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<http://www.businessinsider.com/saudi-arabia-in-state-of-panic-2016-1>

## Saudi Arabia is in a state of panic

1/17/2016

The great Kingdom of Saudi Arabia—the long-time dictator of crude oil prices for the world—is struggling on all fronts.

The Saudis are losing their proxy wars in both Syria and Yemen; their OPEC leadership is under threat; they are not winning the crude oil price war; and its long-running alliance with the West is in question.

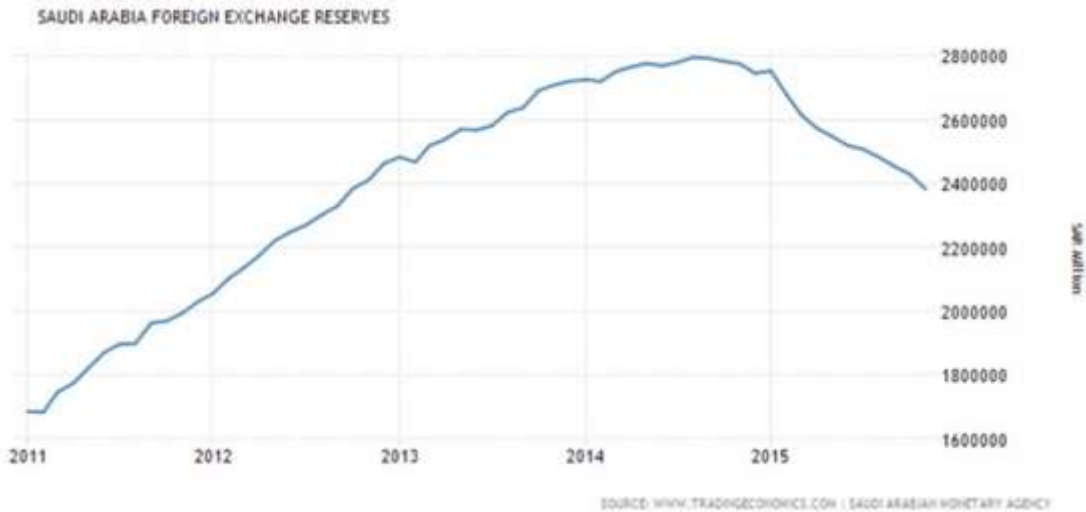
From Saudi Arabia's perspective, Iran seems to be gaining ground everywhere. Saudi Arabia has several weaknesses that help explain the current anxiety emanating from Riyadh.

### 1. Saudi Arabia losing its leadership in the OPEC

Saudi Arabia has been the default leader of OPEC; however, despite Saudi insistence to the contrary, the U.S. shale boom, increased Russian oil production, and a very resolute Iran are challenging this leadership.

The result is that Saudi Arabia now finds itself powerless in supporting oil prices. Instead of the much-needed production cuts, during the 4 December 2015 meeting, the OPEC nations refused to adhere to any ceiling, which has been the practice for years.

### 2. Burning through reserves—fast



### OilPrice.com

Iran is waiting for the lifting of sanctions, expected sometime in 2016, to pump more oil to improve its economy, whereas the Saudi's are losing they are burning through their cash reserves quickly. The above chart speaks for itself, depicting the kind of damage low oil prices are inflicting on Saudi reserves. By the most optimistic opinion, Saudi Arabia can survive low oil prices only for four years.

### 3. Iran has assumed a very significant leadership role among Shia Arabs

*Both Iran and Saudi Arabia are currently locked in a bitter proxy war on two fronts: Syria and Yemen.*

Iran has the support of Hezbollah in Lebanon, along with support from the majority of Shiites in Iraq. More to the point, Iran has even managed to grow its Shiite support base among Sunni-ruled nations. The execution of Shia Sheikh Nimr Al-Nimr by the Saudis is an indirect acceptance of the growing influence of Iran among the suppressed 15 percent Shiite population in Saudi Arabia. This shows that the Saudi leadership is feeling threatened on their own soil.

### 4. Saudi Arabia cannot defeat Iran in a direct war

Iran is a much larger nation than Saudi Arabia by population and has held its own in numerous long wars. By comparison, the Saudis have an army that is inexperienced, led by loyalists of the Royal family who occupy plum postings. These are not the war-hardened generals of Iran.



**Firouz Members of Iran's Revolutionary Guards participate in a military parade to commemorate the anniversary of the start of the 1980-1988 Iran-Iraq war, in Tehran September 21, 2008.**

While Saudi Arabia has a nice arsenal with the latest weaponry, the kingdom is heavily dependent on the West for its use and maintenance. Its indecisive and ineffective handling of three conflict fronts—Iraq, Syria, and Yemen—give us no confidence in its ability to take on Iran.

### **5. Saudi Arabia knows it won't have U.S. support for a direct war with Iran**

The painfully misguided wars in Iraq and Afghanistan are enough to deter the current U.S. administration from entering into full-fledged war in the Syrian and Yemen theaters. Washington's non-committal stance, along with efforts to broker a deal with Iran, should serve as very loud signals to Saudi Arabia.

The message to the kingdom is this: Don't go to war with the hope that that U.S. will support you. And without the West, Saudi Arabia knows it stands no chance of winning a war against Iran. The royal family will probably not take the risk of losing power by indulging in such a war.

These relationships are anything but clear, and everything about balance. So the U.S. will continue to sell weapons to Saudi Arabia to allow it to maintain a bit of balance—with the latest deal approved in October—and Washington and Tehran will continue to play cat and mouse as they near a nuclear deal and a removal of sanctions.

This is best illustrated by the recent detainment and then quick release of U.S. sailors for an incursion into Iranian waters, and the statement and then denial by Iran that it had completely closed off a key nuclear reactor that would have sealed the nuclear deal.

The Saudis are in a state of panic all around—from its OPEC status and dwindling reserves to its proxy wars that absolutely cannot turn into full-fledged wars and its growing friendlessness. The fact that oil fell briefly below \$30 a barrel on Tuesday for the first time in 12 years won't have helped.

At the end of the day, Saudi Arabia has overextended itself, and overestimated its prowess and it does not have the clout that it once had to be able to do this effectively.

If you're wondering whether there will be an all-out war between Saudi Arabia and Iran, it's unlikely. At this point, the Saudis are likely to continue the proxy war and hope that the Iranians do something foolish to upset the nuclear deal with the West. Until then, Saudi Arabia will make a lot of noise and attempt subversive activities, but nothing more.