighting in a guerrilla way, armed with light weapons most often, and yet able to inflict painful losses on a much stronger opponent. Of course, this weakens the image and possibilities of international influence of Saudi Arabia. On the other hand, this situation strengthens Iran's position, effectively supporting the Hutich rebel forces. Undoubtedly, therefore, the situation in Yemen is a very serious burden for the current authorities in Riyadh.

The situation related to the Qatar conflict is not much better. This country, which until recently cooperated with Saudi Arabia, for example by participating in the coalition in Yemen, has been pushed by Saudi policy into deep opposition. Of course, Qatar has always had its goals and ambitions in international politics, the best expression of which is Al-Jazeera. Nevertheless, both countries could cooperate, even as part of the Gulf

Cooperation Council (GCC). Meanwhile, the attempt to subordinate Qatar through economic blockade and political isolation in the summer of 2017 failed. First of all, it turned out that even among the GCC countries, Saudi Arabia joined, by breaking diplomatic relations with Doha, only the United Arab Emirates and fully dependent on Riyadh Bahrain. Kuwait and Oman ignored the call to block Qatar.

Among the major players in the region, only Egypt joined Saudi Arabia, but it was mainly due to the support provided by the Muslim Brotherhood and the ousted resident Mursi to Al-Jazeera. Of course, this could not be accepted by the current Egyptian president Sisi. The most important effect of this Riyadh policy is the further rapprochement between Qatar and Iran, which has already happened before and was the real reason for the blockade. The reason for this rapprochement between Doha and Tehran are, on the one hand, economic interests (joint exploitation of offshore gas fields), on the other, Qatar's fear of an overly expansionary policy of Saudi Arabia, which wants to be the leader of the Arab world. Qatar's fears of being dominated by a stronger neighbor were cleverly taken advantage of by Turkey building its military base in Qatar. Despite Saudi threats, Turkish soldiers not only did not withdraw, but their numbers increased. Thus, Turkey returned a hundred years after the fall of the Ottoman Empire with its influence over the Persian Gulf, limiting the possibilities for Saudi Arabia to operate. Even worse, Qatar's economy is apparently able to survive the blockade.

Thus, the entire economic and diplomatic action against Qatar led to a real breakup of the Gulf Cooperation Council, strengthening the position of Saudi competitors for the hegemony in the Middle East, which are Iran and Turkey, and of course hostility with another neighbor. Certainly, such a diplomatic failure does not strengthen the position of the king and his successor. Ideas such as the construction of a canal separating Qatar from the mainland show rather the helpless anger of Riyadh and certainly will not improve the political position of the Sauds.

This was not the last international failure. Undoubtedly, another issue was the issue of the dismissal of Lebanese Prime Minister Saad Hariri forced during his visit to Riyadh on November 4, 2017. From a Saudi perspective, the continuing Lebanese "grand coalition" strengthened Hezbollah and Iranian influence. Thus, the collapse of the government, even at the price of interfering with Lebanon into political chaos and the danger of another civil war, was seen as beneficial in Riyadh. However, after leaving for

France, and then after returning to the country, Hariri decided, despite the Saudi pressure, to remain in his position.

This showed that the Lebanese Sunni dependent on Riyadh policy until now are starting to pursue a more independent policy guided by their own, not Saudi, interest. Therefore, this time the attempt to put pressure on another country in the region ended in failure for the Sauds. This was confirmed by the results of the May election in Lebanon, in which Shia Hezbollah and his allies won, and the Sunni bloc Hariri lost its importance. This resulted in the strengthening of the current model of the "grand coalition", in which, however, Sunnis have an even weaker position, which really strengthens Iran's influence.

A slightly less commented, but also regionally significant dispute is the growing tension between Saudi Arabia and Jordan. On December 28, 2017, King of Jordan Abdullah II unexpectedly dismissed his army positions and sent his two brothers, princes Faisal and Ali, and cousin Talal ibn Mohammad to retire. However, none of those dismissed have yet to reach retirement age. At the time of their resignation, the royal brothers were 54 and 42 years old respectively, and their cousin 53 years old. In the media there was information that the real reason for the resignation and even house arrest, there were talks between royal brothers and Saudi Arabia regarding the take-over of Riyadh as guardian of the holy places in Jerusalem. Earlier there was to be a coup and a change on the Jordanian throne. This information was of course officially denied, but no real reason for dismissal was given, except for plans to "restructure" the army (Bar'el 2017; Hayward 2017).

Needless to say, this situation must cause a very serious inflow of relations between Jordan and Saudi Arabia. This is bad for Riyadh because Amman has supported Saudi policy, especially in its anti-Iranian dimension. It seems that in the current situation it will be difficult to count on sincere cooperation between Jordan and Saudi Arabia and this is the result of an overly aggressive policy of the Riyadh court. Admittedly, after the economic riots in June Abdullah II he was forced to ask for help, among others to Riyadh, but ultimately he received more support from little Kuwait ($ 1.5 billion) than from Saudi Arabia ($ 750 million) and its ally, which is the United Arab Emirates ($ 750 million).

