



EU-GCC Dialogue on Economic Diversification

A Project funded by the European Union

GCC Country Economic Profile

Kingdom of Saudi Arabia



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DMI Associates



Contents

- Kingdom of Saudi Arabia Key Facts
- Saudi Arabia economic policies and EU – Saudi Arabia economic relations
- GCC Merchandise Trade with EU27 and the World
- Saudi Arabia Merchandise Trade with EU27 and the World
- EU – Saudi Arabia Trade by product and sub-product
- Economic competitiveness indicators
- Population Structure and Availability of Human Capital
- Investment opportunities by Sector
- Important Contacts
- References

Saudi Arabia Key Facts

Government

The King of Saudi Arabia is the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz bin Abdulrahman Al Saud, Saudi Arabia's seventh king, Prime Minister and Commander-in-Chief of the Military Forces. The Crown Prince is His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud. Candidates for most executive positions in the Kingdom of Saudi Arabia are chosen through elections, where citizens can effectively participate in the decision-making process. Elections are held for municipal councils, chambers of commerce and industry, universities, authorities (Saudi Council of Engineers, Saudi Council of Journalists), cooperative societies, labour committees in corporations with more than 100 employees, and sports and cultural associations.

Membership in international organisations

ABEDA, AfDB (nonregional member), AFESD, AMF, BIS, CAEU, CP, FAO, G-20, G-77, GCC, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRC, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM (observer), IPU, ISO, ITSO, ITU, LAS, MIGA, NAM, OAPEC, OAS (observer), OIC, OPCW, OPEC, PCA, UN, UNCTAD, UNESCO, UNIDO, UNRWA, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Languages

Arabic (official)

Economic agreements

Regional Trade Agreements in force: GCC, GCC – Singapore, Pan-Arab Free Trade Area (PAFTA)
Announced: EFTA – GCC, Australia – GCC, Japan - GCC

| Kingdom of Saudi Arabia - Key figures (2019) | |
|--|--------|
| Population (millions) | 34 |
| GDP (Billions of Euros) | 696 |
| GDP per capita (Euros) | 20,424 |
| Real GDP growth | 0.2 |
| Inflation rate | -1.1 |

| Merchandise Trade (2019, Billions of Euros) | |
|---|-------|
| Imports | 118.1 |
| Exports | 231.7 |

| Trade in Services (2018, Billions of Euros) | |
|---|------|
| Imports | 73.2 |
| Exports | 15.3 |

Source DG Trade, WEF

Saudi Arabia economic policies and EU – Saudi Arabia economic relations

Economic development objectives

- The Kingdom of Saudi Arabia's 'Vision 2030' outlines the Kingdom's goals and objectives that will enable the country to become 'a pioneering and successful global model of excellence, on all fronts'.
- Job Creation - Lower unemployment rate, increase SME contribution to GDP, increase women's workforce participation
- Investing for the long-term to develop the national economy - become one of the world's top 15 largest economies, increase localization of oil and gas sectors, increase Public Investment Fund (PIF) assets, increase the competitiveness of renewable energy through the gradual liberalization of the fuels market.
- Open for Business - Increase FDI, develop sophisticated digital infrastructure that is integral to advanced industrial activities, increase the contribution of modern retail trade and e-commerce.
- Leveraging Unique Position - build out a logistics hub and integrate regionally and internationally.

Current economic status

- COVID-19 oil price related policies: private sector support package that includes the suspension of government tax payments, fees, and other dues to provide liquidity to the private sector and an increase in available financing through the National Development Fund, temporary electricity subsidies to commercial, industrial, and agricultural sectors, new fiscal measures to raise more non-oil revenues and rationalize spending, new tourism development fund, Saudi Arabian Monetary Authority (SAMA) and Saudi Industrial Development Fund (SIDF) support for private sector.
- Oil prices: are forecasted to remain low for the next several years. It is critical for Saudi Arabia to diversify the economy from hydrocarbon to be less affected by energy price shocks.
- Ease of Doing Business: 62nd of 190 countries. Saudi Arabia is the most improved economy in 'Doing Business 2020', with reforms related to starting a business, dealing with construction permits, trading across borders, protecting minority investors, enforcing contracts, and resolving insolvency.
- In 2019, Saudi Arabia ranked 36th in global competitiveness out of 141 countries, and held first place in macroeconomic stability, along with several other countries.

