



SAUDI VISION 2030: OPPORTUNITIES FOR PAKISTAN

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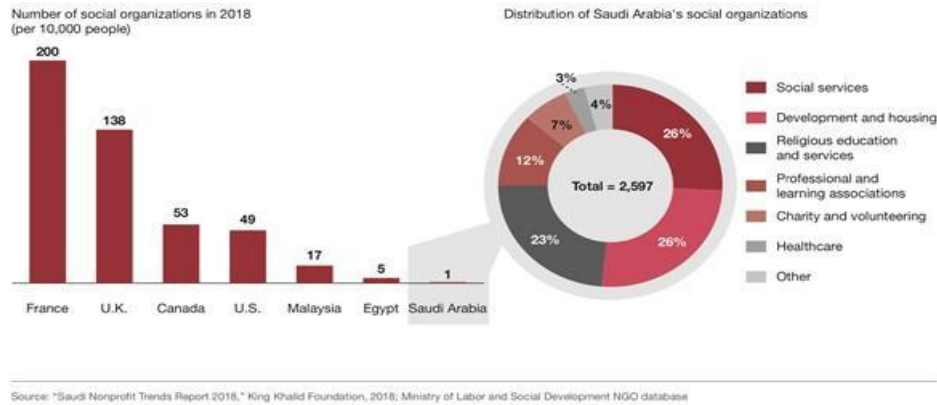


As the world adapts itself to the pandemic, countries are adjusting their respective development projects in the epoch of the ‘new-normal.’ One such country is Saudi Arabia whose goal is to become a vibrant, ambitious and economically resilient nation in the next nine years through its Vision 2030. The Saudi national rejuvenation plan, a brainchild of King Salman bin Abdulaziz Al Saud and his son Mohammed bin Salman Al Saud (now de-facto ruler) came about in 2016 in the backdrop of falling oil prices. The economic blueprint seeks to transform the Kingdom from a petro-state to an industrial manufacturing-based productive economy. Until recently, Saudi Arabia was the world’s major producer and exporter of oil and its economy was highly oil-dependent. In 2018, oil revenues represented as much as 42% of the kingdom’s GDP, 90% of export earnings and 87% of budget revenues. In essence, the Saudi economy is run, fed and sustained by oil.¹

The original idea for the Vision came from a 2015 document ‘Saudi Arabia Beyond Oil’ developed by the business consulting firm McKinsey Global Institute (MGI). The report

¹ “Saudi Arabia,” CIA World Factbook.
<https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html>

highlighted the pitfalls of Saudi Arabia's disproportionate dependence on oil revenues and underlined actions the Kingdom should take to expand its economy away from oil dependence to build a sustainable economy. ²



Source: Atlantic Council ³

Saudi Vision 2030 reposes upon three strengths of Saudi Arabia, namely: the country's principal role in the Islamic world as guardian of the Holy Mosques in Makkah and Medina; fiscal strength as a prospective investment center and its geographical position at the junction of three continents. The plan is to be accomplished through thirteen Vision Realization Programs (VRP) each of which is responsible for generating a stratagem and set of projects through the ninety-six strategic objectives. The VRPs incorporate the following: Quality of Life Program, Financial Sector Development Program, Housing Program, Fiscal Balance Program, National Transformation Program, Public Investment Fund Program, Privatization Program, National Companies Promotion Program, National Industrial Development and Logistics Program, Strategic Partnerships Program, Hajj and Umrah Program, Human Capital Development Program and Saudi Character Enrichment Program.⁴

Other components of the vision include expanding participation of Saudis into the workforce, refining the role of women in all spheres, drawing in Foreign Direct Investment (FDI), and expanding local manufacturing of Saudi defense equipment. Areas which the Saudi leadership consider propitious include mineral excavation, petrochemical products,

- 2 "Moving Saudi Arabia's economy beyond oil," *Mckinsey & Company*, December 1, 2015. <https://www.mckinsey.com/featured-insights/employment-and-growth/moving-saudi-arabias-economy-beyond-oil>
- 3 "Saudi Arabia's Vision 2030 aims to empower the non-profit sector. Here are three areas to focus on," *Atlantic Council*, August 16, 2021. <https://www.reuters.com/article/us-saudi-neom-project-idUKKBN29F0L8>
- 4 "Saudi Vision 2030". <https://www.vision2030.gov.sa>

manufacturing industry including retail and wholesale trade, non-religious tourism, health services, finance, and construction. ⁵

A Briefer on Pakistan-Saudi Ties



Source: *Al Jazeera*

Since the establishment of relations between Pakistan and Saudi Arabia in 1947, both countries have established a close relationship initially premised on religion, but over time has taken on strategic and economic alignments. Former Saudi intelligence chief, Prince Turki bin Faisal, famously once said that the relationship between the two countries was “probably one of the closest relationships in the world between any two countries without any official treaty.” The two countries have defence pacts dating back to 1982 which include training, troop deployment and sale of weapons and armory. In the economic sphere, the large influx of Pakistani workers to meet the Kingdom’s labour needs during the 1970s, began the commercial relations between the two countries. In 2018, the Kingdom provided \$6 billion in debt relief ⁶and in 2019, \$20 billion in MoUs in various fields geared towards helping Pakistan avoid a complete economic collapse.⁷ The two countries have always supported each other on multilateral forums and beyond. Even though the Pak-Saudi relationship suffered a slight setback in 2019, high level bilateral exchanges between the two sides has once again put the relationship on an upward trajectory.

