

# Saudi Arabian Vision of 2030: Past and Future

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## I. Introduction

The Vision 2030 of Saudi Arabia (“**V 2030**”) was announced five years ago as Mohamed bin Salman’s (“**MBS**”) plan to overhaul Saudi Arabia legally, economically, and socially taking it into the 21<sup>st</sup> century. As of now, it can be a good occasion to shed some light on the V 2030, its pillars, and how it economically changed Saudi Arabia in the past five years, and how it is expected to continue changing Saudi in the future.

The article focuses on the legal and economic aspects of the V 2030. It is split into three sections addressing the following: Section II provides a brief background on the founding pillars of the V 2030 including complying with Islamic principles, becoming a worldwide investment powerhouse, and transforming Saudi Arabia to a leading trading hub in the MENA region. Section III addresses the V 2030’s economic aspects, while giving examples of the relevant changes aiming to fulfil the ambitious economic goals of the V 2030. Finally, the main insights of the article will be summarized in the concluding section V.

## II. Background

For long the Saudi economy was dependent on investments and operations in the field of oil & gas and its associated industries. The continuous rise of the MBS (below 30 years in 2015) in the Saudi political scene, after the drastic decline in oil prices experienced in 2014, encouraged MBS to develop the V 2030 as a mean to strategically abandon the Saudis oil dependence and diversify economic activity by opening widely the doors for an active private sector’s engagement as will be further discussed in below.

In April 2016, MBS announced the V 2030 to the general public. The three pillars of the V 2030 are the following:

- (i) **Islam:** Considering transformations needed to attain a diversified economy, and Saudi Arabia being the land of Islam, and its two holy sites, the V 2030 emphasized

that all changes proposed under the V 2030 will be Sharia-compliant and in line with Sharia's rules and guidance.

- (ii) **Global Investment Powerhouse:** Due to dependence on oil & gas, Saudi's economy failed to unleash its potential preventing it from becoming a global investment powerhouse. Hence, V 2030 intends to diversify the Saudi economy's activity. This is evident from emphasis on the role of the Saudi sovereign wealth fund known as Public Investment Fund ("PIF").
- (iii) **Trading hub:** the geographical location of Saudi Arabia in MENA, access to important international waterways, and proximity to three continents as Asia, Africa, and Europe allow the Saudi policymakers to pursue an ambition of transforming Saudi Arabia into a trading hub between the three continents.

### III. Economic aspects of the V 2030

From the V 2030, it is possible to group the components of its economic aspects in four categories as: (a) the PIF; (b) localizing foreign industries in Saudi Arabia; (c) privatizing supply of basic services and improving the investment climate; and (d) becoming a trade hub.

#### III.A Developing the PIF

The first component of the V 2030's economic aspects is the PIF. To become a global investment powerhouse, on the managerial side, the Saudi policymakers are undergoing a process to boost the efficiency of the PIF's management. A better governance comes as a top priority to ensure the PIF will be successful in attaining its objectives in being profitable, which diversifies the revenues of the Saudi budget and gradually reduces dependence on proceeds from hydrocarbons.

From an investment viewpoint, the PIF is planned to exercise its presence on two levels. On the domestic one, it unlocks strategic sectors within the Saudi economy where a vast capital-intensive investment is required. In this respect, it is worth clarifying that PIF will not compete against the private sector in segments opened for the latter as further discussed in section III.C below. On the foreign level, PIF intends to be a market maker through investing in prominent multinationals with special focus to blue chip companies. In Q1 of 2020<sup>1</sup>, PIF invested USD 8 billion in acquiring stakes in companies like Disney,

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<sup>1</sup> <https://www.ft.com/content/6825366f-92db-4473-b5b2-cacda032d8ee>

Royal Shell, Boeing, Facebook, and BP. This comes in line with an ambitious target set for 2030 of increasing PIF's assets to over SAR 7 trillion being the biggest the sovereign wealth fund in the world.

### **III.B Localizing foreign industries in Saudi Arabia**

The second component of the V 2030's economic aspects is localizing foreign industries in Saudi Arabia. V 2030 aims to diversify the Saudi budget's revenues by focusing on the development of sectors where Saudi Arabia has a competitive advantage. These sectors include manufacturing where Saudi Arabia targets production of industrial and renewable energy equipment locally. Another sector of interest is tourism, where V 2030 seeks developing a group of attractions as museums and the like to demonstrate the Saudi, Arabian, and Islamic background of the country.

