

The Rise of Mohammed bin Salman and the Future of Saudi Arabia | Bradley Hope & Justin Scheck

[September 11, 2020](#)

INTRODUCTION

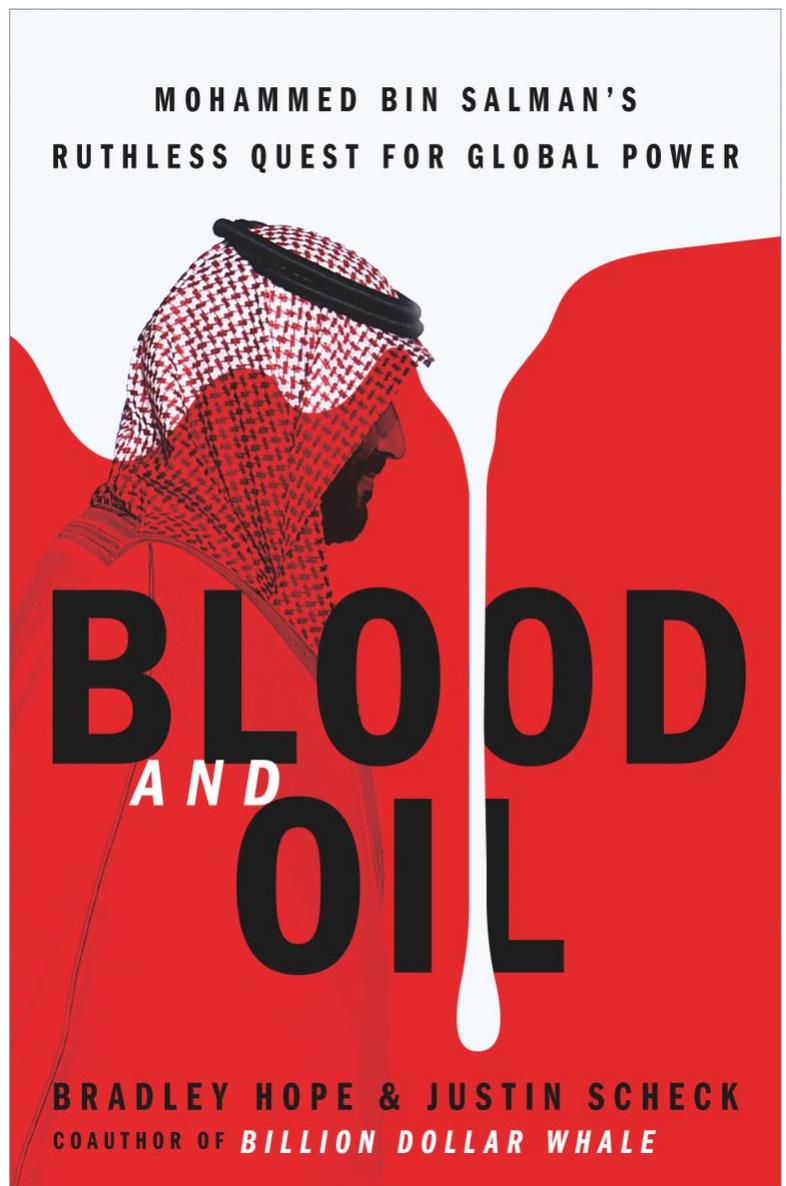
Bradley Hope is a financial reporter for The Wall Street Journal based in London. He is the **New York Times** bestselling coauthor of **Billion Dollar Whale** (optioned for film by SK Global) and covers finance and malfeasance for the Wall Street Journal. Before that he spent six years as a **Middle East correspondent**. Hope is a **Pulitzer Prize finalist** and **Gerald Loeb Award winner**.

Justin Scheck is a **London-based reporter** for the Wall Street Journal. He covers large European oil companies and other energy-related stories. Prior to covering energy, Justin wrote about crime, technology companies and animals in the Journal's San Francisco bureau. Before joining the Journal in 2007, he covered federal courts and plaintiff lawyers for a legal newspaper. He graduated from Bates College in Maine.

WHY DO I CARE?