The situation in Jordan is rooted in a different approach to the status of Jerusalem and the Palestinian problem. Following President Donald Trump's announcement of

Jerusalem as the capital of Israel, protests broke out throughout the Muslim world. However, Saudi Arabia expressed its criticism in a very excessive way.

This certainly involves talks before adopting a new peace plan being prepared by President Trump's administration. It is not difficult to predict that this plan will be beneficial to Jews, not Palestinians, and will hand over all Jerusalem to Israel. However, the formal guardian of Muslim holy places in Jerusalem is the King of Jordan, so his consent is needed to implement such a plan. Hence the Riyadh attempts to put pressure on Amman sharply.

This situation was effectively used by President Erdoğan, who took on the role of a defender of Palestinians (not the first time, anyway) and convened an extraordinary meeting of the Organization for Islamic Cooperation in Istanbul in December 2017, which recognized East Jerusalem as the capital of Palestine. However, Saudi Arabia sent a delegation to the conference at a mere ministerial level, although many heads of Muslim states appeared, including King Abdullah II. In this way, Saudi Arabia, which wants to be recognized as the leader of the Muslim world, and certainly the Arab world, gives the initiative to a competitor in the form of Turkey. Even worse, the attitude of the Saudis is seen by many Muslim countries as pro-Israeli. This certainly does not build Riyadh's strong international position in the region and deepens its loneliness.

This growing isolation and lack of confidence in Saudi Arabia is evident even in its relations with its allies. The United Arab Emirates, which cooperated with the Saudis as part of the Yemeni coalition, are evidently concerned about the protracted war and apparently decided not to wait until all Yemen was captured, but to pull out as much of a pie as they could. The result is an armed conflict between supporters of President Hadi, supported by Saudi Arabia, and a secessionist Provisional Council of the South supported by the United Arab Emirates.

This led to January 28, 2018, mutual fights in Aden. As a result, during the two days secessionists drove Adeni forces loyal to Hadadi. A similar conflict, though not completed this time, occurred at the beginning of May in Socotra, where the United Arab Emirates deployed their troops, despite the lack of any threat from the Huti rebels. Eventually, Saudi forces landed on the island for balance. An agreement was officially concluded between Riyadh and Abu Dhabi restoring the authority of the Yemeni government in exile on Sokotra, but details of the agreement were never disclosed and it is not known whether foreign troops withdrew from the island. This situation shows that the Saudi kingdom is losing its influence even among close allies.

All the examples of failures in Saudi Arabia's foreign policy presented above indicate that it is hard to expect that the assertive, not to say aggressive, Mohammad bin Salman policy at the time of any turmoil in taking over the throne, would receive external support from the countries of the region. Of course, he can count on the support of the US, but the power of the Saudi king, who in case of trouble would remain in power thanks to American support, would be more than shaky. Of course, Arab Street would see it as an envoy of "crusaders" and "Zionists". It is hard to imagine that in the long run he could effectively rule and – even more difficult – introduce reforms.

Conclusion

Summing up the above analyzes, it can be stated that despite various threats, it seems that the plan to repair the state's finances may succeed Saudi Arabia, because it still has sufficient credit resources and possibilities to implement the reform program. However, a necessary condition for the successful implementation of the plan is to ensure internal and external peace. The current policy of the authorities, and in practice the successor to the throne of Mohammad bin Salman, may raise concerns in this regard. Undoubtedly, he managed to build a strong position by gathering many important positions in his hand. However, his policy has alienated a significant proportion of the Saudi elite, and widespread public support for reforms is not at all certain.

Things are even worse in foreign policy, which in recent years is more like a strip of Saudi defeats. If Mohammad ibn Salman continues this type of policy, he will alienate all neighbors and stay alone with serious competitors like Iran and Turkey. Needless to say, a major conflict would collapse the Saudi economy and end the plans to heal the budget. It is difficult to imagine that a country with such serious financial problems could lead to a large conflict to successfully resolve itself, apart from the purely military side, where, undoubtedly, Iran and Turkey have greater resources.

It can therefore be said that in the case of Saudi Arabia we are dealing with a typically Greek tragedy. On the one hand, Mohammad ibn Salman is a guarantor of necessary and difficult reforms. He is their originator and face. Currently, it is impossible to imagine that someone else could take on this task. On the other hand, the policy of the heir to the throne leads to an increase in internal and external tensions that can destroy the entire reform plan. The real challenge for the reforms introduced in Saudi Arabia will therefore be the moment when the current heir to the power takes over. Due to the age and health of the reigning King Salman, it can be feared that this will happen before the end of the *Fiscal Balance Program*, i.e. before 2023, not to mention the broader perspective of the *Vision 2030*.

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