EU – Saudi Arabia Economic relations

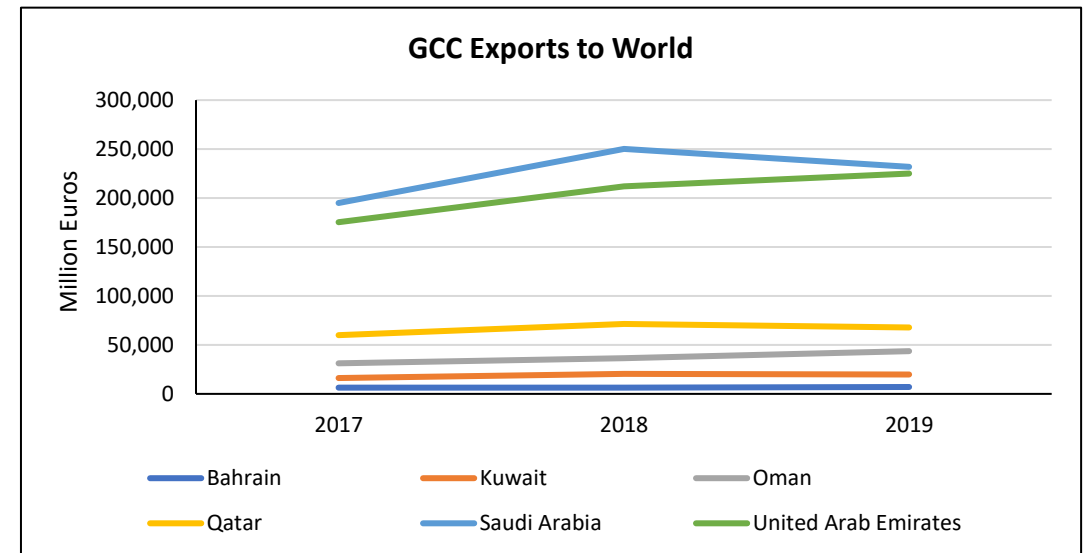
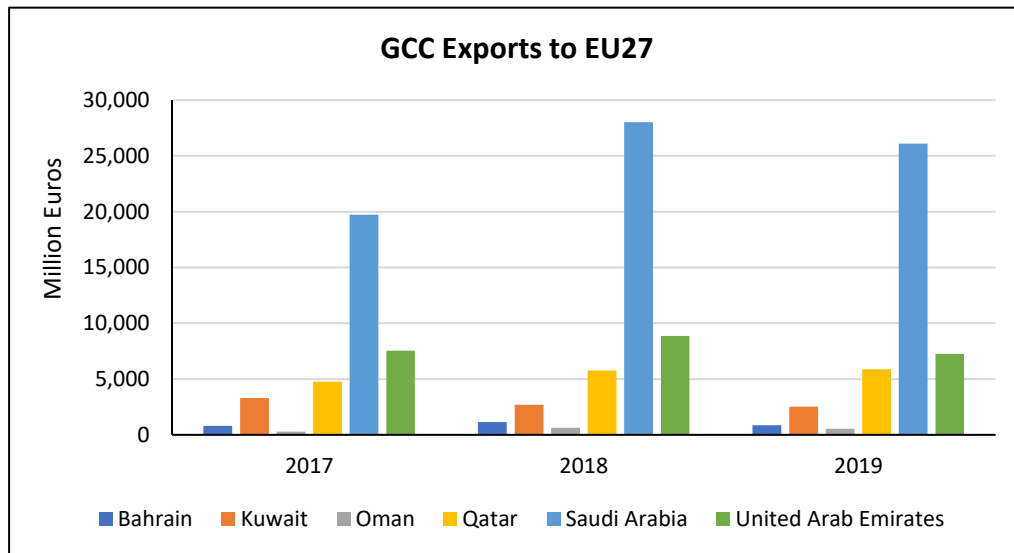
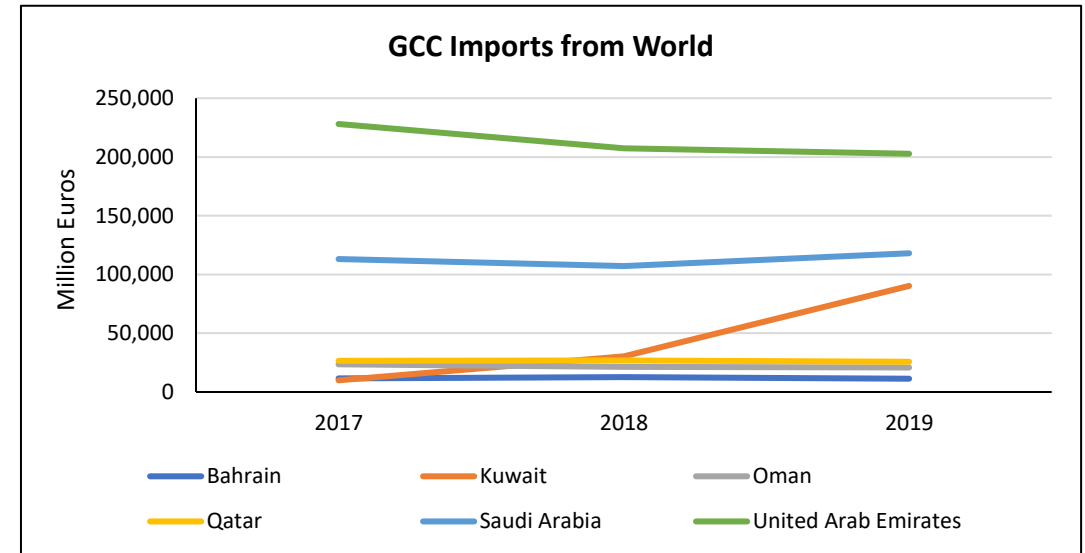
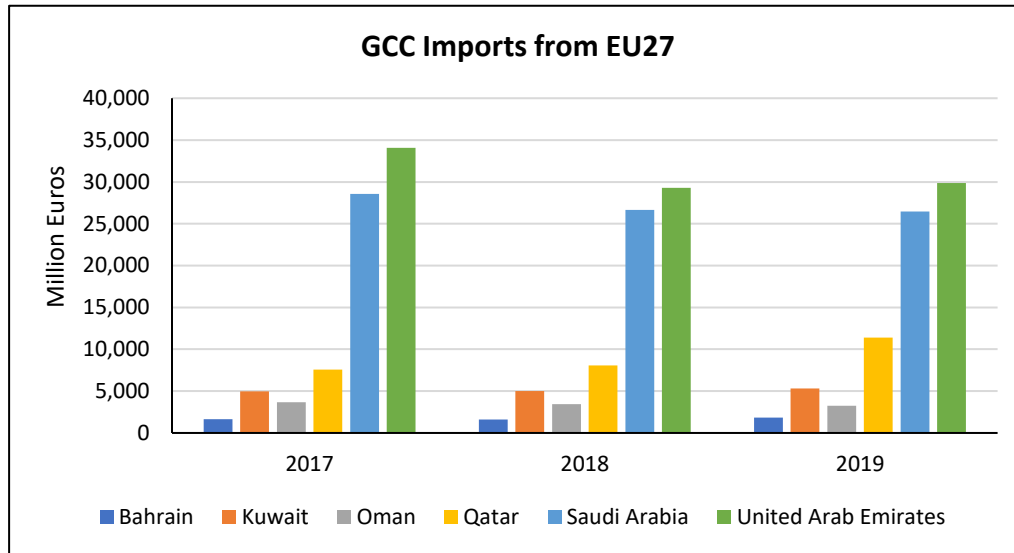
Economic and political cooperation between the EU and the GCC countries: the framework is provided by the 1988 EU-GCC cooperation agreement that seeks to improve trade relations and stability in a strategic part of Europe's neighbourhood. The agreement created a Joint Council and a Joint Co-operation Committee which meet annually. The two sides meet on an annual basis to discuss trade, amongst other topics, within the EU-GCC Joint Co-operation Committee held in Riyadh or Brussels.

