

Real Motive Behind Saudi Purge Emerges: \$800 Billion in Confiscated Assets

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From the very beginning, there was something off about Sunday's unprecedented ~~countercoup~~ purge unleashed by Mohammad bin Salman on alleged political enemies, including some of Saudi Arabia's richest and most powerful royals and government officials: it was just too brazen to be a simple "power consolidation" move; in fact most commentators were shocked by the sheer audacity, with one question outstanding: why take such a huge gamble? After all, there was little chatter of an imminent coup threat against either the senile Saudi King or the crown prince, MbS, and a crackdown of such proportions would only boost animosity against the current ruling royals further.

Things gradually started to make sense when it emerged [that some \\$33 billion in oligarch net worth](#) was "at risk" among just the 4 wealthiest arrested Saudis, which included the media-friendly prince Alwaleed.



One day later, a [Reuters source reported](#) that in a just as dramatic expansion of the original crackdown, bank accounts of over 1,200 individuals had been frozen, a number which was growing by the minute. Commenting on this land cashgrab, we rhetorically asked "So when could the confiscatory process end? As we [jokingly suggested yesterday](#), the ruling Saudi royal family has realized that not only can it crush any potential dissent by arresting dozens of potential coup-plotters, it can also replenish the country's foreign reserves, which in the past 3 years have declined by over \$250 billion, by confiscating some or all of their generous wealth, which is in the tens if not hundreds of billions. If MbS continues going down the list, he just may recoup a substantial enough amount to what it makes a difference on the sovereign account."



Then an article [overnight from the WSJ confirmed](#) that fundamentally, the purge may be nothing more than a forced extortion scheme, as the Saudi government - already suffering from soaring budget deficits, sliding oil revenues and plunging reserves - was "[aiming to confiscate cash and other assets worth as much as \\$800 billion in its broadening crackdown on alleged corruption among the kingdom's elite.](#)"

As we [reported yesterday](#), the WSJ writes that the country's central bank, the Saudi Arabian Monetary Authority, said late Tuesday that it has frozen the bank accounts of "persons of interest" and said the move is "in response to the Attorney General's request pending the legal cases against them." But what is more notable, is that while [we first suggested](#) -

jokingly - on Monday that the ulterior Saudi motive would be to simply “nationalize” the net worth of some of Saudi Arabia’s wealthiest individuals, now the WSJ confirms that this is precisely the case, and what’s more notably is that the amount in question is absolutely staggering: nearly 2x Saudi Arabia’s total foreign reserves!

As the WSJ alleges, “the crackdown could also help replenish state coffers. The government has said that assets accumulated through corruption will become state property, and people familiar with the matter say the government estimates the value of assets it can reclaim at up to 3 trillion Saudi riyal, or \$800 billion.”

While much of that money remains abroad - and invested in various assets from bonds to stocks to precious metals and real estate - which will complicate efforts to reclaim it, even a portion of that amount would help shore up Saudi Arabia’s finances.

A prolonged period of low oil prices forced the government to borrow money on the international bond market and to draw extensively from the country’s foreign reserves, which dropped from \$730 billion at their peak in 2014 to \$487.6 billion in August, the latest available government data.

Confirming our speculation was advisory firm Eurasia Group, which in a note said that the crown prince “needs cash to fund the government’s investment plans” adding that “It was becoming increasingly clear that additional revenue is needed to improve the economy’s performance. The government will also strike deals with businessmen and royals to avoid arrest, but only as part of a greater commitment to the local economy.”

Of course, there is a major danger that such a draconian cash grab would result in a violent blowback by everyone who has funds parked in the Kingdom. To assuage fears, Saudi Arabia’s minister of commerce, Majid al Qasabi, on Tuesday sought to reassure the private sector that the corruption investigation wouldn’t interfere with normal business operations. The procedures and investigations undertaken by the anti-corruption agency won’t affect ongoing business or projects, he said. Furthermore, the Saudi central bank said that individual accounts had been frozen, not corporate accounts. “It is business as usual for both banks and corporates,” the central bank said.

However, this is problematic: first, not only is the list of names of detained and “frozen” accounts growing by the day...

The government earlier this week vowed that it would arrest more people as part of the corruption investigation, which began around three years ago. As a precautionary measure, authorities have banned a large number of people from traveling outside the country, among them hundreds of royals and people connected to those arrested, according to people familiar with the matter. The government hasn’t officially named the people who were detained.

... but the mere shock of a move that would be more appropriate for the 1950s USSR has prompted crushed any faith and confidence the international community may have had in Saudi governance and business practices.

The biggest irony would be if from this flagrant attempt to shore up the Kingdom’s deteriorating finances, a domestic and international bank run emerged, with locals and

foreign individuals and companies quietly, or not so quietly, pulling their assets and capital from confiscation ground zero, in the process precipitating the very economic collapse that the move was meant to avoid.

Judging by the market reaction, which has sent Riyal forward tumbling on rising bets of either a recession, or devaluation, or both, this unorthodox attempt to inject up to \$800 billion in assets into the struggling local economy, could soon backfire spectacularly.



Meanwhile, for those still confused about the current political scene in Saudi Arabia, here is an infographic courtesy of the WSJ which explains “Who Has Been Promoted, Who Has Been Detained in Saudi Arabia”



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