

Saudi Arabia — the dangers of a fanciful vision

Nick Butler

Author alerts



Deputy crown prince Mohammed bin Salman answers questions in Riyadh on Vision 2030 © Getty Images

Saudi Arabia is in a mess. That conclusion seems to be common ground — the view of serious outside analysts and of the country's own government. The only question is whether the problems can be corrected by shock treatment of [the sort announced in Riyadh last week](#).

The immediate challenge is clear. Last year, revenue from oil exports fell by 23 per cent. That matters in a country that is 77 per cent dependent on oil income. Unemployment is officially 11.6 per cent, not counting the millions who hold non-jobs in and around the agencies of the state. In total, 70 per cent of Saudis work for the government. In the first half of last year, [according to Mohammed al-Sheikh](#), the chief economic adviser to the all-powerful deputy crown prince, Mohammed bin Salman (known universally as MbS), the kingdom's financial reserves were being drawn down at a rate that would have exhausted them by the end of 2017 — far earlier than had previously been estimated by outside authorities such as the International Monetary Fund.

All those problems were well summed up in a note from [McKinseys](#) published at the end of last year that talked of the prospect of a rapid economic deterioration in Saudi Arabia over the next decade.

So radical change is needed, which brings us to the announcement last week of MbS's [Vision 2030](#), designed to create a modern economy free of dependence on oil. The full announcement is worth reading because it demonstrates the sheer scale of the ambition, but a few headlines will give you the flavour.

- A stake in the state-owned oil company will be floated in an IPO within the next two years.
- The funds from that and other asset sales — perhaps \$2tn dollars or more — will be invested in a new sovereign wealth fund to give the country a regular income from non-oil sources.
- The country will be opened up to tourism.
- Expats will be allowed to own property within Saudi Arabia.
- New small and medium-sized enterprises will be encouraged to the point where they account for 35 per cent of economic activity.
- Subsidies for oil, water and electricity will be progressively eliminated.
- Unemployment will be reduced to 7 per cent
- A range of new industrial sectors will be developed, including petrochemicals, manufacturing and finance on the basis of foreign investment.
- An anti-corruption drive in the Ministry of Defence will be combined with the development of a domestic military equipment business that will be capable of meeting at least half of the country's needs.

All this builds on a [full-scale McKinsey study called "Saudi Arabia — Beyond Oil"](#), which was published at the end of last year.

The only problem with this grand plan is that is completely unrealistic. To say, as MbS did last week, that by 2020 Saudi Arabia will no longer be dependent on oil revenue is beyond a dream. To say that the country doesn't care whether the oil price is \$30 a barrel or \$70 is ridiculous. But the real problem is the reality when it comes to implementation. Last week's policy statement makes no reference to any of the difficulties of delivering what is promised.

Are we really supposed to believe that Saudi Arabia can create an industry to build technically complex military equipment from a zero base?

Or to believe that western tourists are going to flock to a country [whose laws allow people to be stoned to death for adultery or gay sex](#)? The human rights problems are amply and regularly set out in reports from Amnesty International and Human Rights Watch. How many western women will be happy to slip into a burkini for their holidays?

How is the civil service which MBS accepted last week was corrupt and inefficient to be reformed when so many of the brightest and best Saudis are happier to live and work in London or New York?

How is Aramco to be converted into a company that can meet western standards of transparency and good governance? Will the kingdom, for instance, allow an independent external analysis of the company's claimed oil and gas reserves?

And, perhaps most important of all, how will the Saudi government break the hold of [Wahhabist religious fundamentalism](#), something the royal family has not managed over the last century?

Without a serious analysis of the delivery process, Vision 2030 is meaningless rhetoric. The barriers to progress are not new. They have defeated every attempt to achieve change and reform made by successive Saudi governments. Promises of economic diversification, of industrial development, of education for all and of a transformation of the energy sector through the development of renewables have all ended in failure. To ignore the problems of delivery is to demonstrate the unreality of the whole approach. I hope McKinsey — a firm of the highest integrity — will point this out rather allowing its brand to be tarnished by association with a project that it must know cannot work.

The worst thing is that MbS, who is 30 and has not enjoyed the benefit of a western education with its inbuilt tone of scepticism, actually believes what he is saying and does indeed think that he can transform the country by an act of personal will. The deputy crown prince is the sort of character about whom Shakespeare could have written a great play. It would not have ended happily.

It might be tempting to say that these are Saudi Arabia's problems and that after innumerable further, and no doubt very lucrative, consultancy studies little will change and MbS will be swept away — perhaps by a change of the guard after his father's death.

That view is too narrow. Saudi Arabia matters in the region — look at the damage being done in Yemen and by the wider conflict with Iran which MbS has been stoking.

Provocative behaviour, driven on by economic weakness and competition for shares of the oil market, could make a bad neighbourhood even more volatile.

And the country matters in the world, as well. Global oil consumption may be coming to its peak but it will stay at around 90 to 100mbd for a very long time. The kingdom is a crucial part of the equation and should be on the side of stability. Pretending the price doesn't matter reflects a lack of interest or knowledge when it comes to the wider consequences of the policies being pursued.

For Saudi Arabia, the lack of realism behind Vision 2030 can only make a messy situation worse. For those outside the kingdom, the naivety of the approach is another unwelcome source of instability and danger.