EU and Saudi Arabia: Although Saudi Arabia has not entered into a co-operation arrangement with the EU, the European Commission can provide expertise to support the achievement of Saudi Vision 2030 within the framework of the Saudi Vision 2030 Technical Working Group being established by the EU-GCC Dialogue on Economic Diversification Project.

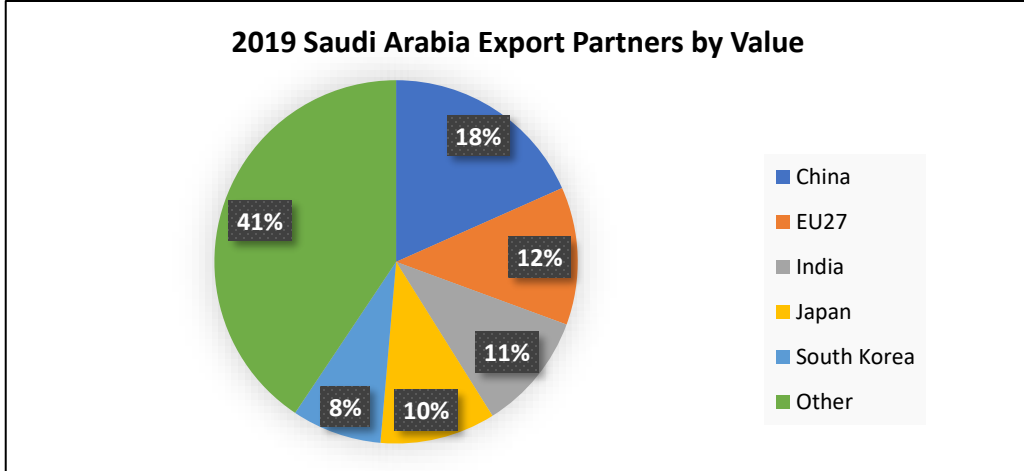
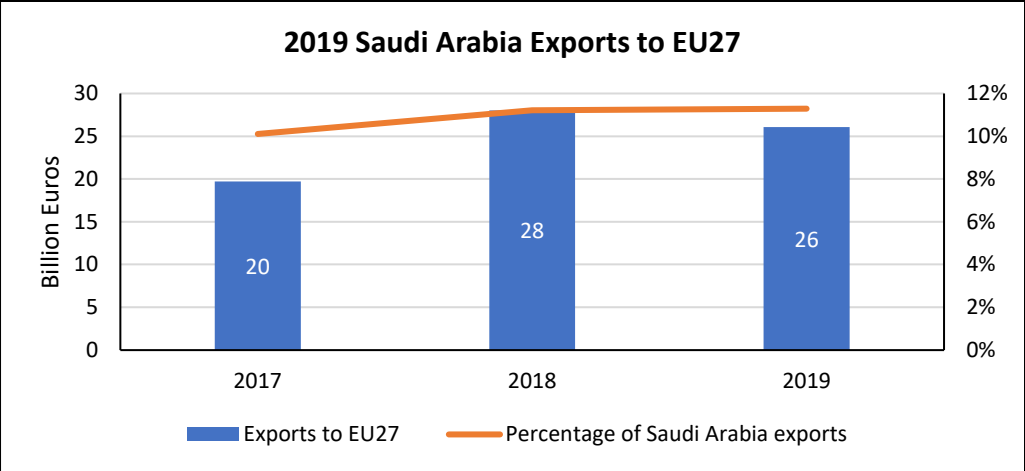
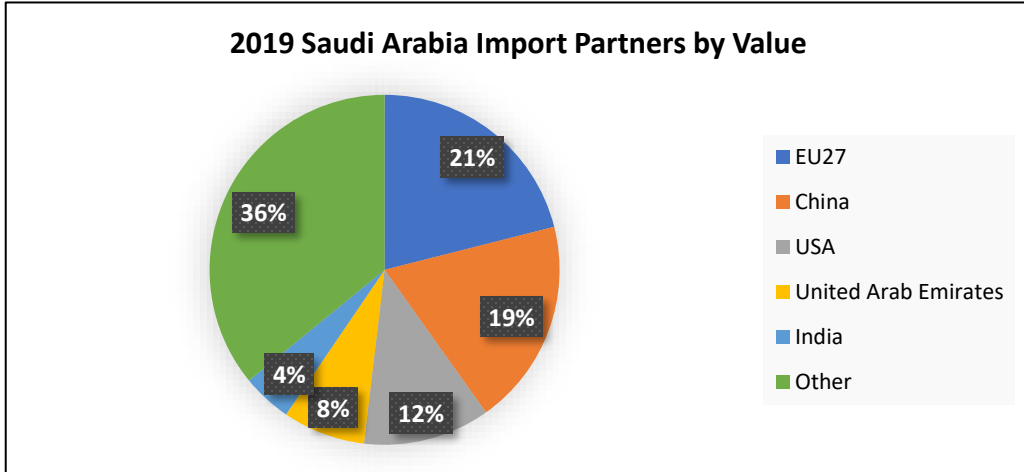
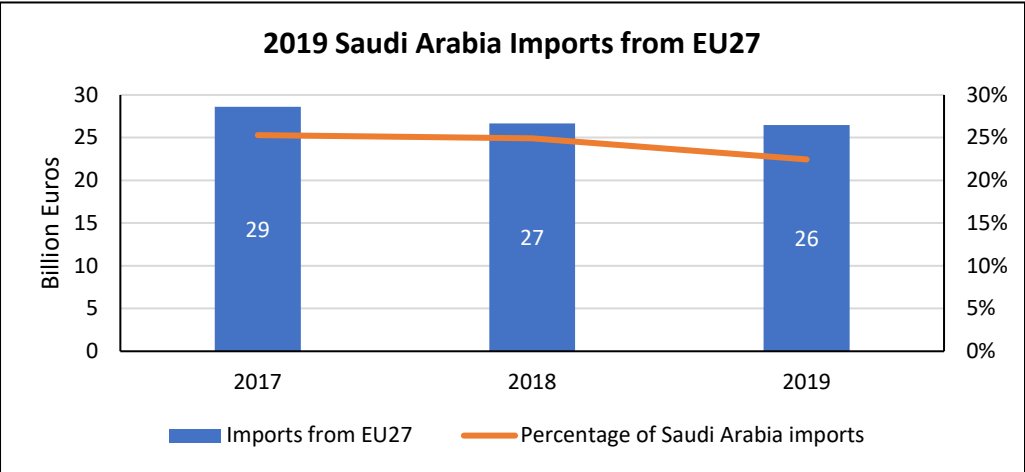
Trade negotiations: The EU and Gulf Cooperation Council launched negotiations for a Free Trade Agreement (FTA) in 1990. The FTA is foreseen to provide for a progressive and reciprocal liberalisation of trade in goods and services. The negotiations have faced several challenges and were effectively halted in 2008, when the GCC countries suspended all ongoing negotiations in which they were involved. While periodic informal contacts have taken place since then to test whether a basis might be found to resume and conclude negotiations, these have not been successful. In parallel with the negotiations, the prospective EU-GCC FTA was subject to a sustainability impact assessment.

