

Investing in growth

PROFILE OF KING ABDULLAH BIN ABDUL AZIZ AL SAUD

CUSTODIAN OF THE TWO HOLY MOSQUES

Saudi Arabia's medium-term outlook remains very favourable, with growth being sustained by strong private sector investment and government spending on key infrastructure

The inauguration of the King Abdullah University of Science and Technology, known in international academic circles as KAUST, not only lays the foundations for a lasting educational legacy in Saudi Arabia, but reflects King Abdullah's commitment to reform by continuing to implement a wide range of forward-thinking projects in spite of the global economic downturn.

With a US\$10 billion endowment, KAUST is one of the wealthiest universities in the world. The guiding philosophy is to foster research that will diversify Saudi Arabia's oil-dependent economy, creating millions of much needed jobs, and for it to be an oasis of academic freedom in this traditional society.

The university, on the outskirts of the Red Sea city of Thuwal, 80 kilometres north of Jeddah, ushers in a new age of scientific research.

Arab heads of state joined King Abdullah to congratulate him on his brainchild, a graduate-level institution that hosts the world's 14th-fastest super-computer, and will research how to harness solar power, desalinate water and genetically alter plants to survive in desert conditions. Leading scientists from around the world have been invited on five-year contracts with annual research budgets of up to US\$800,000.

Just as importantly, the university, with room for 18,000 students, symbolises a brave break with Saudi tradition by allowing men and women to study side by side, while religious and ethnic groups from all over the world will be welcomed in a ground-breaking push for academic freedom and international cooperation. "Humanity has been the target of vicious attacks from extremists," the King said at the ceremony, adding: "Scientific centres that embrace all people are the first line of defence against these extremists. And today this university will become a house of wisdom ... a beacon of tolerance."

King Abdullah has broken taboos, boldly declaring that the Arabs have fallen critically behind much of the modern world in intellectual achievement and that his country depends too much on oil and not enough on creating wealth through innovation.

A stunning architectural showcase, KAUST is unlike anything seen before in conservative Saudi Arabia, and more in keeping with the ultra-modern edifices that dominate Dubai's skyline. Constructed on sustainable principles to make the most of sea breezes

for cooling, the buildings screen out a good deal of the heat generated by the searing Arabian sun; making the internal environment easier for the students while using less energy.

The project, along with other high-profile initiatives such as a series of new economic cities under construction, have been funded by one of the longest periods of high oil prices in history, allowing King Abdullah to press ahead with the comprehensive political and economic reform agenda he outlined at the start of his reign in August 2005, working to hasten the country's development beyond oil to ensure prosperity for future generations.

The opening of KAUST comes at a time when the OPEC powerhouse is increasing its focus on education and development programs aimed at boosting economic growth. In short, KAUST's embrace of educational freedom marks Saudi Arabia's determination to be at the forefront of developments as technology increasingly drives global development.

Responding to the global economic crisis

Saudi Arabia's medium-term outlook remains very favourable, despite the downturn in private sector investment – more than mitigated by government spending on key infrastructure. Large fiscal and external surpluses are projected to continue, given high oil prices.

Talk of a sharp fall in oil prices have so far proved unfounded – Morgan Stanley predicted that oil prices would reach US\$95 per barrel by late 2010 before breaking through the US\$100 mark next year. The oil price that would balance the Saudi current account in 2013 is estimated at around US\$70 per barrel. Saudi Arabia has taken the global crisis in its stride; allowing the King to press ahead with the reforms and projects begun in 2005 – the country exceeded projected spending for 2009 by more than 15 per cent. Last April as part of its commitment to the G20's bid to kick start the global economy, it adopted a US\$400 billion investment and development programme for the government and monetary sectors for the next five years.

The Kuwait-based Global Investment House (GIH) said in its study on Saudi Arabia's economy that it expected the Kingdom's forecast budget deficit for next year to turn into a significant surplus because of an increase in oil prices and its crude output.

“Saudi Arabia’s commitment to spur economic activity through counter-cyclical fiscal policy measures has been an invaluable support in maintaining growth in the economy. The Kingdom’s expansionary state spending programme of US\$400bn until 2014 and actual government expenditures exceeding by 15.8 per cent its 2009 budgeted expenditure, indicates the government’s dedication to spur economic activity and encourage private investment,” the study said. The result has been that thanks to the government’s investment program, Saudi Arabia’s economy has not been as deeply affected by the global crisis as others in the region.

This investment-oriented approach reflects King Abdullah’s efforts to sow the seeds for long-term prosperity for a population that is growing at around 3 per cent a year. The Kingdom has a very young population – 34 per cent are under 15. Saudi unemployment has fallen from 12 per cent to 9.8 per cent, and to maintain that trend, new jobs must be created.

