

A troubling outlook for the world economy

Editorial

Indonesian President Joko Widodo is deeply concerned about the future of the global economy. In his speech to the annual meetings of the International Monetary Fund and the World Bank in Bali last week he warned that “relations between the major economies are looking more and more like the Game of Thrones,” the dystopic fantasy of a world in constant struggle between feuding dynasties. Worried that the “situation might be more threatening than the financial crisis 10 years ago,” Widodo implored the assembled economic grandees to cooperate and avoid a future that would inflict a “tragic price” on the “defeated” and the “winners.”

While Widodo’s warnings were more colorful than most, he is not alone in his concern. Even though the global economy looks set to continue its expansion, there is mounting anxiety about geopolitical risks. The list of potential dangers is well known, but there is also fear of “black swans” that could trigger a downturn. Leaders must reaffirm their commitment to the principles that have enabled and sustained growth, and reinforce global economic institutions and mechanisms. Surprisingly, that is easier said than done.

The IMF expects the world economy to expand 3.7 percent in 2018 — the same as 2017 — but that is a decrease from 3.9 percent expansion forecast in July. The U.S. economy is projected to grow 2.9 percent, the largest increase since 2005, but it will slow to 2.5 percent next year as momentum injected by the Trump tax cuts fades. China will grow 6.6 percent this year, but that pace will drop next year to 6.2 percent, the slowest rate since 1990. Japan’s economy is forecast to expand 1.1 percent this year — there was no change in the forecast — and slow to 0.9 percent in 2019. World trade is slowing, though: The IMF projects global trade to expand 4.2 percent in 2018, a decrease from the 5.2 percent growth of 2017, and slowdown from the 4.8 percent predicted in July.

The reasons for the headwinds are well known. There are the tariffs that U.S. President Donald Trump has imposed on most of the U.S.’s major trading partners and the trade war that he seems intent on launching with China. Thus far, the two countries have declared sanctions on \$360 billion of goods, and there is no sign that either is looking to back down, although there are reports that Trump may meet Chinese President Xi Jinping at the Group of 20 summit in Argentina next month. Even that is unlikely to accomplish much as the U.S. demands go to the heart of China’s industrial policy and Xi cannot afford much in the way of compromise.

In Europe, Brexit has already begun to roil markets and economies, but the European Union is also keeping a close eye on Italy, where the government is intent on expanding its budget and busting the EU’s limits on deficits. IMF officials warned that it is “not the time to relax fiscal policy” in Rome, but the Italian finance minister countered that any fiscal expansion was “limited.”

In Asia, there are concerns that Japan’s decision to follow through on plans to increase its consumption tax, while welcome for long-term stability, will jolt an already slowing economy. South Korea’s sluggish economy and hidden debt in China are also ringing alarm bells. Economists worry that the prospect of capital flight from emerging markets is evolving from a concern for a few specific countries to a more general and broad-based phenomenon. In addition, there is worry about the transparency of debt and the prospect of excessive burdens as a result of China’s “Belt and Road” initiative (a charge that Chinese officials vehemently deny).

In addition, there is the erosion of faith in institutions designed to manage the global economy, especially the World Trade Organization. This is part of a more general assault on the norms and principles that have guided the global economy for decades, attacks that have often originated in Washington. Trump’s criticism of the Federal Reserve, which he called “out of control” last week after it raised interest rates, is emblematic of this mind-set.

Finally, there are unforeseen risks that could have devastating impacts. For example, Saudi Arabia has reportedly threatened to slow oil production and push prices through the roof if it is punished for alleged murder of journalist Jamal Khashoggi, a sequence of events that no one could have envisioned even a week ago.

While combating the unknowable is a difficult assignment, dealing with these challenges is rather simple. As IMF Managing Director Christine Lagarde noted, there are “risks to the principles and institutions that underpin international cooperation, which has delivered so many benefits for so many people for so many years.” That cooperation must continue if the world is to weather these uncertain times. Debt must be controlled, currency and trade wars rejected. In simplest terms, she urged member countries to “de-escalate and please dialogue.”

How much do we know about Saudi Arabia?