This book by Bradley and Justin shares many similarities to that written by Ben Hubbard, whom we had on [Hidden Forces in late March](#) of this year. Unlike Hubbard's book however, "Blood and Oil" is less biographical, while focusing more on the financial wheeling and dealing that MBS has engaged in, including his relationship with Softbank's Masayoshi Son. Among many other initiatives, MBS has, according to the authors "waged a war on Yemen; set out to enrich his family in stock trading and other ways, which his father had been loath to do; instigated a staggering economic reform for the country called Vision 2030, which he has consistently touted internationally; courted Donald Trump, 'treating him like a king' during his first foreign visit; shook down the richest men in his country by holding them hostage at the Ritz-Carlton until they shelled out; moved ahead with the public listing of the state oil company, Aramco; and, most brazenly, continued to ruthlessly silence his critics—e.g., the assassination of Jamal Khashoggi."

Still, as interesting as some of the details of MBS' rise to power may be, I remain a bit befuddled about their overall significance to the lives of people outside of the Kingdom or to the safety, security, and prosperity of



its neighbors, allies, and trading partners. Why, in other words, should anyone care if MBS is a ruthless autocrat or just a heavy-handed reformer whose illiberal tendencies are, for lack of a better word, just “growing pains?” Neither Ben Hubbard, nor Bradley, nor Justin ever compared MBS to someone like Saddam Hussein, for example, so what is the concern, exactly? In my view, it’s really unclear. What does appear to be the case is that MBS is just another spoiled, power-hungry, ruler, only rather than having autocratic tendencies like Trump or Bolsonaro, he actually operates within a dynastic kingdom where autocratic rule is not only institutionally, but culturally accepted.



That said, what I found most interesting in this book were when companies like Goldman Sachs, Softbank, and McKinsey made appearances in order to benefit financially from the Kingdom’s vast wealth. Considering Bradley’s experience covering the 1MDB scandal, this recording may offer a good opportunity to ask Bradley about how Saudi Arabia fits into the larger, intersecting picture of global finance and corruption.

QUESTIONS

September 11 — It did not occur to me until yesterday that we are recording this episode on Friday, September 11th, 19 years to the day since 15 Saudi nationals conducted the worst terrorist attack in American history and set-off a chain of events that led to our invasion of Iraq in the early spring of 2003. **Q:** I’m curious, what is the general consensus of this event and its historical place in US-Saudi relations at this point? **Q:** Where were the two of you on this day? **Q:** How do you feel about what happened, Saudi Arabia’s role in it, and if we will ever really learn the truth?

Book & Process — **Q:** What has been the most challenging part of reporting this story and of writing this book? **Q:** How much thought and due diligence goes into protecting your sources, especially if they have sensitive positions or are vulnerable to retaliation? **Q:** Do you take any special security precautions for your own safety or for the safety of your accounts or important possessions?

Origins of the Kingdom — **Q:** Can you explain to me and to my audience how the Kingdom of Saudi Arabia came about and what role religion has played in that founding? **Q:** Why, after the Iranian revolution of 1979 and the attack of the Grand Mosque in Mecca by religious extremists did the government of Saudi Arabia respond by becoming more, not less fundamentalist in its religious edicts and practices? **Q:** Is MBS correct to feel that the culture of the Kingdom has changed to such a degree that loosening religious practices and liberalizing the Kingdom will actually help to legitimize and strengthen the family’s grip on power?

MBS Personal Biography — **Q:** What do you believe are the important aspects of MBS’ personal biography during his childhood and teenage years that you think inform the man he is today and the type of ruler he intends to be?

MBS Self-Image — **Q:** How does MBS see himself? **Q:** Does he see himself as a unifying figure for the region? **Q:** If MBS were to write the script for his life, what do you think that script would look like?