Source: <https://ec.europa.eu/trade/policy/countries-and-regions/regions/gulf-region/>

GCC Merchandise Trade with EU27 and the World



Saudi Arabia Merchandise Trade with EU27 and the World



Source Eurostat Comext

EU – Saudi Arabia Major Trade flows by HS section

| EU Imports from Saudi Arabia | | | | | |
|--|---------------------------|--------------------------------|--|---------------------------|--------------------------------|
| 2018 | | | 2019 | | |
| Goods | Value (millions of Euros) | % EU Imports from Saudi Arabia | Goods | Value (millions of Euros) | % EU Imports from Saudi Arabia |
| V Mineral products | 23118 | 82% | V Mineral products | 21625 | 83% |
| VII Plastics, rubber and articles thereof | 2377 | 8% | VII Plastics, rubber and articles thereof | 2026 | 8% |
| VI Products of the chemical or allied industries | 1769 | 6% | VI Products of the chemical or allied industries | 1738 | 7% |
| XV Base metals and articles thereof | 313 | 1% | XV Base metals and articles thereof | 221 | 1% |
| XIV Pearls, precious metals and articles thereof | 88 | 0.3% | XIV Pearls, precious metals and articles thereof | 104 | 0.4% |

| EU Exports to Saudi Arabia | | | | | |
|--|---------------------------|------------------------------|--|---------------------------|------------------------------|
| 2018 | | | 2019 | | |
| Goods | Value (millions of Euros) | % EU Exports to Saudi Arabia | Goods | Value (millions of Euros) | % EU Exports to Saudi Arabia |
| XVI Machinery and appliances | 5897 | 22% | XVI Machinery and appliances | 6383 | 24% |
| VI Products of the chemical or allied industries | 4110 | 15% | VI Products of the chemical or allied industries | 4527 | 17% |
| XVII Transport equipment | 3476 | 13% | XVII Transport equipment | 2720 | 10% |
| V Mineral products | 2218 | 8% | V Mineral products | 2036 | 8% |
| IV Foodstuffs, beverages, tobacco | 1517 | 6% | IV Foodstuffs, beverages, tobacco | 1664 | 6% |

