

Saudi Arabia's Transformation in a Changing Global Context

Posted on



(L-R): Frederick Kempe, President and Chief Executive Officer, The Atlantic Council; Kristalina Georgieva, Managing Director, International Monetary Fund (IMF); Mohammed Al-Jadaan, Minister of Finance, Ministry of Finance of Saudi Arabia; H.R.H. Princess Reema Bandar Al-Saud, Ambassador of Saudi Arabia to the United States, Embassy of Saudi Arabia; Abdullah AlSwaha, Minister of Communications and Information Technology, Ministry of Communications and Information Technology of Saudi Arabia; Jane Fraser, Chief Executive Officer, Citi Group; and Bandar Alkhorayef, Minister of Industry and Mineral Resources, Ministry of Industry and Mineral Resources of Saudi Arabia.

Dynamics related to energy security, geopolitical competition, trade, and supply chain fragmentation are at the heart of global discussions to address the ensuing near-term implications while resolving the systemic issues at their core. Saudi Arabia's Transformation in a changing global context panel at WEF 2023.

January 18, 2023 Jennifer Paldano Goonewardane.

When the Global Economic Forum met in Davos in April 2022, it was a red flag

moment for the global economy. It began to unravel as the year wore on, with rising inflation triggering country-specific initiatives to tighten fiscal policy. In January 2023, as the WEF met again in Davos, there was much to talk about, and there was much to deal with, as corresponding efforts at tightening monetary policy by central banks to contain high inflation has led to a slowdown in global economic activity. Fiscal policy strengthening was a necessity to ensure future macroeconomic stability.

According to forecasts, global growth will likely slow from 3.4 percent in 2022 to 2.9 percent in 2023, then rebound to 3.1 percent in 2024. The current set of challenges impacts every region. China opening up is a heavy point of discussion, primarily as its impact in a post-reopened scenario has yet to be discovered. While the Chinese economy is likely to rebound, a possible stalling could also become real. The world is staring down multiple challenges. Geopolitical fragmentation and its threat to global trade and cooperation is a reality that all countries try to tackle. Emerging markets and developing countries have felt the brunt of tightened global financial conditions. Rising food and energy prices are sending shockwaves worldwide as it impacts vulnerable populations in unprecedented ways, especially in Africa, which could lead to food insecurity and social unrest. Amid this tangled global reality stands Saudi Arabia. The Kingdom's Vision 2030 is considered an achievement for a country that has often been dubbed conservative.

At the WEF, the country's representatives spoke glowingly of the impact of Vision 2030 internally and the Kingdom's ambitions to play a prominent role in the larger global landscape. The government has kept its reform momentum strong despite Saudi Arabia being affected by a pandemic-induced recession. The Kingdom continues implementing Vision 2030 to diversify and liberalize the economy to ensure stable growth.

Host Frederick Kempe, Chief Executive Officer of the Atlantic Council, led the discussion. The six speakers were Mohammed Al-Jadaan, Minister of Finance of Saudi Arabia; Kristalina Georgieva, Managing Director, IMF; Jane Fraser, CEO, Citi Group; Princess Reema Bandar Al-Saud, Ambassador of Saudi Arabia to the United States; Bandar Alkhorayef, Minister of Industry and Mineral Resources, Saudi Arabia, Abdullah AlSwaha, Minister of Communications and Information Technology, Saudi Arabia.

In his introductory remarks, Frederick Kempe observed 2022's triple shocks in

geopolitical, macroeconomic, and energy spheres. The war in Ukraine, global slowdown, recession, and global energy market volatility compounded an already pandemic-embattled global landscape. There were winners and losers in the Middle East in 2022. Kempe pointed out that the consensus was that Saudi Arabia was a winner buoyed by energy prices, international investment, and changes in planning and approach.

IMF's view on Global and Saudi Arabia's Economic Prospects

Setting off the conversation on "Saudi Arabia's Transformation in a Changing Global Context," Director General of the IMF, Kristalina Georgieva, first outlined the global economic prospects vis a vis its direction in a turbulent environment. Second, she explained Saudi Arabia's transformative journey amid the big stormy picture of the global economy.