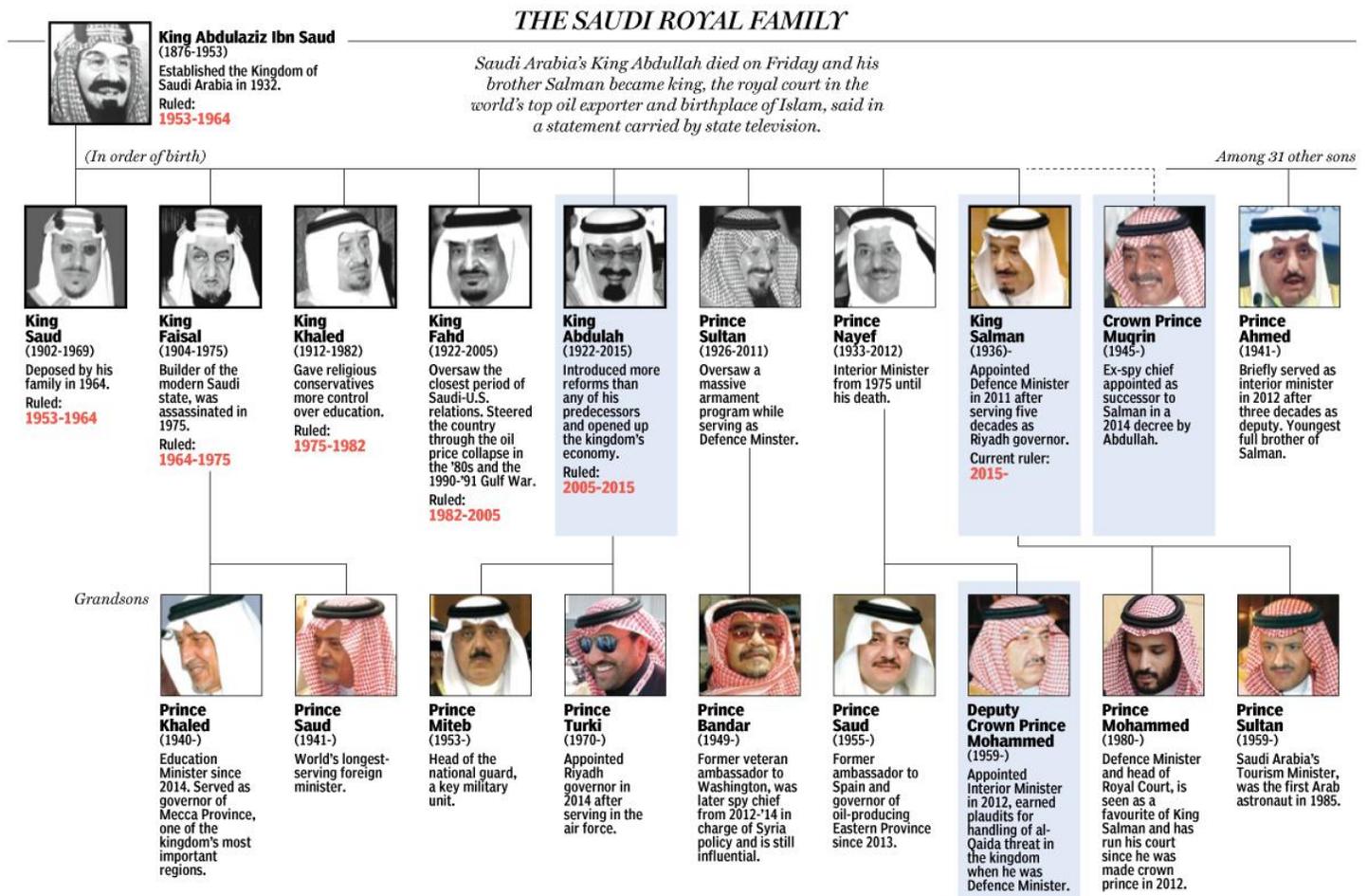
MBS Power Process & Character — Q: What does it take to amass the kind of power that MBS has accumulated in such a short period of time? Q: What would have been the traditional succession of power upon the death or incapacitation of King Salman?

Monarchic Perpetuation — Q: People have called Salman “progressive” but is his objective just that of every other king, namely, sustaining the monarchy by whatever means necessary?

King Salman’s Role — Q: What is King Salman see as his role in all of this? Q: Why has he not laid a restraining hand on his son after so many impulsive and ruinous decisions?

Jamal Khashoggi — Q: At this point, is the world pretty much content with the story surrounding Jamal Khashoggi’s death, confident that he was murdered on the say-so of MBS, and clear on why MBS wanted him killed? Q: Do you feel that Western media have accurately captured the character, role, and motivation of Jamal Khashoggi or have they missed some important facts about his own biography and relationship to the Kingdom in their focus on MBS? Q: What has MBS taken away from this experience and what does this particular case reveal about our protagonist?

