

POLITICAL ECONOMY OF TRANSFORMATION IN SAUDI ARABIA

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
MIDDLE EAST TECHNICAL UNIVERSITY

BY

OĞUZHAN AKGÜN

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF MASTER OF SCIENCE
IN
THE DEPARTMENT OF INTERNATIONAL RELATIONS

SEPTEMBER 2022

Approval of the thesis:

POLITICAL ECONOMY OF TRANSFORMATION IN SAUDI ARABIA

submitted by **OĞUZHAN AKGÜN** in partial fulfillment of the requirements for the degree of **Master of Science in International Relations, the Graduate School of Social Sciences of Middle East Technical University** by,

Prof. Dr. Sadettin KİRAZCI
Dean
Graduate School of Social Sciences

Prof. Dr. Ebru BOYAR
Head of Department
Department of International Relations

Prof. Dr. Meliha BENLİ ALTUNIŞIK
Supervisor
Department of International Relations

Examining Committee Members:

Prof. Dr. Özlem TÜR (Head of the Examining Committee)
Middle East Technical University
Department of International Relations

Prof. Dr. Meliha BENLİ ALTUNIŞIK (Supervisor)
Middle East Technical University
Department of International Relations

Assist. Prof. Dr. Engin SUNE
Hacettepe University
Department of International Relations

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name, Last Name: Oğuzhan AKGÜN

Signature:

ABSTRACT

POLITICAL ECONOMY OF TRANSFORMATION IN SAUDI ARABIA

AKGÜN, Oğuzhan

M.S., The Department of International Relations

Supervisor: Prof. Dr. Meliha BENLİ ALTUNIŞIK

September 2022, 176 pages

Saudi Arabia announced the “Vision 2030” program in 2016 as the last of the long-term economic diversification plans announced by the Gulf, under the management of Mohammad bin Salman. Following the program, a number of changes began to take place in the country. These changes cover a wide framework ranging from the cultural silhouette of the country to the reshaping of the bureaucratic structure. The aim of this thesis is to describe these changes as a transformation effort and to try to explain them in a multi-scalar and relational way by making use of the opportunities provided by the Rentier State Theory literature and the Economic Diversification literature. In the thesis, dimensions of the alleged “transformation” and its reflections on the Saudi society are discussed by using up-to-date statistics and data to support qualitative research. This discussion aims at demonstrating how the requirements and threat perceptions created by local, regional and global geopolitical and geoeconomic developments and changes on Saudi decision makers interact with the political capacities of the decision makers and nature of the Saudi socio-economic structure, and how these factors mediate with each other. In the post-2016 period, it is claimed that decision-making mechanisms have been consolidated in the hands of a small

group. Although the economic development strategy aimed to bring the private sector to the fore, the weight of the state on the economy increased through the Wealth Fund and, simultaneously, neoliberal policies were to be deepened in a controlled way.

Keywords: Economic Diversification, Saudi Arabia, Rentier State Theory, State Capitalism, Economic and Social Transformation