Georgieva provided a 60 seconds snapshot of the IMF's outlook for the global economy:

Global growth will decelerate in 2023. However, there could be a turning point towards the end of 2023, with growth bottoming out and leading to a less austere time. However, globally, the uncertainties will continue because of the war in Ukraine, the lack of a clear picture of the impact of China's reopening on its growth, and the continuous fight against inflation through tightening interest rates. The road to normalcy will be long even if inflation shows signs of declining, said Georgieva. Hence, 2023 is a challenging year with some hope of shifts in growth prospects.

The Kingdom's commitment to implementing Vision 2030 is impressive, marking itself as a bright spot in the global and region's economic landscape. Its commitment to progress is remarkable because it is doing so amid a difficult time for the world. The international events in the past few years have been unprecedented. The impact of the COVID-19 pandemic was extraordinary. Then began the war in Ukraine in February 2022. The fallout of all that has led to energy and food prices skyrocketing, leading to cost-of-living dilemmas for millions of people and increasing inflation, forcing central banks to tighten interest rates, throwing cold water on growth prospects.

Amid the global headwinds, there is growth in Saudi Arabia as the government

demonstrates its determination to sustain its reform momentum, including pro-business and investment reform, for the Kingdom's long-term prosperity.

Amid the global headwinds, there is growth in Saudi Arabia as the government demonstrates its determination to sustain its reform momentum, including pro-business and investment reform, for the Kingdom's long-term prosperity.

According to the IMF director general, there are three things that Saudi Arabia is doing right.

The Kingdom follows a solid fiscal policy. For instance, when many countries would shy away from increasing VAT during difficult times, the Saudi Arabian Government increased the tax from five to 15 percent. The good thing is that the Saudi Government is channeling the revenues thus generated to create a conducive investment environment for future growth and diversification of the economy.

Second, the Saudi Government targets 30 percent of women's participation in the labor force by 2030. However, by 2023 Saudi Arabia has already achieved its target and has a 37 percent participation of women in the labor market.

Third, Saudi Arabia takes its good fortunes to heart to play an essential role in energy and food security and addressing the incredible challenge.

Continuing the National Transformation Program amid volatility

Following IMF director general's observation on the global and Saudi-specific dynamics, the Minister of Finance of Saudi Arabia, Mohammed Al-Jadaan, provided an insight into his country's line of action amid the volatile global economic conditions to prevent them from impacting their transformation and performance at the G20.

Accordingly, Saudi Arabia tackled the global economic fallout in two ways. First, it continued its transformative agenda by focusing on implementing Vision 2030 policies. Minister Al-Jadaan said that Vision 2030 was a breakthrough for Saudi Arabia and a reflection of the Kingdom's perspective on its economy and fiscal discipline, including widespread fiscal and social reforms. Vision 2030 is its long-

term plans and the commitment to execute those long-term plans and long-term investments in the country, which has made a difference in how the government deals with the global shocks of the last three years.

The minister referring to the COVID-19 pandemic pointed out that Saudi Arabia was ready when the full force of the pandemic engulfed the world. By then, the country had invested in technology, helping it transfer to a virtual platform in delivering government and health services and education and more when the virus finally entered the country. The minister said Saudi Arabia's successful handling of the pandemic fallout is a lesson for the global community.

Second, Saudi Arabia had seen the onset of inflation before others worldwide anticipated its arrival. By mid-2021 the Kingdom had observed signs of an oncoming global recession. Countries worldwide introduced various stimulus packages during the pandemic. That led the Saudi Government to think differently, to think of policies that would protect the economy from inflation in the long-term, which it has done successfully in freezing energy prices locally. In 2022, global inflation was eight percent, whereas, in Saudi Arabia, it was less than three percent. Current inflation is at 3.3 percent, with an average of 2.6 percent, with an expected decline in 2024.

The minister summed Saudi Arabia's role as being dual- that is, to insulate its domestic and global economies. Saudi Arabia wants to be a role model in the region and is encouraging its regional neighbors to introduce reforms and change the way it provides development assistance. Saudi Arabia tops the list of OECD countries providing development assistance in terms of gross national income. The country is changing its hitherto practice of providing direct grants and deposits without strings attached. It continues to work with multilateral institutions insisting on witnessing reforms in assistance- receiving countries. It bases its new condition on the premise that aid-receiving countries should introduce fiscal policy reforms, such as an appropriate taxing policy, to strengthen their domestic economies rather than depend solely on extended financial dole-outs.