2017–19 Saudi Arabian Purge at the Ritz — In what has since been described as a stunning operation, M.B.S. imprisoned hundreds of the kingdom’s richest and most influential men in the Riyadh Ritz-Carlton, beginning in early November 2017, forcing them to sign over to the government — his government — tens of billions of dollars’ worth of assets he claimed were ill-gotten gains. Despite the opulent surroundings of their “prison,” many of those held at the Ritz-Carlton suffered real abuse, according to Hubbard. Q: Can you give us the back-story on the now infamous imprisonment of more than 30 of the Kingdom’s most senior figures under the guise of fighting corruption? Q: What was this really about?



Away from Oil — **Q:** How successful have MBS' efforts been to transition the Saudi economy away from dependence on oil extraction? **Q:** How much of this is a gimmick and how much of it is driven by a real commitment to moving the country off of oil for reasons that have been clearly thought out?



Saudi Finances — At the end of 2019, total expenditures were projected at 1.02 trillion riyals (\$272.00 billion) with a budget deficit forecast at 187 billion riyals or 6.4% of GDP. **Q:**

What is the state of the Kingdom's finances and how does this current oil war impact them? **Q:** When we last had Ben Hubbard on, the Kingdom's **FOREX reserves** were somewhere around \$460mn. Today, they are around \$430mn. **Q:** What is the state of the country's **FOREX reserves**? **Q:** How does their current situation compare to the last time Saudi Arabia faced a protracted price decline in oil in 2014-2015?

Uncertain Economic Future — **Q:** How uncertain is the Kingdom's **economic future** as oil prices have fallen and competition among energy suppliers has grown?

NEOM — One of the most illustrative stories in this book is that of NEOM, and MBS's desire to build an exclusive Babylonian techno-utopian surveillance state in the desert "with restricted access that plans to have giant skyscrapers, a glowing beach and an artificial moon, flying robot taxis, an institute to find ways to prolong human life, and an island of robot dinosaurs." It's a psychotic vision. **Q:** How does MBS' vision for NEOM compare to other artificial cities like Dubai and Las Vegas?

UAE-Israel — **Q:** What has been the reaction in Saudi Arabia to the normalization of relations between Israel and the UAE? **Q:** Does this increase the likelihood that Saudi Arabia will look to make a similar deal should Trump get another 4 years in office? **Q:** What is Saudi Arabia's relationship with the UAE like?



With the Khashoggi ruling, MBS doubles down on a dark path for Saudi Arabia

Agnes Callamard, the United Nations' special rapporteur for extrajudicial killings who led an independent investigation into the murder, [said](#) the sentences “carry no legal or moral legitimacy,” having come “at the end of a process which was neither fair, nor just, nor transparent.” Callamard's 2019 report [directly](#) implicated Saudi Crown Prince Mohammed bin Salman in the murder; her findings match the [CIA's formal assessment](#), delivered in November 2018.



But Saudi authorities consider the case closed. The sentences are supposed to be the “final” rulings. As we approach the second anniversary of Jamal's murder, MBS, as the crown prince is known, is eager to put the episode behind him. It's not very difficult to see why —

there seems to be a growing anxiety among Arab dictators that President Trump may not be around to cover up for them for four more years, and Mohammed bin Salman knows that come January, he may face a much more hostile White House.

It's clear that MBS thought that he'd manage to make Khashoggi's disappearance a mystery forever. The assassins went to great lengths to cover up their tracks, from bringing along a [forensic expert](#) and a [body double](#) to sending an experienced [cleanup team](#) afterward. But thanks to Turkish [intelligence](#), and the sheer brazen recklessness of the crime itself, what we got was a proven crime with incontrovertible evidence directly implicating MBS's most loyal lieutenants and, therefore, the crown prince himself.

One would think that after such a fiasco, MBS would have understood the severity of his own position. But for months he proceeded as though the international outrage will only last a few more days. There are even reports that his attempts to kidnap or kill dissidents continued after Khashoggi was murdered, such as the case of the former top Saudi intelligence officer [Saad Aljabri in Canada](#), and that of [Abdulrahman Almutairi in Los Angeles](#). In 2019, Norwegian intelligence officers [warned me](#) that I, too, am a target.

It took months before MBS realized that the ghost of Khashoggi will not stop chasing him. Once that dawned on him, he had two paths to choose from. One was the path of complete transparency, signaling a real change of behavior. The other was the path of maximum resistance.