ÖZ

SUUDİ ARABİSTAN’DA DÖNÜŞÜMÜN SİYASAL EKONOMİSİ

AKGÜN, OĞUZHAN

Yüksek Lisans, Uluslararası İlişkiler ULUSLARARASI İLİŞKİLER

Tez Yöneticisi: Prof. Dr. MELİHA BENLİ ALTUNIŞIK

Eylül 2022, 176 sayfa

Suudi Arabistan Körfez ülkelerinin 2000’li yılların başından itibaren açıkladıkları uzun dönemli ekonomik çeşitlendirme ve kalkınma planlarının sonuncusu olarak 2016 yılında “Vizyon 2030” programını açıkladı. Bu programın temel uygulayıcısı olarak Muhammed bin Salman’ın Ekonomik ve Kalkınma İşleri Konseyi vasıtasıyla hem programı ve bu programın alt kırılımlarını hayata geçirmeye çalışmaktadır. Bu programın akabinde ülkede bir takım değişimler yaşanmaya başladı. Bu değişimler ülkenin kültürel silüetinden bürokrasi yapısının yeniden şekillenmesine varacak derecede geniş bir çerçeveyi kapsamaktadır. Bu tezin amacı bu değişimleri bir dönüşüm çabası olarak nitelendirip Rantiyer Devlet Teorisi literatürünün ve Ekonomik Çeşitlendirme literatürünün sağladığı imkânlardan yararlanarak çok katmanlı ve ilişkisel bir şekilde açıklama çalışmaktır. Tezde nitel araştırmayı destekleyecek şekilde güncel istatistikler ve verilerden yararlanılıp iddia edilen “dönüşüm”ün gerçekliği, boyutları, derinliği ve Suudi toplumuna yansımaları tartışılmaktadır. Bu tartışma temel olarak yerel, bölgesel ve küresel çaptaki jeopolitik ve jeoekonomik gelişmelerin ve değişimlerin Suudi karar alıcılar üzerinde yarattığı gerekliliklerin ve tehdit algılamalarının karar alıcıların siyasal kapasiteleri, pozisyonları ve Suudi socio-ekonomik yapısının doğasıyla nasıl bir etkileşime girdiği ve bu faktörlerin birlikte nasıl dolayım lanıp süreci şekillendirdiği temel olarak hedeflenmektedir.

Tezde temel olarak 2016 sonrası süreçte Suudi Arabistan'da siyasi karar alma mekanizmalarının küçük bir ekibin elinde konsolide olduđu ve ekonomik kalkınma stratejisinin özel sektörü daha ön plana çıkartmayı hedeflerken çelişkili bir şekilde devletin ekonomi üzerindeki ağırlığının Varlık Fonu üzerinden arttırıldığı ve eş zamanlı olarak neoliberal politikaların kontrollü bir şekilde derinleştirilmeye çalışıldığı iddia edilmektedir.

Anahtar Kelimeler: Ekonomik Çeşitlendirme, Suudi Arabistan, Rantiyer Devlet Teorisi, Devlet Kapitalizmi, Ekonomik ve Toplumsal Dönüşüm

To my mom

ACKNOWLEDGMENTS

First and foremost, I would like to extend my most sincere gratitude to my supervisor Prof. Dr. Meliha BENLİ ALTUNIŞIK for her patient, guidance and encouragement throughout the very long and complicated process of this thesis. I feel privileged to have her as my supervisor. Without her understanding and kind help, this thesis would not have been completed. I will be forever grateful for her invaluable help and support. I owe special thanks to the esteemed members of the examining committee, Prof. Dr. Özlem TÜR and Assis. Prof. Dr. Engin SUNE for their positive interpretations, detailed comments, and constructive feedback on my thesis.

Most of all, I would like to express my deepest gratitude to all my family members who supported me. I owe sincere gratitude to Gamze ÇELİK for her patient and encouragement throughout the very long, complicated and difficult thesis process.

I owe special thanks to Faruk AYDIN for his continuous support in the last ten years of my life. To all my friends who were a part of it, I have nothing else to say but thank you for your endless help. I feel so lucky to have you in my life. Thank you for being my second family and a great source of support.

TABLE OF CONTENTS

PLAGIARISM	iii
ABSTRACT	iv
ÖZ.....	vi
DEDICATION	viii
ACKNOWLEDGMENTS.....	ix
TABLE OF CONTENTS	x
LIST OF TABLES	xiii
LIST OF FIGURES.....	xiv
LIST OF ABBREVIATIONS	xv
CHAPTERS	
1. INTRODUCTION.....	1
1.1. Context and Problem Definition.....	1
1.1.1. The Subject Matter.....	4
1.1.2. Definition of the Problem	7
1.2. Aim of the Study and Research Question(s)	9
1.2.1. Research Question(s)	9
1.2.2. Aim of the Study.....	10
1.2.3. Measurement of the Study	10
1.2.4. The Importance of the Thesis	13
1.3. Structure of the Research.....	13
2. LITERATURE REVIEW and CONCEPTUAL FRAMEWORK	16
2.1. Literature Review	16
2.1.1. Economic Diversification or Transformation?	16
2.1.2. Rentier State Literature and Its Evolution	29
2.1.2.1. First Generation RST	30
2.1.2.2. Second Generation RST.....	32
2.1.2.3. Late Rentierism	35
2.2. Conceptual Framework of the Thesis.....	39
2.2.1. Multiscalarity, Relationality and the State Autonomy.....	39