Social Reform

The Kingdom's Vision 2030 has also focused on women's inclusion in all sectors of the economy. Princess Reema Bandar Al-Saud, the first female Ambassador of Saudi Arabia to the United States, explained the Kingdom's handling of this very

transformative trajectory in the history of a country that has kept women on the sidelines for a very long time, much to the chagrin of the West.

The first challenge that Saudi Arabia faced when formulating the national transformation program was how it could look across the board and create the correct economic formula with female inclusion as a baseline. The Kingdom understood the disadvantage to its economy and its objective of creating a sustainable economy for the long-term by keeping out 50 percent of society from the workforce. According to Ambassador Reema, the inclusion of women's rights in Vision 2030 was not an afterthought. The Kingdom addressed inequity from the inception and design of Vision 2030. The country had looked at where it was as a baseline and where it needed to go. She said that when people ask whether the Kingdom's model is replicable, the answer is both yes and no. It is replicable when a country works to create change and is explicit on the goal it intends to achieve, which the Kingdom has done. Driving women's employment to 35 percent was a 2030 goal. Having already reached that target, every single minister in the country has today achieved their KPIs for 2030. She said Saudi Arabia had done something right by introducing sweeping reforms to women's participation in sports, education, and finance. There was a time when women were not in sports in Saudi Arabia. Today there are over 300 women in the pipeline in athletics excluding over 150,000 women engaged in the extended world of sports. Saudi Arabia has five female diplomats serving worldwide, one representing the country at the European Union, positions that women can aspire to today.

She said the change took place because people were ready to change their mindset, which she described as a social change of the mind, a critical factor in the country's social reform process. She said that the social transformation of the mind looks at a woman as an equal. Today women have equal pay and equal opportunities in the Kingdom which might not be the case in many other countries. She claimed that her country could be a role model for the region and the extended Islamic world to create similar expectations for their societies. She revealed that the best practices on gender equity and social, financial, and infrastructure reforms around the globe influenced Vision 2030 content. Saudi Arabia looked at how it could leapfrog and do better than other countries in this regard. Saudi Arabia recognizes that not many other countries can do what it has done, but now that it has embarked on broad-based reforms, it's determined to do it to the best, said Ambassador Reema.

Digital Transformation

Digital transformation is a high priority in the country's Vision 2030 reform agenda, and it's doing everything in its capacity to narrow the digital divide internally and collaborating globally to stimulate better connectivity and access to digital technologies for more populations. Abdullah AlSwaha, Minister of Communications and Information Technology, Saudi Arabia, spoke on the opportunities and the promise of the digital economy, the dangers of the inequities and the digital divide, and how the country hopes to deal with it.

Drawing the relevance of this year's WEF theme of collaborating in a fragmented world, the minister pointed out that the fragmented world is highly interdependent and interconnected. The world witnessed that reality when a virus in one part of the world could cripple 75 percent of the global supply chains to pose a severe threat to food security, threatening to wipe out the collective progress made in the past ten years. And that's why, he said, the Kingdom is seeking to partner with others to narrow the global divide and bridge the digital divide for a better tomorrow.

The minister explained that the G20 in 2020 was one of the most brutal years of its history and the history of humanity under the leadership of Crown Prince bin Ahmed Salman. The consensus was to connect the unconnected world of 2.7 billion people in the world who have no access to the internet, remote education, remote work, and remote healthcare. Such a reality, the G20 agreed, was utterly unacceptable. A study commissioned during the G20 with the WEF and ITU has revealed the exponential cost of nearly 0.5 trillion dollars to connect the unconnected world through ground networks. That has led to the launch and promotion of the Non-Terrestrial Networks program to connect the ground through space-borne and aerial communication networks. Saudi Arabia became the world's first country to conduct 5G testing using High Altitude Platform Systems in 2022. The experiment of connecting a plane flying nearly 20 kilometers above the earth to a low-orbiting satellite is the technological transformation the world requires to connect the unconnected world at a fraction of the cost of using ground networks. He focused on the role of the Digital Cooperation Organization situated in Riyadh. Eleven like-minded countries came together to launch the DCO in 2020 to accelerate the narrowing of the digital divide and enable digital prosperity. The DCO, with the WEF, found a roadmap to unite all nations to bring the envisioned change of bridging the digital divide.

