



## SAUDI ARABIA

### What's happening in this economy

Saudi Arabia is pursuing economic and social reforms designed to diversify its economy and wean it from dependence on oil.

This plan, known as Vision 2030, requires large injections of foreign direct investment, knowledge transfer and skilled workers.

Reforms to contract, business and labour laws, the banking system and the Saudi capital markets over the past four years have made it much easier to do business.

New social reforms also make Saudi Arabia more attractive to businesspeople. These include introducing visit and residency visas, relaxing dress codes, introducing an array of entertainment options, allowing gender-mixing at a number of tourist sites and in restaurants, and opening new sectors for female employment.

In 2017 and the first half of 2018, foreign direct investment fell, reflecting fears related to uncertainties about the compulsory acquisition of business assets, subsidy reductions, departure of cheap foreign labour, and the risk of ongoing lower oil prices.

FDI recovered in 2019 and the economy is set to grow by around 2 per cent, supported by one-off government capital expenditure of over USD 29 billion in the first half of 2019.

Saudi Arabia's leadership wants to invest the country's oil wealth to develop the manufacturing industry, including down-stream oil and gas, renewable energies, automotives and downstream extractives processing. An infrastructure investment pipeline valued at USD 1.2 trillion has been committed.

Major Saudi sovereign wealth funds are also increasing their international investments. Aramco is interested in gas investments in Australia, and SALIC has invested in Australian agricultural land and is exploring further investment options.

Long-term investment in university education has resulted in a youthful generation of well-educated Saudis looking for professional roles, however there is a lack of trades and technical workers.

Nearly 2 million foreign tradespeople and labourers have left Saudi Arabia since 2017, and maintaining productivity without them is a challenge for the country, which is also trying to encourage Saudis into semi-skilled jobs.

#### Key facts and figures

- Population: 33.2 million (2018).
- GDP growth: 1.9 per cent (2019)
- GDP per capita: USD 22,507.10 (2019)
- Political system: Absolute monarchy.
- Two-way trade (2018): \$1.737 billion (Goods: meat, beef, arms and ammunition Services: education-related travel, professional, tech and other business)
- Two-way investment (2018): Saudi investment in AUD: \$3.967 billion. Australian investment in Saudi Arabia: \$1.275 billion.

### Trade, investment, and commercial opportunities and activities

- Australia's economic and commercial interests in Saudi Arabia are largely in:



connecting Australian business to the world

- extractive industries, infrastructure consultancies, agrifood and education, including VET.
- The Saudi government is looking to develop sectors including mining, heavy industries, manufacturing, finance, health, tourism, entertainment, logistics and technology:
  - it is slowly privatising a range of state-owned enterprises, and is looking for public–private partnership expertise.
- Given that Saudi Arabia is the largest economy in the Middle East, with healthy sovereign wealth funds, our two-way investment relationship has room for growth:
  - Saudi Arabia’s major sovereign wealth fund—the Public Investment Fund (with USD 350 billion assets under management)—has announced it is looking for assets globally – primarily oil and gas technologies and renewable energy
  - its subsidiary, SALIC, made its first investment in Australia in 2019 and is looking for further agricultural investments, and
  - Saudi Aramco is looking to buy energy assets, and has indicated that it wants to buy into Australia’s gas industry.
- Initiatives are being implemented to capitalise on existing and upcoming opportunities, including:
  - an Australia Food Week event in conjunction with Lulu Supermarkets in Saudi Arabia in December
  - ongoing bilateral cooperation (for example, assisting with setting regulatory standards for mining in Saudi Arabia and Oman), and
  - leveraging visits from Australian officials and business people for major events to be hosted in our countries of accreditation. This includes the G20 in Saudi Arabia in 2020.

## Trade policy and negotiations

- Australia has been pursuing an FTA with Gulf Cooperation Council (GCC) countries for more than a decade.
- As part of the terms of the GCC Association Treaty, Saudi Arabia is obliged to negotiate FTAs in a bloc with its GCC partners.
- All GCC FTA negotiations have been on hold since October 2017, pending resolution of an internal dispute between Qatar and its fellow GCC members.

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