2.2.2. Rationality of the Saudi State	42
2.2.3. Historical Perspective	44
2.2.4. Geopolitical and Goeconomic Dimensions	45
3. HISTORY OF TRANSFORMATION: STRATEGIES, PROCESSES AND NECESSITIES	47
3.1. Introduction	47
3.2. Development Plans (1971-2000).....	48
3.3. Reforms under King Abdullah (2000 - 2015)	50
3.4. Factors Pushing for Change	54
3.4.1. Global Scale.....	55
3.4.1.1. Volatility in Oil Prices and Decreasing Future Demand for Oil.....	55
3.4.1.2. Green Energy and Declining Importance of Fossil Fuels.....	57
3.4.1.3. Globalization.....	59
3.4.1.3.1. Economic Aspect of Globalization	60
3.4.1.3.2. Socio-Political Aspects of Globalization	63
3.4.1.3.3. Global Politics.....	66
3.4.2. Regional Scale	70
3.4.2.1. Regime Security Pressures.....	70
3.4.2.2. Economic Concerns	72
3.4.3. Domestic Scale	73
3.5. Conclusion.....	79
4. CURRENT TRANSFORMATION PROCESS under MBS (2016-2022)	80
4.1. Introduction	80
4.2. Vision Strategies of the GCC States.....	80
4.3. Saudi Vision 2030	82
4.3.1. Objectives of Saudi Vision 2030	82
4.3.2. Saudi Vision 2030: Policy Implementations (2016 - 2022)	84
4.3.2.1. Public Investment Fund leaning to Sovereign Wealth Fund	85
4.3.2.2. Fiscal Policy Change.....	87
4.3.2.3. Education Policy	88
4.3.2.4. Private Sector Contribution.....	88
4.3.2.5. Regulatory Framework	90
4.3.2.6. Cultural Openings	90

4.4. Challenges to Transformation	91
4.4.1. Political Challenges	92
4.4.1.1. Intra-Monarchical Fractions.....	92
4.4.1.2. Institutional Capacity	94
4.4.1.3. Decisiveness to Reform	96
4.4.2. Structural Challenges	97
4.4.2.1. Private Sector and Class Struggle	97
4.4.2.2. National Labor Market.....	101
4.4.2.3. Educational System.....	103
4.4.2.4. Social Mobilization and Resistance	104
4.5. Opportunities	108
4.6. Saudi Vision 2030: Achievements (2016 - 2022)	112
4.6.1. GDP	113
4.6.2. Fiscal Balance	117
4.6.3. Labor Market and Unemployment Rate	123
4.6.4. Business Environment	126
4.6.5. Social Sphere	133
4.7. Conclusion.....	137
5. CONCLUSION	139
5.1. Introduction	139
5.2. King’s Dilemma	140
5.3. Beyond Modernization Theory.....	142
5.4. Democratization.....	143
5.5. Neoliberal Expansion	147
5.6. Major Findings	150
APPENDICES	
A. TURKISH SUMMARY / TÜRKÇE ÖZET.....	166
B. THESIS PERMISSION FORM / TEZ İZİN FORMU	176

LIST OF TABLES

Table 1 Saudi Arabia Social and Demographic Indicators (2015 - 2023).....	123
---	-----