Kuni Miyake



One of Saudi Arabia’s most prominent journalists has been missing since Oct. 2. He was last seen entering the building of the Consulate-General of Saudi Arabia in Istanbul. Turkish officials and media say he was murdered inside the consulate, while the government in Riyadh fiercely denies the reports.

Washington seems to be divided. The mainstream media as well as Congress are deeply concerned about this potentially brutal human rights abuse, even warning of severe sanctions against the oil-rich desert kingdom. The Trump administration is still ambiguous about what kind of punitive measures it will take if and when Saudi Arabia’s involvement is confirmed.

Seen from Tokyo, I would say nobody seems to have grasped the entire picture of this incredible incident. I am a former Arabic language officer at the Foreign Ministry. Although I was never stationed in Saudi Arabia, my minimum knowledge about the kingdom and the Middle East raises the following questions.

1. Is his family name Khashoggi?
English-language media spell his name “Jamal Khashoggi,” probably because he uses that spelling. The Japanese media follow their Western counterpart and pronounce the name “KA-SHO-GI.” They are wrong. If you know Arabic, you don’t call his name like this. His family name is pronounced “Khaa-shuq-gee” in his native language.

It was almost two weeks after he disappeared in Istanbul when CNN finally started changing the pronunciation of his family name from “Kha-show-guee” to “Kha-shuq-she,” still close but no cigar. You may say it is just a pronunciation and you are probably right. The question, however, does not end here.

2. He is not a dissident journalist.
Name pronunciation aside, who is Jamal Khashoggi? Wikipedia describes him as “a Saudi journalist, author, and the former general manager and editor-in-chief of Al-Arab News Channel” and “editor for Saudi newspaper Al Watan, turning it into a platform for Saudi progressives.” I don’t challenge that.

If you know the Khashoggi family in Saudi Arabia, however, you will find him not just an ordinary journalist critical of the royal



A security guard reaches out from the entrance of the Saudi Arabia’s consulate in Istanbul on Oct. 12. AP

Saud family. Khashoggi was born in 1958 in the holy city of Medina (Al Madina in Arabic). His grandfather, Muhammad, was a personal physician to King Abdulaziz, the founder of the kingdom.

Khashoggi is also a nephew of Adnan Khashoggi, the famous arms dealer of Saudi Arabia who was once reportedly involved in the Iran-Contra scandal in the mid-1980s. Some pundits called him a dissident in Saudi Arabia. On the contrary, Kashoggi has been a part of the establishment in the tightly closed desert kingdom.

3. Why did he disappear?

The latest Washington Post report hints that Muhammad bin Salman, the crown prince of Saudi Arabia commonly known as MBS, “ordered an operation to lure Jamal Khashoggi back to Saudi Arabia from his home in Virginia and then detain him, according to U.S. intelligence intercepts of Saudi officials discussing the plan.”

The report did not surprise me because it was out of the fear of young and immature MBS about a “threat from inside.” Khashoggi knew too well about the royal family and especially about the crown prince. Something might have gone wrong when Khashoggi was captured. He might have died accidentally rather than intentionally.

4. How much did U.S. President Donald Trump’s senior adviser Jared Kushner know about the kingdom?

Nobody knows what really happened inside the Saudi consulate. What is more important, if the news reports are correct, is what might have prompted MBS to try such a gamble as luring Khashoggi back to the kingdom and detain him. Why would a smart prince like MBS think this would be tolerated by the international community?

Some experts in Washington, especially on the Democratic side, refer to Kushner as “emboldening the Saudi Crown Prince.”

This is the first and probably the biggest test for Crown Prince Muhammad bin Salman as a leader of the kingdom of once happy Saudi Arabia.

Jig is up for Riyadh: Khashoggi case reshapes the Middle East

The fate of missing Saudi journalist Jamal Khashoggi threatens to upend the fundamental fault lines in the Middle East

JAMES M. DORSEY
SINGAPORE
THE GLOBALIST

The fate of missing Saudi journalist Jamal Khashoggi, assuming that his disappearance was the work of Saudi security and military officials, threatens to upend the fundamentals of fault lines in the Middle East.

At stake is not only the fate of a widely respected journalist and the future of Turkish-Saudi relations.