EU – Saudi Arabia major trade flows by HS heading

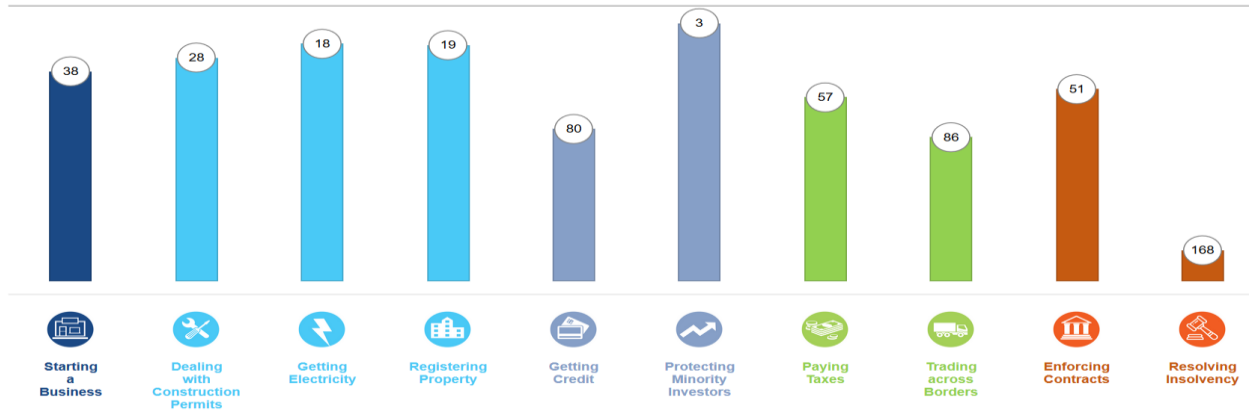
| 2019 EU Imports from Saudi Arabia | | 2019 EU Exports to Saudi Arabia | |
|---|---|---|--|
| V Mineral products (HS 25-27) | <p>2709 - Petroleum oils and oils obtained from bituminous minerals, crude</p> <p>2710 - Petroleum oils and oils obtained from bituminous minerals (excl. crude);</p> <p>2707 - Oils and other products of the distillation of high temperature coal tar; similar products in which the weight of the aromatic constituents exceeds that of the non-aromatic constituents</p> | XVI Machinery and appliances (HS 84-85) | <p>8481 - Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like</p> <p>8517 - Telephone sets, incl. telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data</p> <p>8471 - Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data</p> |
| VII Plastics, rubber and articles thereof (HS 39-40) | <p>3901 - Polymers of ethylene, in primary forms</p> <p>3902 - Polymers of propylene or of other olefins, in primary forms</p> <p>3907 - Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms</p> | VI Products of the chemical or allied industries (HS 28-38) | <p>3004 - Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses</p> <p>3002 - Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera and other blood fractions and immunological products; vaccines, toxins, cultures of micro-organisms</p> <p>3302 - Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions</p> |
| VI Products of the chemical or allied industries (HS 28-38) | <p>2902 - Cyclic hydrocarbons</p> <p>2905 - Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives</p> <p>2915 - Saturated acyclic monocarboxylic acids and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives</p> | XVII Transport equipment (HS 86-89) | <p>8703 - Motor cars and other motor vehicles principally designed for the transport of <10 persons, incl. station wagons and racing cars</p> <p>8802 - Powered aircraft "e.g. helicopters and aeroplanes"; spacecraft, incl. satellites, and suborbital and spacecraft launch vehicles</p> <p>8701 - Tractors</p> |

Note: Products ordered by value

Economic competitiveness indicators

| Indicator | Ranking | Out of # Countries |
|---|---------|--------------------|
| World Bank Ease of Doing Business | 62 | 190 |
| WEF Global Competitiveness Index 4.0 | 36 | 141 |
| Fraser Institute – Economic Freedom | 107 | 162 |
| Global Foreign Direct Investment Attractiveness Index | 44 | 109 |
| United36 Nations e-Government Survey | 52 | 193 |
| Global Innovation Index | 68 | 129 |

Rankings on Doing Business topics (1-190) - Saudi Arabia



Source World Bank, Doing Business 2020

Infrastructure – key figures

Airports: (2013)

Annual passenger traffic on registered air carriers: 32,778,827 (2015)

Annual freight traffic on registered air carriers:

Major seaports: Ad Dammam, Al Jubayl, Jeddah, King Abdulla, Yanbu'

container port(s) (TEUs): Ad Dammam (1,582,388), Jeddah (4,150,000), King Abdulla (1,695,322) (2017)