Choosing complete transparency would have meant purging the entire chain of command involved in the murder. This would have been a tall order given that the command chain ends at his own feet. He could have at least tried to take it all the way to the two lieutenants who ran the operation, his right-hand man, [Saud al-Qahtani](#), and [Ahmed al-Assiri](#), both of whom he [exonerated in December 2019](#). Perhaps, had MBS done so, that would have been sufficiently convincing for the world to rehabilitate him back to his early 2018 “liberal reformer” image.

The path of maximum resistance, on the other hand, meant trading off his “reformer” image for that of a Putin of Arabia — an untouchable, unaccountable strongman. It is clear that MBS is seeking to build a police state, one in which dissent is impossible. One of the cardinal rules of police states is that those doing the dictator's bidding must be guaranteed absolute impunity. They cannot be

accused of criminal misconduct or face any punishment for carrying out orders. It's a very dangerous thing for a dictator to go after his own enforcers. Doing that would be dangerously destabilizing for his power, especially when his police state is still under construction and hasn't been perfected yet.

MBS had these two paths to choose from, and he chose the worse of both: **A show trial that convinces nobody and sacrifices some of his most loyal men. The world still sees him as a criminal, but his enforcers know they can be thrown under the bus.**

To me, as a dissident **directly targeted** by MBS, this outcome changes nothing — it only indicates that our adversary is incapable of learning any lessons. He will continue to find loyal henchmen to do his bidding and dispose of them when they're no longer useful.

Saudi Arabia will continue marching down the path of bloody autocracy, and the work of dissidents will continue to be extremely risky.

Saudi Arabia puts crown prince's flagship charity Misk under review

Saudi Arabia's leadership has ordered a review of Crown Prince Mohammed bin Salman's flagship charitable foundation after it became embroiled in alleged scandals, according to a Saudi official.

The Saudi official told the Financial Times the review of Misk was ordered after **the US justice department appeared to refer to the foundation and one of its senior officials in a lawsuit in November against two former Twitter employees** and a third man accused of spying on users of the social media platform on behalf of Saudi Arabia.

Last month Misk and Bader al-Asaker, former secretary-general of the foundation, were named as defendants alongside Prince Mohammed in a civil lawsuit filed by Saad Aljabri, a former top Saudi intelligence official, who alleges that the crown prince plotted to assassinate him. "It [the allegations in the lawsuits] has brought scrutiny to something that has done phenomenal things," said the Saudi



official, who did not want to be identified because of the sensitivity of the cases. "I'm pretty sure the crown prince was furious that this jewel was linked to this."

The official said the review was ongoing. Misk referred questions to the government's media department, which did not respond to a request for comment. Mr. Asaker, who continues to have a senior role at Misk and also heads Prince Mohammed's private office, could not be reached for comment. Riyadh has not commented on either lawsuit.

The allegations have brought scrutiny to an organization that has been central to Prince Mohammed's drive to woo Saudi Arabia's youthful population and extend his brand and influence overseas. As the 35-year-old rose to become heir apparent, his foundation sealed partnerships with a raft of international entities including the UN, The Gates Foundation, Bloomberg, Harvard University and General Electric.

But questions about Misk surfaced after the US justice department's November lawsuit. The filing does not name Mr. Asaker or Misk. But it refers to "Foreign Official-1" who was secretary-general of "Organization No 1" that was founded by a Saudi royal. The description matches Misk and prominent US media organizations have identified Mr. Asaker as Foreign Official-1, quoting people familiar with the case.

The lawsuit alleges that the defendants accused of spying for Riyadh in 2014 and 2015 had interactions with Foreign Official-1, and that the person provided the defendants with "gifts, cash payments and promises of future employment in exchange for non-public information about Twitter users".

One of the defendants in the case, Ali Alzabarah, a Saudi, was employed by Organization No 1 after he resigned from Twitter in 2015, the lawsuit said.

The August lawsuit filed in the US by Mr. Aljabri alleges that Prince Mohammed sent a hit squad to Canada to assassinate him in October 2018 — less than two weeks after Saudi agents murdered journalist Jamal Khashoggi in Istanbul.

It asserts that Misk conspired with Mr. Asaker and Prince Mohammed to "covertly recruit individuals to serve as agents and who participated in the hunt" for Mr. Aljabri in the US. The "campaign" offered employment at Misk as a "reward" for those who aided the crown prince and Mr. Asakar, it says.