Saudi Arabia wants to be a role model in the region and is encouraging its regional neighbors to introduce reforms and change the way it provides development assistance... The country is changing its hitherto practice of providing direct grants and deposits without strings attached. It continues to work with multilateral institutions insisting on witnessing reforms in assistance-receiving countries.

Women's inclusion and empowerment in tech is the most audacious and bold reform story in the 21st century, pointed out minister AlSwaha. Saudi Arabia has increased women's tech participation from seven percent to 32 percent, which is higher than the EU, G20, and Silicon Valley average.

Harnessing Investment Opportunities

Exploring capital deployment opportunities in Saudi Arabia is crucial for Citigroup, the third-biggest US bank, as it sets office in the Kingdom after shutting down operations in 2001. It is doing so amid a lot of disruptions and global dislocation. Jane Fraser, the CEO of Citigroup, said that the opportunities on the ground are pertinent to the bank as it takes the bold step of entering the Kingdom. In the post-COVID world, what's happening in Saudi Arabia is breathtaking, said Fraser, who pointed out that the country leading the way in many transitions is impressive. Women's empowerment and participation in the labor force, including economic and societal opportunities for women and investing in the engendering of the energy transition, is remarkable. She described Vision 2030 as a pertinent long-term vision at a point in the world where there is a genuine desire for long-term investment opportunities.

Citigroup has opportunities in the Saudi Arabian Government leading the private sector, which allows the bank to deploy capital in SMEs and middle market companies. Such investments will lead to building the ecosystem of different industries within the country as Saudi Arabia diversifies from oil, pointed out Fraser, who said that Aramco's investments in hydrogen are another vital leapfrogging moment of leading the way for the world.

As a leading global bank, what Citigroup sees in a dislocated world is a country with an actual vision, its execution, and the possibilities in the country's future. Being an innovative beacon for the middle east and elsewhere in the world will make Saudi

Arabia very attractive for capital flows in and out of the country and for entrepreneurs who want to come in and participate in the vision-centered transition and progress that the Kingdom is accelerating.

Best practices on gender equity and social, financial, and infrastructure reforms around the globe influenced Vision 2030 content. Saudi Arabia looked at how it could leapfrog and do better than other countries in this regard.

Strengthening the Future of Industry and Mining

Strategy, science, and implementation have been vital to sustaining the Kingdom's industry which is witnessing rapid transformation and the potential to attract investors from around the world. Bandar Alkhorayef, Minister of Industry and Mineral Resources in Saudi Arabia, said that the country has a solid industrial base powered by the strategy to constantly drive it to the next level. The government aims to create an agile, competitive, and sustainable industrial economy. While the Kingdom has big targets in terms of GDP, export, and investment for the sectors, the mix of added value products, the complexity within the industry, and its export strength allow the country to navigate the challenges. The changes the government has introduced lately aim to fulfill local demand and resilience. Exporting petrochemical and value-added petrochemicals and mineral-based products is vital in this regard—the country bets on technology and advanced manufacturing methods leading to heavy investments in those areas.

Mining is a relatively new sector in Saudi Arabia. Being a weighty sector to move, the country prides itself on using science to advance it and thereby become a vocal participant in the global mining community. Realizing the bad practices the industry has generated, the Ministry of Industry and Mineral Resources of Saudi Arabia launched the Future Mineral Forum in 2022. It brought together all the stakeholders like governments, mining companies, financial institutions, think tanks, research institutions, and academia on a single platform in Riyadh to drive innovation and thought leadership. The Forum intends to provide dynamic insights that propel the development of the industry in line with strict environmental, social, and governance principles, the future of mining.

Frederick Kempe - What can Saudi Arabia do to lead global collaboration in energy and food security?

Kristalina Georgieva

The world has lived through three decades since dismantling the Soviet bloc, which led to an integration of the global economy that gave an impetus to elevate the standards of people living everywhere. The world economy tripled. Emerging market developing economies quadrupled and doubled in advanced economies during those three decades. But now, with Russia's invasion of Ukraine, that peace dividend of 30-plus years is gone, and the world realizes that it lives in a shock-prone world. What are the impacts?