Khashoggi’s fate, whether he was kidnapped by Saudi agents during a visit to the kingdom’s consulate in Istanbul to obtain proof of his divorce or murdered on its premises, threatens to severely disrupt the U.S.-Saudi alliance that underwrites much of the Middle East’s fault lines.

A U.S. investigation into Khashoggi’s fate mandated by members of the U.S. Congress and an expected meeting between President Donald Trump, and the journalist’s Turkish fiancée, Hatice Cengiz, could result in a U.S. and European embargo on arms sales to Saudi Arabia. Such a move would impact the kingdom’s brutal proxy war with Iran in Yemen.

It also would project Saudi Arabia as a rogue state and call into question U.S. and Saudi allegations that Iran is the Middle East’s main state supporter of terrorism.

The allegations formed a key reason for the United States’ withdrawal with Saudi Arabia, the United Arab Emirates and Israeli backing from the 2015 international agreement that curbed Iran’s nuclear program and the re-imposition of crippling economic sanctions.

They also would undermine Saudi and

UAE justification of their 15-month old economic and diplomatic boycott of Qatar, which the two Gulf states, alongside Egypt and Bahrain, accuse of supporting terrorism.

Condemnation and sanctioning of Saudi Arabia by the international community would complicate Chinese and Russian efforts to walk a fine line in their attempts to ensure that they are not sucked into the Saudi-Iranian rivalry.

Russia and China would be at a crossroads if Saudi Arabia were proven to be responsible for Khashoggi’s disappearance and the issue of sanctions would be brought to the United Nations Security Council.

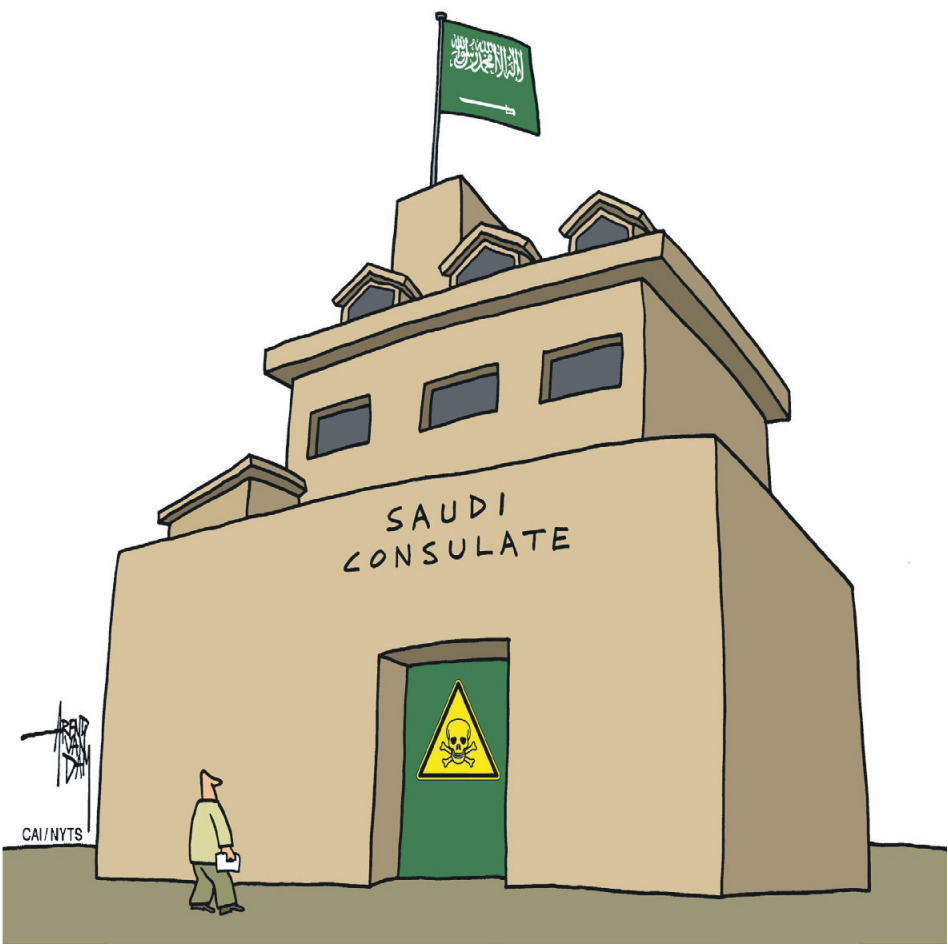
Both Russia and China have so far been able to maintain close ties to Saudi Arabia despite their efforts to defeat U.S. sanctions against Iran and Russia’s alliance with the Islamic republic in their support for Syrian President Bashar Assad.

