

# Economic reform and change

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When King Abdullah bin Abdul Aziz Al Saud succeeded to the throne in 2005, among his reform priorities was a commitment to diversify Saudi Arabia's economy. Not that Saudi Arabia is turning its back on oil; the King's plan is to establish the conditions that will allow the country to make the shift from being primarily a commodity producer, and subject to the ups and downs of the global oil market, to becoming a diversified industrial and knowledge-based economy.

High average oil prices have provided the means to put his reforms into effect. GDP has risen from US\$188 billion in 2000 to US\$467 billion in 2008, according to government estimates. Inward FDI flows

of US\$24.3 billion in 2007 recorded an annual increase of 33 per cent. These investments will leap to a total of nearly US\$1 trillion by 2018, says the government. A budget surplus of US\$100 billion is forecast for 2008.

The last three and a half years have seen an unprecedented programme to expand infrastructure, as well as focusing on education, and promoting the development of industry and knowledge-based businesses that will generate employment. At the same time, King Abdullah recognises that the country can do much more with its oil, which makes up around a quarter of the planet's reserves. The kingdom will be investing US\$1 billion annually over the next five years to increase its refining capacity and develop value-added petrochemicals by building four new refineries. To give an example of the potential, the chemicals refined from a barrel of oil are worth ten times its price as crude.

Coupled with the drive to establish core industries, King Abdullah has pushed to further develop Saudi Arabia as a trading hub. Located between the burgeoning markets of China and Central Asia, Saudi Arabia has also been strengthening its transportation infrastructure, building and expanding airports, roads, and a new rail link called the LandBridge, that includes a 1,000 kilometre stretch between Riyadh and Jeddah, as well as a link between Damman and Jubail.

More ambitious yet are the six economic cities currently under construction, and that have already attracted investment worth more than US\$35 billion. Headed by the flagship project the King Abdullah Economic City, five other developments in Hail, Jizan, Medina, and the Northwest of the Kingdom and in the Eastern Province, aim to be vibrant communities by at least 2020.

Spread out around a country the size of western Europe, the new cities will take the pressure off Riyadh, Mecca, and the Eastern Province, which now house almost 65 per cent of the population, and are home to 75 per cent of businesses. As with the creation of Jubail and Yanbu in the 1970s, these new cities are not simply export zones; there is a commitment to attract expertise and investment in key areas through clustering; in the same way that Silicon Valley has. Providing a wide range of infrastructure and facilities will do this.

Businesses looking to locate in these new cities will find that red tape has been cut to a minimum, and that the Saudi Arabian General Investment Authority offers a one-stop shop for investors. In keeping with King