There has been a reversal of the global achievement of reducing poverty and hunger globally. Today those numbers are increasing, and unless the countries realize that such a scenario is morally wrong and go on to undermine security across the board and take action, everyone will end up living in a worse world than the past few decades. What does it mean for Saudi Arabia? One is increasing people's well-being by growing the world economy, which can develop faster in integrated economies and an environment of heavy cross-border trade. It's fundamental to identify the necessity to improve the resilience of supply chains and the security of supply methods, but not drive it to the point that makes the world poorer. An IMF study has shown that if we are careful in adapting to the security issues surrounding supply chains, it would cost a mere 0.2 percent of the global GDP. If, on the other hand, countries are prone to adopt protectionist mechanisms on a mass scale, it would cost the world seven percent of its GDP, a value of seven trillion dollars which is far too much on a global scale. Saudi Arabia could be the conduit spearheading global integration as it does today.

Count on Saudi Arabia to lead and help adapt to a changing climate, not only in transitioning to clean energy but in realizing how to feed the world population when water is running short. The Kingdom could also spearhead sustainable agriculture/how agricultural practices could be made more sustainable. Saudi Arabia is already doing research in that area.

Generosity – Those who have more have a responsibility to help those who don't and do so in a prudent way. Saudi Arabia's focus on reforms is most welcoming

because rather than giving money to countries that squander them in bad programs, it is working together to uplift the economies and be generous to those who need that generosity.

Saudi Arabia's focus on reforms is most welcoming because rather than giving money to countries that squander them in bad programs, it is working together to uplift the economies and be generous to those who need that generosity.

Frederick Kempe - The visit of President Xi Jinping to SA in December 2022 made headlines because the China summit led to the two countries signing investment agreements worth \$50 billion, which also marked a shift in the geopolitical dynamics. What role will this shift play for Saudi Arabia?

Mohammed Al-Jadaan, Minister of Finance of Saudi Arabia

China is Saudi Arabia's largest trading partner, with the US being a decisive strategic partner. At the same time, the Kingdom looks to enhance its relations with Europe and advance relations with Latin America and Asia, thereby reinforcing its aim of being the force to bridge the divide and power of communication. Some of the Kingdom's initiatives through the G20 have been to bridge the differences of opinion for the world's greater good. They include the G20 Common Framework for Debt Treatments to help low-income countries at high risk of debt distress. Help find solutions to the world food crisis by launching the Food Security Action Plan with an initial funding of \$10 billion to tackle the global food supply crisis. Guided by Vision 2030, Saudi Arabia is ensuring energy security by spearheading the energy transition in the Middle East by investing in the Saudi Green Initiative. Thus, the country demonstrates its commitment to playing its part in the global economy.

Frederick Kempe - It has been challenging to be the Saudi Ambassador to the United States when the Biden administration expressed displeasure with Saudi Arabia's decision to slash oil production. In the future, how will the relationship between the two countries evolve? Where is it now?

Princess Reema Bandar Al-Saud

It goes without saying that whether it's Saudi-US relations or Saudi and any other country relations, there are highs and lows. But the important thing is to realize that the US and Saudi Arabia are strategic partners. The two countries have been friends for over 80 years and have stood by each other where it mattered, some moments being public while others being private. But this relationship will continue because it's a mutually beneficial relationship that creates a stable world that has played out in times of conflict, pandemic, mobilization of G20 for COVID relief and debt relief, and counter-terrorism. Why does the world not see headlines on terrorism anymore? There's peace and prosperity across the globe because the collaboration between the US and Saudi Arabia continues to endure strongly. There are moments of conflict and disagreement, but that doesn't negate the fact that both countries are strategic allies and friends, and it's a friendship that's critical to the world.

The US is one of the strongest economies in the world, while Saudi Arabia is one of the strongest economies in the Middle East. And it is to the global benefit that the two countries maintain a strong relationship.