For exploring and exploiting mineral resources, in addition to expansions in mining to maximize benefits from other mineral resources abundant in the large-sized Saudi Arabia, the V 2030 aims to attract foreign leaders in the field of oil & gas to enter into strategic joint ventures with Saudi counterparties. Under the V 2030, by its end the goal is to increase the oil & gas localization from a 40% in 2015 to a 75%. Similar objectives are sought with respect to defence industries, where developing military equipment (even military aircrafts) is addressed in the V 2030 to primarily attain further self-sufficiency and boost exports of military equipment from Saudi Arabia to its regional peers<sup>2</sup>. Getting foreign industries in Saudi Arabia permits localizing know-how and ensures smooth transfers of technology to the Saudi economy. Saudisation comes as an attempt to boost the spill over effects of localizing foreign industries through hiring and training Saudi nationals as part of these Saudi-based industries.

Finally, and in association with promoting the domestic industry in Saudi Arabia, V 2030 promises support to domestic industries and companies (even when in place with foreign partners) with growth potential to develop their market shares on global markets, to market products abroad and to increase exports. V 2030 principally focuses on national companies in the fields of telecommunication, retail, banking, food supply, healthcare, and oil & gas. A potential beneficiary can be BRF the Brazilian food processor that in October 2019 announced its plan to establish a production plant in Saudi Arabia<sup>3</sup>.

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<sup>2</sup> <https://www.defensenews.com/outlook/2019/12/02/saudi-arabia-manufacturing-official-talks-defense-expansion/>

<sup>3</sup> <https://anba.com.br/en/brf-announces-itll-open-plant-in-saudi-arabia/>

### **III.C Opening doors for private sector**

The V 2030 targets a wider participation of the private sector in the Saudi economy. This comes under a plan to open new sectors and industries for the private sector to enter in. In this regard, the private sector is not limited to domestic players, but it also embraces foreign investors. The openness will be evident in sectors like for example basic services as education and healthcare, renewable energy, municipal services. In the healthcare sector, V 2030 promises transforming public service providers into corporations so to enhance the market's transparency and ensure a competitive healthcare market where the stakeholders can freely decide on their service provider.

To fulfil this objective, the V 2030 sheds light on several legislative and regulatory proposals to facilitate investing in Saudi Arabia generally and in certain services specifically like healthcare and education, which were supplied solely by public sector<sup>4</sup>. Other proposals include easing licensing procedures, encouraging innovation, promoting competition, and abolishing barriers for a bigger private sector contribution in the Saudi's GDP. V 2030 intends to transform the government's role from a provider of services to a market regulator with monitoring capacities over the supply and quality of services.

### **III.D Becoming a trading hub**

The planned transformation of Saudi Arabia into a trading hub to exploit its geographical location between three continents come as the final component of the V 2030 economic aspects. Considering the size, the location close to two important waterways like the Red Sea and the Arabian Gulf, and the continuous investments in the Saudi's infrastructure of roads, railways, and ports, V 2030 plans to ripe the benefits of all the three preceding strength points. The Saudis would like to extend the connectivity of these infrastructure across borders with regional peers including the Gulf Cooperation Council and Egypt as a gateway to better reach African markets. To enhance connectivity across borders, additional investments will be required, and an obvious example is the 30-km King Salman bridge to link Saudi Arabia to Egypt<sup>5</sup>.

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<sup>4</sup> <https://www.globalhealthsaudi.com/content/dam/Informa/globalhealthsaudi/downloads/GHE19-KSA-HEALTHCARE-INDUSTRY-OVERVIEW.pdf>

<sup>5</sup> <https://english.alarabiya.net/en/News/middle-east/2017/08/30/Egyptian-Minister-King-Salman-Bridge-is-the-largest-project-in-the-world>

#### **IV. Conclusion**

The ambitious plan of the V 2030 principally seeks diversifying the Saudi economy away from oil dependency. This V 2030 is discussed in this article from an economic viewpoint aiming to summarize what to expect on the economic and legal sides in Saudi Arabia in the next ten years until 2030. The V 2030 is a great initiative led by MBS and is based on three pillars having Islam on top of them. This highlights that whatever changes to be witnessed will be always in line with the principles and rules of Islam. The ambitious plan requires much efforts to ensure its successful transformation into a reality.

The four components of its economic aspects are tailored to attain the said objective of diversification. Although the PIF component seems more evident than the others due to its wide coverage by different news outlets, the other three components are more difficult to implement due to the necessary changes required within the economy and the legal framework. The V 2030 is progressing and on daily basis the world is witnessing changes in the Saudi economy, as well as on a social level.