A person close to the Aljabri family said its concerns about the foundation were sparked in September 2017 when Misk employees repeatedly asked one of his sons and his friends for contact details for Mr. Aljabri and his wife, as well as about his residency status in the US.

Around that time, Prince Mohammed and his aides sent several threatening messages to Mr. Aljabri, who had left the kingdom in May 2017, trying to force him to return, the lawsuit asserts.



A Saudi analyst familiar with the foundation's work said: "People aren't going to want the association with these issues, it could stop some of the global partnerships."

"It offers some foreign scholarships that add value, which will continue, and they do some domestic programmes which are good. The rest is international ego stuff they [Misk] pay a big premium for."

Events in its early years appeared aimed at harnessing young Saudis' huge appetite for social media by channeling their energy into non-political content after the 2011 Arab uprisings sparked fears about the use of networking apps as tools for anti-government activism.

Kristin Diwan at the Arab Gulf States Institute said Misk was "central to the whole MBS project".

"If you look at his rise, it really comes at a time of incredible generational change in the kingdom and he has been determined to ride that wave and to control it," she said. "Misk is at the centre of both of these projects, as a tool for encouraging and promoting change in Saudi youth, but also keeping them closely aligned with his rule."

Misk's affiliation to Prince Mohammed caused the Gates Foundation and Harvard to cut ties with the charity after the Khashoggi murder. Still, other organizations do partner with it. The UN envoy on youth withdrew from a Misk-organized forum last September but it remains engaged with the foundation.

Misk and GE launched a leadership development programme in June, and Oliver Wyman, the consultants, ran an internship with the charity the same month, according to the foundation's website. Oliver Wyman did not respond to an emailed request for comment.

Bloomberg, which has maintained its partnership with Misk and also plans to launch an Arab-language channel with a Saudi company that has historical links to Prince Mohammed's family, declined to comment.

GE said its work with Misk supported "leadership training to a number of senior Saudi professionals from various Saudi government entities who have key roles in delivering the economic aims" of Prince Mohammed's reform programme.



How a retail options craze fueled SoftBank's 'whale' trade

SoftBank caused a splash when it emerged as the “[Nasdaq whale](#)” that had placed big options bets linked to US stocks, but some analysts suspect the overall market impact may be less than that of a massive shoal of much smaller but frenzied fish — [retail investors](#).

Under the direction of founder Masayoshi Son, SoftBank has bought [\\$4bn worth of options](#) on big US technology stocks since the summer, with a notional value of about \$30bn, according to people familiar with the matter.

The whale-sized trades have stirred theories that SoftBank intensified the summer rally in US tech stocks and contributed to the recent reversal, with the Nasdaq Composite index shedding about \$1.9tn in just three days. Meanwhile, retail traders have together spent almost \$40bn on similar trades just over the past four weeks, according to Sundial Capital Research.

Dean Curnutt, the chief executive of Macro Risk Advisors, a derivatives strategy firm, said those millions of retail traders form a “Mighty Call Trading Legion” with a combined heft bigger than even giant financial institutions.

“My take is that it’s less SoftBank [driving options markets] and more this collective activity of retail, momentum-oriented crowd,” he said. “The data doesn’t have a mark of a whale. It has the mark of lots of little, tiny whales that add up to one big one.”

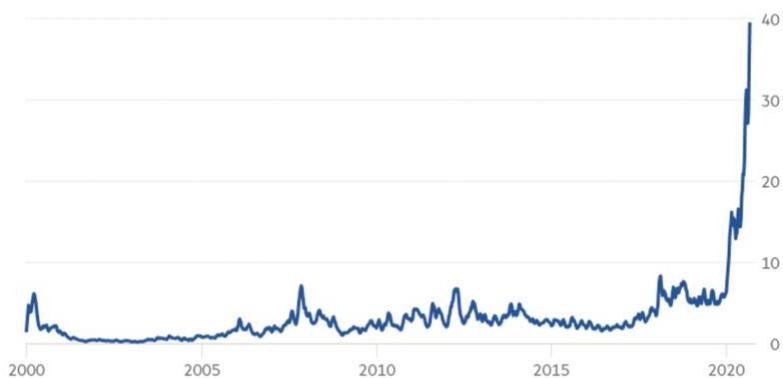
Options come in two forms. Calls give holders a right to buy a stock at an agreed “strike” price within a certain date, and are a popular way of magnifying gains. Puts give the right to sell at a certain price, and act as a kind of insurance for investors. The seller of an option, typically a bank, is obliged to deliver the promised shares if call strike prices are triggered, but receives a premium from the option buyer in the meantime, and hedges its exposure.