It may be sometimes tough to be the Saudi Arabian Ambassador to Washington, a job that I carry with profound pride not because I'm the first woman in the role but because the legacy of the relationship makes it very personal. Saudi students travel to the US for education, and the best in today's Saudi Government have studied in the US. Hence, Saudi has a debt to the US and vice versa. A debt that the two countries don't hold each accountable for, as it's for the greater good.

Frederick Kempe - What can be done collectively and globally to ensure inclusion in the digital future, and can SA scale to contribute to the global digital picture?

Abdullah AlSwaha

The Kingdom should be a global force for integration. When it comes to scaling digital solutions for the wider region, the report released by the DCO chair of the Kingdom laid the roadmap called the 3Cs – common framework, collective action, and collaborative tools.

Twelve years ago, I received Mohammed bin Salman's Misk Foundation's support

for entrepreneurs. That helped me be part of a group that launched a health tech and telemedicine solution for the world today, powering more than 50 million virtual consultations within the region and saving thousands of lives. Saudi's minister of health and healthcare fraternity has taken it to the next level by launching the Saudi Virtual Hospital. Their impact on the region is impressive. Through the Door to Needle initiative for stroke patients, the healthcare ecosystem achieved the capability of preparing the theatre and performing an operation within 25 to 60 minutes to prevent total paralysis. And that was a capability that Saudi Arabia could deliver to the region. These are a few examples of how the Kingdom is an example of a force to reckon with in generating global integration in technology.

Frederick Kempe - Given the risks of recession and global instability, what do you see as the highest priority pathways to addressing that in 2023?

Jane Fraser

Different countries are at very different positions at the moment, which may lead to a rolling series of country-specific recessions worldwide. Market-friendly measures in China and the economy opening are essential to the world. The US is experiencing a solid labor market and is managing the recession. High levels of interest rates and central bank tightening will continue. Saudi Arabia's role in the global economy is more than being a role model where others in the middle east can also gain in their ability to face some of the longer-term impacts. I have spent time discussing the situation in Africa regarding food security with many in Saudi Arabia. In a dislocated and challenging world, the leadership role that Saudi Arabia can play, given its economic strength and dynamics, can be essential in providing solutions to longer-term issues. In contrast, others focus more on tactical or pressing immediate issues.

Frederick Kempe - How will you achieve the substantial strategic industry ambitions, especially the goals to triple the country's domestic industrial product and double the value of industrial exports? Are these achievable?

Bandar Alkhorayef

We are confident in achieving the country's targets given the enormous

opportunities in industry and mining. The country's ambitions are beyond the local market. Saudi Arabia's petrochemical industry represents more than six percent of the global market and exports 85 percent of its petrochemical products. The math shows how much of that massive export volume could add value within the country, demonstrating the significant input by Saudi Arabia to growth with downstream chemicals.

As part of Saudi Arabia's National Industrial Strategy, the government will spearhead the expansion of 12 strategic industrial sectors in which opportunities have been identified for growth and increased competition at the regional and international levels, adding to the Kingdom's resilience in ensuring food and medicine security. Therefore, Saudi Arabia is mindful that two crucial aspects should fuel its growth ambitions. One is technology. The country is creating an ecosystem, a regulatory framework, and, most importantly, encouraging the private sector to invest in the right technology to allow production facilities to produce beyond the global average. The second and most crucial bet is the wealth of human capital, which is tremendous in terms of their engagements and ability to engage in new technology and grow and create. And adding their capacity to the ecosystem the country is developing and how it will enable the government to build on its human capital. There is an emphasis on the execution and engagement of women. In addition to that, youth engagement in Saudi Arabia is tremendous. The young have an enormous interest in what the government is doing. They understand what the government is doing. They question what the government is doing.



Frederick Kempe, President and Chief Executive Officer, The Atlantic Council.



Kristalina Georgieva, Managing Director, IMF.



Mohammed Al-Jadaan, Minister of Finance of Saudi Arabia.



Princess Reema Bandar Al-Saud, Ambassador of Saudi Arabia to the United States, Embassy of Saudi Arabia.



Abdullah AlSwaha, Minister of Communications and Information Technology, Ministry of Communications and Information Technology of Saudi Arabia.



Jane Fraser, CEO, Citi Group.



**Bandar Alkhorayef, Minister of Industry and Mineral Resources,
Ministry of Industry and Mineral Resources of Saudi Arabia.**