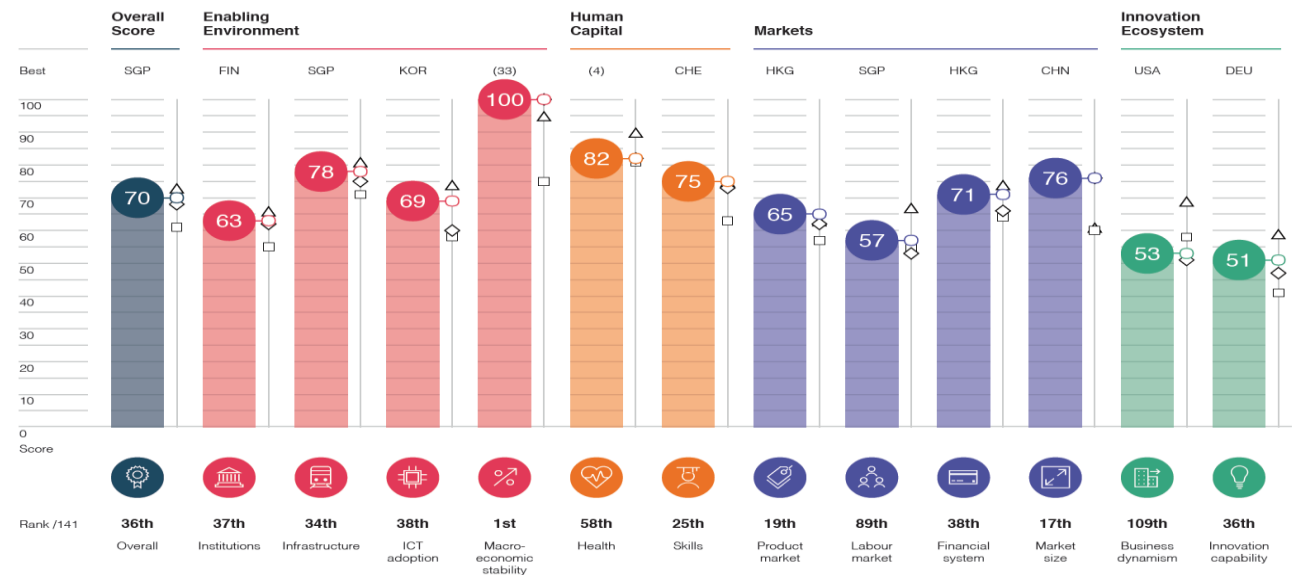
ICT

Broadband - fixed subscriptions: 6,821,873
subscriptions per 100 inhabitants: 21 (2018 est.)

Telephones - fixed lines: 5,387,405
subscriptions per 100 inhabitants: 16 (2018 est.)

Telephones - mobile cellular: 41,310,584
subscriptions per 100 inhabitants: 125 (2018 est.)

Performance Overview Key ◊ Previous edition ▲ High-income group average ◻ Middle East and North Africa average 2019



Source WEF, The Global Competitiveness Report 2019

Population Structure and Availability of Human Capital

| Population (2020 est.) | |
|------------------------|------------------------------|
| Population (millions) | 34 |
| Population growth rate | 1.6% |
| Birth rate | 14.7 births/1,000 population |
| Death rate | 3.4 deaths/1,000 population |

| Age structure (2020 est.) | |
|---------------------------|--|
| 0-14 years | 24.84% (male 4,327,830/female 4,159,242) |
| 15-24 years | 15.38% (male 2,741,371/female 2,515,188) |
| 25-54 years | 50.2% (male 10,350,028/female 6,804,479) |
| 55-64 years | 5.95% (male 1,254,921/female 778,467) |
| 65 years and over | 3.63% (male 657,395/female 584,577) |

| Human Capital Availability |
|--|
| <ul style="list-style-type: none"> ➤ Literacy (age 15 and over can read and write) 2017: <ul style="list-style-type: none"> ▪ total population: 95.3% ▪ male: 97.1% ▪ female: 92.7% ➤ School life duration (primary to tertiary education) 2014: <ul style="list-style-type: none"> ▪ total: 17 years ▪ male: 18 years ▪ female: 16 years ➤ Labor force participation rate, total (% of total population ages 15-64): 58 ➤ Unemployment, total (% of total labor force): 6 |

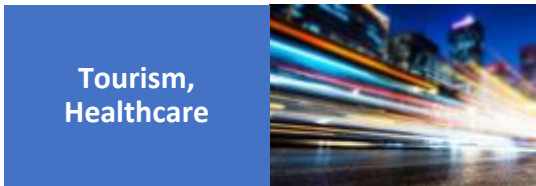
Investment opportunities by Sector



Chemicals industry: Saudi Arabia has embarked on a transformational program that will generate a significant industrial growth in various sectors, which will be the main driver for the development of the chemicals sector in all segments – basics, intermediates, and specialties.

Energy & Water: Ongoing privatization and localization are taking place in both energy and water sectors. Growing demand for electricity and water in the kingdom increases further due to the constant sustainable growth in the industrial, residential and commercial sectors.

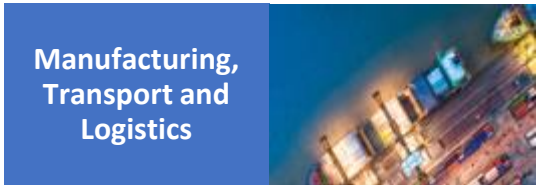
Mining & Metals: The country is going through a large industrial and economic diversification that will grow resource-heavy manufacturing sectors such as industrial machinery, electrical equipment, automotive, etc., and thus lead to an increase in demand for metal and mineral products. Moreover, Saudi Arabia's proximity to other MENA countries puts local manufacturers in a great position to export to those countries.