SoftBank’s estimated \$30bn notional call exposure is huge, but the overall notional value of calls being traded on US stocks has trebled this year to over \$300bn a day, according to [Goldman Sachs](#). Trading volumes for calls connected to the top five S&P 500 stocks averaged \$125bn a day in the last week of August, up from \$29bn in the same period last year, according to data from hedge fund Man Group.

How much of this upswing in option trading is due to the retail investment boom is tricky to determine. But it is clear that small call trades, in lots of 10 contracts or less, have grown in popularity. The amount spent on premiums for call options of this size has surged sixfold to \$39.4bn on a

Retail investors pay up for options

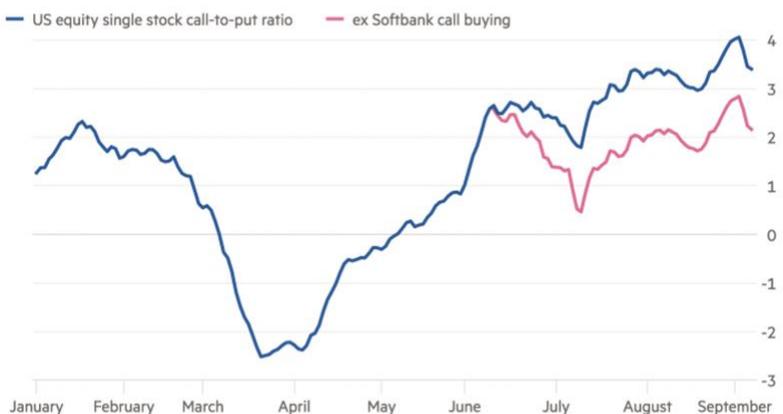
US equity purchase premiums on call options for trades of 10 contracts or less (\$bn)*



* Rolling 4-week totals. Data includes exchange traded funds
Sources: Sundial Capital Research, Options Clearing Corp
© FT

Even without SoftBank the ratio of US calls-to-puts would be elevated

Assuming SoftBank's \$4bn of call purchases distributed equally across three months.



Source: Vanda
© FT

rolling four-week basis, according to research by Sundial's Jason Goepfert, based on data from the [Options Clearing Corporation](#).

A fall in the average length of call maturities also indicates high retail activity. Institutional investors tend to favor one- to three-month options, while retail investors often punt on one-week or even one-day options, which have exploded in volume lately.

Earlier this summer Goldman Sachs estimated that a fifth of all S&P 500 options traded in the second quarter had a maturity of less than 24 hours, up from around 5 per cent in 2011-16. Since then, short-term options have grown further in popularity.

Peter van Dooijeweert, an options specialist at Man, points out that over 1m one-or two-week Apple calls with a \$12bn notional value traded last Friday alone. That compares to just 150,000 one-month calls with a notional value of \$1.8bn.

The combination of booming call volumes, their ever-shrinking maturities and the peculiar dynamics of the options market partly explains why stocks were so buoyant until recently. It also explains the swiftness of the September drop.

Dealers hedge their own exposure from selling calls by buying the underlying stock. This can create feedback loops, as heavy call-buying forces banks to buy more of the underlying stock, especially if it starts moving towards the strike price. When stocks dip — as has happened lately — banks instead ditch their hedges, exacerbating the sell-off.

“Retail doesn’t have the ability to move the market by themselves, but by buying calls they force dealers to hedge themselves, and triggered this parabolic move in tech stocks,” said Ben Onatibia, a strategist at Vanda Research.

Short-term options trading close to their strikes are particularly sensitive to market fluctuations. In practice, that means every dollar of retail option trading can have a greater effect on stocks than institutional buying, Mr. Dooijeweert argues.

“This is mostly a retail phenomenon,” he said. “If a couple of million people get together and all buy a few option contracts, that’s a lot of exposure.”

Options-punting retail traders who hang out on online message boards were quick to embrace SoftBank’s aggressive trades as evidence that Mr. Son was a kindred spirit.

“One of us One of us One of us,” wrote one poster on Reddit. Another said: “We need more saints like him and jpow [Fed chair Jay Powell] bless their hearts.”

