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## SAUDI ARABIA: INCREASINGLY OPEN FOR BUSINESS?

*UK Trade & Investment (UKTI) considers Saudi Arabia to be a “High Growth Market” with important growth potential, and this article examines some of the commercial driving forces currently at work in the Kingdom.*

King Salman has faced a series of political and economic challenges since coming to the Saudi throne last year, including the Yemeni Civil War and Iran’s possible re-entry into the global economy, not to mention the threat posed on various fronts by ISIL.

Falling oil prices have exposed the Kingdom to a budget deficit of nearly \$90million, and it would appear that this has made the ruling regime question the sustainability of its current economic model, in which over 70% of citizens work for the state in what has traditionally appeared to be a fairly impenetrable and closed off economy with high barriers to potential inward investors.

A fresh attempt at change has been spearheaded by Mohammed bin Salman, King Salman’s ‘favourite’ son. Just thirty years old, the new Deputy Crown Prince’s increasing status and influence reflects the Kingdom’s youthful population and a desire for greater openness and change, and he now heads a new Committee that is shaping up to have a major influence upon the Kingdom’s economic decision making.

The nature of Saudi Arabia’s population has led many to call for a shift away from reliance on Oil production. Many have noted the Kingdom’s potential for growth in areas such as consumer goods and housing, but oil still made up nearly three quarters of national revenue last year. Bearing in mind that Brent Crude is being traded for a third of its 2014 price, it is not hard to see why Saudi Arabia has been experiencing difficulties.

Following the advice of international consultants and regulators however, the new Deputy Crown Prince recently launched a “*National Transformation Programme*” in an effort to create jobs and increase foreign investment in Saudi transport and healthcare. He has told one newspaper of his willingness to publicly list Saudi Aramco, the company that owns and operates all of Saudi Arabia’s energy, and the recent Saudi Investment Conference caught the attention of PepsiCo and Lockheed Martin.

These are of course, very early days and the tentative moves we are seeing in Saudi hardly mirrors to apparent rush to attract investor interest which appears to be gathering pace in Iran. And as in Iran, cultural differences will inevitably pose various barriers for Western investors to overcome in Saudi; but whereas companies may have previously considered Qatar or Bahrain as more likely routes into the Middle East, the Saudi economy seems to be opening up.

The Arab spring has no doubt reminded Saudi Arabia’s rulers of what can happen when a youthful population feels somewhat disenfranchised and undervalued, and Iran’s desire for foreign investment will likely make the Kingdom keen to move forwards towards a rather more open economy in future as well.

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