LIST OF FIGURES

Figure 1 Saudi Arabia / Annual Real GDP Growth (2017 - 2022).....	114
Figure 2 Saudi Arabian Public Debts and Percentage of GDP (2016 - 2024).....	117
Figure 3 Saudi Arabia: Fiscal Surplus/Deficit (2013 - 2023).....	118
Figure 4 Saudi Arabia: Non-Oil Tax Revenue by Type (2017- 2022).....	119
Figure 5 Saudi Arabia: Government Expenditure (2012 - 2024).....	120
Figure 6 Domestic Investments under the National Investment Strategy.....	121
Figure 7 Saudi 2022 Budget and 2021 Actual Spending.....	122
Figure 8 Saudi National Investment Strategy FDI Target (2010 - 2030).....	130

LIST OF ABBREVIATIONS

- AGSIW** Arab Gulf States in Washington Institute
- AIIB** Asian Infrastructure Investment Bank
- CCUS** Carbon Capture, Utilization and Storage
- CEDA** Council of Economic and Development Affairs
- EC** Economic City
- ESCWA** United Nations Economic and Social Commission for Western Asia
- FDI** Foreign Direct Investment
- FTA** Free Trade Agreement
- GCC** Gulf Cooperation Council
- IHC** International Humanitarian City
- MEIMER** Ministry of Energy, Industry and Mineral Resources
- MBS** Mohammad Bin Salman
- JAZFA** Jebel Ali Free Zone Authority
- JV** Joint Venture
- RST** Rentier State Theory
- SAGIA** Saudi Arabian General Investment Authority
- SEZ** Special Economic Zone
- SOE** State-Owned Enterprise
- VAT** Value-Added Tax
- WTO** World Trade Organization

CHAPTER 1

INTRODUCTION

1.1. Context and Problem Definition

GCC countries and especially Saudi Arabia have always had experiences of fiscal pressures owing to some core characteristics such as high dependence on revenues from volatile natural resources and high government spendings towards citizens in different forms.¹ In order to address these challenges, Saudi Arabia has launched several economic development plans since the 1970s although those plans have not achieved most of the critical objectives described in their texts.² As it has been well described in the articles of Arab Gulf States Institute in Washington (AGSIW) with the title of “Vision of Change Series”³, the Gulf Arab governments, especially Saudi Arabia, have been seeking ways to cushion the negative effects of fiscal deficits mainly caused by declined prices of oil since 2014. The Gulf states, that have been primary force in economic activity and development, are now under huge pressure to gain new financial sources and decrease the large amount of government spendings. In line with this, Gulf countries are reviewing the scope of job opportunities they

¹ Cosimo Magazzino, “Fiscal sustainability in the GCC countries,” *International Journal of Economic Policy Studies* (2022) and “Economic Prospects and Policy Challenges for the GCC Countries,” *International Monetary Fund, Policy Paper No. 2020/065*, accessed February, 14, 2022 <https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/12/08/Economic-Prospects-and-Policy-Challenges-for-the-GCC-Countries-49942>

² “Saudi Arabia’s Upcoming 10th Economic Development Plan is of Critical Importance” *Saudi-US Trade Group*, accessed February, 14, 2022, <https://www.sustg.com/saudi-arabias-upcoming-10th-economic-development-plan-is-of-critical-importance/>

³ “Visions of Change Series” *The Arab Gulf States Institute in Washington*, 2016 - 2017, <https://agsiw.org/series/visions-of-change/>

provide to their citizens in the public sector, as well as the reexamination of decades-long labor policies creating dependence on low-wage foreign labor force.

These recalibrations of the Gulf economic development model have been under discussion in the “visions” of national development plans for some time. But, especially for Saudi Arabia, structural reforms have been increasingly discussed as more necessary.⁴ Because of the decades-long socio-economic structure in the Kingdom, which has been mostly described through rentier states theory literature, structural reforms necessitate dramatic changes in all aspects of the social realm, having an impact on the decades-long state-society relations.⁵ A theoretical framework including an understanding of interconnectedness and relationality of different dimensions making up the social realm with a special focus on multiscalarity of affecting forces will be helpful in order to better examine a process of transformation.⁶ Thus, in the same vein with this perspective, “diversification away from resource-dependent state spending will require changes across the economies, and the societies, of the Gulf Arab countries”, which necessitate dramatic changes in all spheres of networks of relationship operating for decades.⁷