A significantly weakened Saudi Arabia would furthermore undermine Arab cover provided by the kingdom for Trump’s efforts to impose a settlement of the Israeli-Palestinian conflict that would favor Israel at the expense of the Palestinians.

Finally, a conclusive determination that Saudi Arabia was responsible for Khashoggi’s fate would likely spark renewed debate about the wisdom of the international community’s support for Arab autocracy that has proven to be unashamedly brutal in its violation of human rights and disregard for international law and conventions.

Meanwhile, Saudi Crown Prince Mohammed bin Salman has suffered significant reputational damage. Irrespective of Khashoggi’s fate, this raises the question of his viability if Saudi Arabia were condemned internationally and the stability in the kingdom, a key tenant of U.S., Chinese and Russian Middle East policy.

The reputational damage suffered by Prince Mohammed embarrasses UAE Crown Prince Mohammed bin Zayed, who together with his aides and representatives in world capitals, worked hard to project his Saudi



counterpart as the kingdom’s future.

Saudi Arabia has so far done itself few favours by flatly rejecting any responsibility for Khashoggi’s disappearance with no evidence that the journalist left the consulate at his own volition.

Asserting that claims that it was involved were fabrications by Turkey, Qatar and the Muslim Brotherhood, seeking to defame Khashoggi’s fiancée and supporters and refusing to fully cooperate with Turkish investigators, has not helped either.

Saudi reluctance to cooperate as well as the U.S. investigation and Cengiz’s expected meeting with Trump complicate apparent Turkish efforts to find a resolution of the escalating crisis that would allow Saudi Arabia to save face and salvage Turkey’s economic relationship with the kingdom.

Turkey, despite deep policy differences with Saudi Arabia over Qatar, Iran, and the Muslim Brotherhood, has so far refrained from statements that go beyond demand-

While nobody can prove the allegation, many Middle East experts have been concerned about the outcome of the “princeling” diplomacy by Kushner and MBS.

It is unusual for the United States to have neither U.S. ambassador to Saudi Arabia nor Assistant Secretary of State for the Near East and for the bilateral relations to be totally dependent on the two crown princes. Even if the two behave themselves, they are too busy. And if they don’t, it is extremely dangerous.

5. Has Saudi Arabia changed under MBS? Without doubt MBS is the last hope for the future of Saudi Arabia. In the 1970s, when I was sent to Cairo to study Arabic, the population of the desert kingdom was estimated around 6 million. Now it is 24 million and the average per capita income has dropped to almost a quarter of the 1970s level.

The kings and princes have long been aware that this was coming, but little was done to reverse the trend. The Saud monarchy has tried several times to change the kingdom by introducing structural reform plans for its oil-dependent economy and dozens of job training programs for its all civil-servant population.

Who knows? MBS may be no exception to the rules in Riyadh or he could pull off a miracle for the ailing kingdom. No matter what happens in the future, the Khashoggi incident will be remembered as part of MBS’s desperate attempts to change the kingdom that his grandfather founded.

6. What shall we do about this tragedy?

There is not much we can do about this because the Saudi royal family would not admit the crime, even if they had committed it. If they accepted the allegation, they are afraid that it could be the beginning of the end of the legitimacy of the Saud family to rule the peninsula as Custodian of the Two Holy Mosques.

Since the founding of the kingdom, the Saudis have been always “going my way” and wanting the rest of the world to “leave them alone.” If MBS wants to change this, he must accept international standards and norms. If he doesn’t, the international community will no longer tolerate such ego-centric behavior on the part of Saudi Arabia.

This is the first and probably the biggest test for MBS as a leader of the kingdom of once happy Saudi Arabia.

Kuni Miyake is president of the Foreign Policy Institute and research director at Canon Institute for Global Studies.