⁵ Ibid.

⁶ “Saudi Arabia pledges \$6bn package to Pakistan,” *Dawn*, October 24, 2018.
<https://www.dawn.com/news/1440974>

⁷ “Saudi Crown Prince Signs \$20B in Investment Deals in Pakistan,” *VOA News*, February 17, 2019.
<https://www.voanews.com/a/saudi-crown-prince-set-to-begin-historic-pakistan-visit/4790600.html>

Pakistan's Tilt towards Geo-Economics

In line with the Government's shift from focus on geo-politics to geo-economics the Pakistan leadership has been markedly engaging with the Gulf countries. During the Islamabad Security Dialogue in March 2021, a key point of emphasis was the need to create a gainful economic win-win situation. ⁸This pragmatic approach on part of the leadership in Islamabad in terms of its outreach to the Gulf has been given further impetus by the Covid19 pandemic, as a result of which a significant number of Pakistani expats in the Gulf had to return to their home country and now are seeking opportunities to return. In this regard there have been high-level visits to various Gulf nations where, among other things, a key focus has been increasing trade links and highlighting the role of Pakistani diaspora.

Opportunities within Vision 2030

The Covid19 pandemic has had a marked bearing on the economies of both Saudi Arabia and Pakistan. Undoubtedly, this has impelled each side to be open to new economic partnerships. Based on the friendly ties the two countries share, Pakistan is well placed to benefit from the economic reforms being carried out in the Kingdom and from the opportunities provided by Vision 2030. It is time that the already friendly ties that the two countries share be transformed into a sustainable, concrete economic partnership. The following are some recommendations in this regard:

- Given that more than 50 percent of Pakistan's populace comprises of young people, Pakistan's manpower is considered an extremely valuable asset. Hence, the Pakistan Government must train its labor force in line with Saudi needs. Specializations where demand workers will be high are engineering and medicine
- The current legal reforms in Saudi Arabia have complicated the process of visa systems and working conditions for the labour. The Pakistan Government should work to facilitate its workers on an urgent basis.
- The opportunities in infrastructure development in Saudi Arabia are being overlooked by Pakistan. The Government of Pakistan needs to rectify this. One way is if Pakistan and Saudi Arabia sign a contract with regard to sending Pakistani

⁸ Islamabad Security Dialogue
<https://mofa.gov.pk/wp-content/uploads/2021/05/Islamabad-Security-Dialogue-Event-Report.pdf>

engineers and technicians to provide support in the Saudi mega project—NEOM city. The project is said to generate 380,000 jobs and contribute US \$48 billion to the Kingdom's Gross Domestic Product (GDP) by 2030.⁹

- The Chambers of Commerce in Pakistan must effectively work to market Pakistani products in Saudi Arabia. Moreover, Pakistani exporters face challenges in Saudi Arabia regarding procedural cost of registration and licensing. Both nations should lower bilateral trade barriers and simultaneously improve communication.
- Keeping in view that Vision 2030 lays special emphasis on promotion of sports, Pakistan can use its status and experience in the sports industry as leverage to enter in the Saudi sports market especially in terms of manufacturing of sports items.
- Pakistan and Saudi Arabia already share a long history when it comes to defense ties. Building on the history of defense ties they share, the Government of Pakistan and Saudi Arabia can engage in joint research and development in the defense sector and in this way help the Saudis develop their local defense industry.
- Saudi Arabia is looking to fast track its exploitation of natural resources. In this regard, Pakistan can provide services in exploitation of minerals and other natural resources other than oil.
- The two countries need to establish research centres at universities and business councils, which could guide policy makers and traders to focus on innovative areas of mutual interest, like standardization of products, quality assurance etc. Pakistan and Saudi Arabia can sign a number of agreements in areas of mutual interest like agriculture, health, sports, energy, tourism, labour etc.
- The investment absorption capacity of Pakistan is huge especially under the China-Pakistan Economic Corridor (CPEC). Besides the \$20 billion Saudi Arabia has already pledged for investments in CPEC, the Kingdom can also increase focus on other avenues of mutual interest like agriculture, energy and tourism.
- Saudi Arabia is facing an immense food security challenge- it meets its food demand by importing 80% of its requirements. Pakistan being an agro-based country can help the Kingdom overcome this by not only attracting investment from Saudi Arabia in

⁹ "Saudi Crown Prince launches zero-carbon city in NEOM business zone," *Reuters*, January 11, 2021. <https://www.reuters.com/article/us-saudi-neom-project-idUKKBN29F0L8>

agriculture within the CPEC's Special Economic Zones but also through export of its products.

- Environmental cooperation is another area where Saudi Arabia can benefit from Pakistan's experience especially in areas such as water conservation and climate smart cities.