What is seen today in the Kingdom of Saudi Arabia in regards to transformation is manifested in the spatio-temporal relations of the country and its impact can be seen in the material determination of the urban texture such as the development plans like Red Sea Development Projects, megaprojects such as NEOM⁸, new airports, social

⁴ Kristian Coates Ulrichsen, “Economic Diversification Plans: Challenges and Prospects for Gulf Policymakers,” The Arab Gulf States Institute in Washington (AGSIW), September 26, 2016, <https://agsiw.org/economic-diversification-plans-challenges-and-prospects-for-gulf-policymakers/>

⁵ F. Gregory Gause III, ‘Oil and Political Mobilization in Saudi Arabia,’ in Saudi Arabia in Transition, eds. Bernard Haykel, Thomas Hegghammer and Stephane Lacroix (New York: Cambridge University Press, 2015), 13-30

⁶ Hein de Haas, Sonja Fransen, Katharina Natter, Kerilyn Schewel, Simona Vezzoli, “Social Transformation,” International Migration Institute Volume 166 (2020) IMF Working Papers: 1-45 <https://www.migrationinstitute.org/publications/social-transformation>

⁷ Daniel Moshashai, Andrew M. Leber & James D. Savage (2020) Saudi Arabia plans for its economic future: Vision 2030, the National Transformation Plan and Saudi fiscal reform, British Journal of Middle Eastern Studies, 47:3, 381-401

⁸ “15 mega-projects shaping the future of Saudi Arabia” The NationalNews, accessed June 27, 2022 <https://www.thenationalnews.com/lifestyle/travel/15-mega-projects-shaping-the-future-of-saudi-arabia-1.980698>

housing programs⁹ and buildings on the one hand and the cultural silhouette in the country such as liberalization attempts, dress code, proliferation of artistic events.¹⁰ Transformation has slowly been an ongoing process in the Kingdom before the 1970s, whereas, several development plans announced after the 1970s have left several marks in spatio-temporal determinations of the country. However, what differentiates today's current transformation is its seemingly more radical characteristics than the previous attempts.

Since the announcement of Vision 2030¹¹ in 2016 and the National Transformation Program¹² in 2016, Saudi Arabia and its new ruling elites with the leadership of Mohammad bin Salman have achieved and continue achieving goals such as tax reform, fiscal reform, labor reform, cutting public spending and subsidies, diversification from oil revenues, social liberalization with an emphasis on increasing opportunities for entertainment and leisure activities. Furthermore, as the manifestations of the transformation process in Saudi Arabia, currently people of Saudi Arabia have witnessed the lifting of ban on women driving, on cinemas in 2017, on women entering the sports matches, hosting of international film festival in Jeddah (The Red Sea festival), hosting a formula one race in the same year, the increasing number of the hotels, cinemas and theaters opened within the last five years.¹³ In addition to these changing spatio-temporal elements of the Kingdom of Saudi Arabia, the current process has been marked with a remarkable transformation of the state-society relations, the role of the state in economic activities,

⁹ Al Mulhim, Khalid Abdullah Mulhim, Mohammad Shahidul Hasan Swapan, and Shahed Khan. "Critical Junctures in Sustainable Social Housing Policy Development in Saudi Arabia: A Review" *Sustainability* 14, no. 5: 2979. 2022 <https://doi.org/10.3390/su14052979>

¹⁰ "New" Saudi Arabia: Social Change, Economic Challenges and Western Alliances," Middle East Institute, published on November 6, 2020, Webinar, <https://www.mei.edu/events/new-saudi-arabia-social-change-economic-obstacles-and-western-alliances>

¹¹ "Kingdom of Saudi Arabia: Vision 2030," prepared by Council of Economic and Development Affairs (Riyadh, 2016). <http://vision2030.gov.sa/en>

¹² "National Transformation Program," prepared by Council of Economic and Development Affairs (Riyadh, 2016). <https://www.vision2030.gov.sa/v2030/vrps/ntp/>

¹³ "Key Elements of Saudi Social Transformation Post-Coronavirus." AGSIW, published on August 11, 2020, Webinar, <https://agsiw.org/programs/the-future-direction-of-social-reforms-in-saudi-arabia/>

configuration of the state institutions and, last but not the least, the organization of the capital accumulation.