For Tourism, Vision 2030 aims to create attractions that are of the highest international standards, improve visa issuance procedures for visitors, and develop Saudi historical and heritage sites. Saudi Arabia aims to more than double the number of Saudi heritage sites registered with UNESCO.

The healthcare sector is largely publicly financed, and over the past several decades, the Kingdom of Saudi Arabia has made significant strides in the improvement of its healthcare infrastructure and system.

The demand for healthcare has continued to rise, and this has been witnessed by the increasing healthcare budget and healthcare investment made over the past few decades, notably in the past 10 years. Despite the increase in healthcare expenditure, the Kingdom is facing a set of challenges that includes: increasing longevity and the continued rise in non-communicable diseases.



Manufacturing: The development and growth of the industrial and manufacturing industry is being catalyzed by attractive ecosystem consisting of industrial cities, well-developed infrastructure, high quality utility supplies, and a well-established logistics network.

KSA government has already invested heavily in the construction of several transport & logistics infrastructure such as ports, railways, roads and airports. To take full advantage of these investments, Saudi Arabia is entering into a new series of international partnerships and working with the private sector to complete, improve and link its infrastructure internally and across borders. Transport and logistic infrastructure is also being unlocked with systems that can drive higher performance, including more rigorous governance, leaner processes and a more efficient customs system.



Saudi Vision 2030 aims to transform Saudi Arabia into a globally competitive ICT hub, with modern technologies and an empowered information society. The ambition envisages many investment themes, including the development of the digital content and media, the expansion of the telecommunication system, the digitization of the country, and the creation of new high-tech and smart industries. The government is working alongside the private sector to modernize the ICT infrastructure, enhancing the regulatory framework to enable new innovative investments, and building the most suitable ecosystem to support entrepreneurs and digital talents.



Financial: The Kingdom's financial sector comprises banking, capital markets, insurance, fin-tech and others. The Kingdom's regulatory system matches the international standards for banking supervision. Moreover, the newly introduced capital markets law allows for brokerages, asset managers, and other non-bank financial intermediaries to operate in the country. These large efforts are making the Saudi Arabian financial sector even more stable and very integrated with all main international markets and banking systems.

Education: The system is being reshaped in an effort to improve its quality and outcome. The country is focusing on developing early childhood education, refining national curriculum and training its teachers and educational leaders. In addition, it is reforming the regulations paving the way for investors and the private sectors.

Important Contacts

| Agency | Support Provided | Website | Contact Information |
|---|---|---|---|
| Ministry of Investment | Information on Investment opportunities and licensing procedures | https://www.misa.gov.sa/en/ | Riyadh (Head Office) Imam Saud bin Abdulazeez bin Mohamed Road – Nakheel district Building # 3966, Additional # 6244, Postal code # 12382 InvestorCare@misa.gov.sa Tel: +966112035888 |
| Invest Saudi | Invest Saudi is a communication platform that serves all government entities with regards to promoting the Kingdom as a future-ready investment destination | https://investsaudi.sa/en/ | Riyadh (Head Office) Imam Saud bin Abdulazeez bin Mohamed Road – Nakheel district InvestorCare@sagia.gov.sa Tel: 8002449990 |
| General Authority for Small and Medium Enterprises “Monshaat” | Monshaat works on supporting, developing and nurturing the SME sector in line with best global practices. | https://www.monshaat.gov.sa/en/about | Authority of Saudi Arabia Building, Olaya Street Ghadeer District 7423, Riyadh, 13311 Tel: +966 92-001-8888 info@monshaat.gov.sa |
| Riyadh Chamber of Commerce | Non-government institution representing business establishments in Kuwait. | https://www.chamber.sa/en/Pages/default.aspx | Main Chamber Center - Prince Abdulaziz Ibn Musaid Ibn Jalawi Street, "Al Dhabab Formerly" - Al Murabba - 12626 Riyadh e-services@rdcci.org.sa Tel: 0114040044 |
| Mission of the Kingdom of Saudi Arabia to the EU | KSA Embassy to the EU | http://embassies.mofa.gov.sa/sites/EUDelegation/en/Pages/default.aspx | Boulevard du Régent 43, 1000 Bruxelles, Belgium brmis@mofa.gov.sa Tel.: (+32)24523374 Ministry of Foreign Affairs Call Center: 920033334 |

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