Keeping up the pace of reform

King Abdullah’s reforms have not been limited to the economy. And while there has been some opposition to

the changes he has implemented, the King’s consensus-based approach has attracted very wide support. The King’s hand has been much strengthened by the enormous popularity among the Saudi masses of his reform agenda, including allowing elections to municipal councils and making it easier for women to work.

In February, in an effort to accelerate the pace of reform in Saudi Arabia, King Abdullah announced the first major changes in the cabinet since 2005, appointing a number of top government posts, including the Council of Ministers. The new political appointments were a significant step in the Kingdom’s overall liberalisation initiative, bringing new moderate voices to the Saudi political system, as well as greater transparency and representation.

Ringed in the changes were a new Minister of Education, HRH Prince Faisal bin Abdullah Muhammed Al-Saud. Prince Faisal is said to share the King’s goal of ambitious reform in the field of education and has helped with the development of KAUST.

Significantly, King Abdullah also appointed HE Noura Fayezi to the new post of Deputy Minister of Women’s Education. Noura Fayezi’s appointment – she is the highest-ranking female official in the country’s

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history – reflects the growing role of women in Saudi government, society, and business.

King Abdullah named HE Dr Abdullah Al-Rabeeah as the new Minister of Health. Dr Al-Rabeeah has pledged to revamp the Saudi medical sector by addressing such issues as bed shortages and inadequate medical facilities at public hospitals and in rural areas of the country.

King Abdullah's reform initiative, including the appointment of HE Mohammed ibn Abdul Kareem Al-Issa as the new Minister of Justice, also aims at facilitating changes in the Kingdom's judicial system by fostering greater transparency, expediting litigation, and establishing stronger protections over commercial and intellectual property. The reforms are expected to improve dispute resolution between Saudi and foreign companies, which critics have said is cumbersome and slow-moving. Further, the Saudi Government has decided to re-establish the Grand Ulema Council, the body that offers advice on the religious aspects of law and regulations. Membership in the Ulema has been expanded to include representatives of all Sunni schools of law, an important step toward exchanging varying legal perspectives.

Another important appointment was that of HE Muhammad Al-Jasser as Governor of the Saudi Arabian Monetary Agency (SAMA), the Kingdom's central bank. Dr Al-Jasser, who previously served as Deputy Governor of SAMA is expected to continue to set forth the same strong monetary policies that have helped the Kingdom weather the current economic downturn better than many of its G20 counterparts.

Obama visit

President Obama held talks with the Saudi king last year, the first leg on a five-day trip to the Middle East. The president was presented with the King Abdul Aziz Order of Merit, the Kingdom's highest honour. King Abdullah said the medallion was "only given to a very few friends of the King" and that President Obama was "certainly one of those".

The next day, in a keynote speech in Egypt directed at the Arab World, Obama offered a "new beginning". Observers in the Kingdom say they were surprised at the president's modesty, and appeals for unity in promoting democracy. Obama also talked about his commitment to religious freedom and women's rights, mentioning Saudi Arabia in a positive light when he talked about King Abdullah's interfaith dialogue.

Mr Obama's goals of opening "a new chapter between the United States and the Muslim world" could hardly proceed without Saudi support. Mr. Obama also came asking for specific requests of help from King Abdullah on a range of related issues, such as Iran's suspected efforts to build a nuclear bomb,

rising Taliban extremism in Pakistan, a destination for some 100 Yemeni detainees from the Guantanamo Bay, Cuba, prison camp, and of course peace between the Israelis and Palestinians

At the beginning of the 1980s, the Saudis offered a peace plan that required the support of fellow Arab leaders: a proposal offering Israel normal relations in exchange for withdrawal from virtually all the territories occupied since 1967.

Israel has rebuffed American calls to freeze settlement building, and the prospects for substantive peace talks have faded. King Abdullah is aware that this plays into the hands of the extremists, and is determined to push for Arab unity as the way to re-establish the Kingdom's role and to limit Iran's influence. The King has also begun a diplomatic drive to smooth relations with two Arab leaders, Col Muammar el-Qaddafi of Libya and President Bashar al-Assad of Syria.

Four years into his reign, King Abdullah has amply demonstrated his deep-rooted commitment to reform, making bold changes to meet the needs of his people and setting an example of moderation and tolerance for the rest of the Arab world.

In the process he is continuing to create more space for political debate and citizen participation, while constructing modern political institutions. This is the way to ensure his reforms will continue beyond his reign, leaving a lasting legacy of stability and growth. ■

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These Polish conjoined twins were separated in Saudi Arabia - a result of the generous intervention of King Abdullah Bin Abdul Aziz Al-Saud