1.1.1. The Subject Matter

Transformation process in modern Saudi Arabia has its roots in the period after the exploration of oil in the soil of the country.¹⁴ The necessity for adaptation to external environment and to find proper solutions to the emergent problems in the country have directed the Saudi monarchy to take some steps which have been shaping the political economy of the country.¹⁵ This has been seen in the development of the administrative institutional configuration as it has been externally influenced by external and domestic necessities.¹⁶ Also, internal factors such as 1950s and 1960s labor unrest were important for the rulers to reimagine their present and future, while the struggle for power within the royal family has created several important outcomes for the future trajectory of the country.¹⁷

The more remarkable process of transformation had started with the rise of oil prices in the 1970s, culminating in several combined changes in socio-cultural and political economic structure of the country. This led to the development attempts as new distribution methods were needed within the country driven by the new oil revenues. Even though their successes have been considered as very low,¹⁸ the country has

¹⁴ Madawi Al-Rasheed, *A History of Saudi Arabia* (Cambridge: Cambridge University Press, 2nd ed. 2010). p.106. doi:10.1017/CBO9780511993510 p.106

¹⁵ David Rundell, *Vision or mirage: Saudi Arabia at the crossroads*. (London: I.B. Tauris, 2020). p.157.

¹⁶ Steffen Hertog, "Shaping the Saudi State: Human Agency's Shifting Role in Rentier-State Formation," *International Journal of Middle East Studies*, Vol. 39, No. 4 (Nov., 2007), pp. 539-563 (25 pages).

¹⁷ See for a quality discussion of "the intensification of the power struggle between King Saud and Crown Prince Faisal between 1958 and 1964, and the 'rebellion of free princes' within the framework of that struggle" Vassilliev, Alexei, *The History of Saudi Arabia*, Chapter 17, London, Saqi Books;2000

¹⁸ Tim Niblock, "Saudi Arabia's Economic Development: Ambitious Visions, Difficult Dilemmas," *Journal of Middle Eastern and Islamic Studies (in Asia)*, Volume 2, Issue 2 (2008): 13-31, <https://doi.org/10.1080/19370679.2008.12023114>

seen nine five-years development plans¹⁹ announced in the country, covering the period between 1970 and 2014.²⁰ Even though the objective of development plans was to create an institutional development environment for the country, in practice mostly they fell victim to being a cover for the redistribution of the money recurring from the oil wealth through different channels such as the mega construction projects and the recruitment of Saudi citizens in the bureaucracy.²¹

In addition to these rents accrued to the different segments of the society in an unproductive way²² to the domestic economy, since the 1970s, the so-called petrodollars have turned back to the Western world especially to the banks of the USA by functioning as an important component for the maintenance of the world financial system. The circle of petrodollars has also had a huge impact on the geopolitical and geoeconomical strategies of the Saudi monarchy in its relations with the outside world. Thus, it was not just the domestic socio-economic structure which prevented the Saudi decision makers from achieving a genuine economic diversification and development, but also this geopolitical and geoeconomic strategies of the Saudi monarchy have had an impact on the maintenance of the established socio-economic structure, which showed itself in the lack of investments into the domestic economy in productive sectors.²³

In order to analyze a transformation process, it is crucial to clarify what is already on the ground in terms of socio-political and socio-economic structures. Having a clear understanding of a transformation in the Kingdom of Saudi Arabia requires the analysis of the ongoing structure and its elements, especially since the 1970s as it

¹⁹ “Documents”, prepared by Ministry of Economy and Planning, <https://mep.gov.sa/en/MediaCenter/Pages/Documents.aspx>

²⁰ Waheed Banafea and Abdullah Ibnrubbian, “Assessment of economic diversification in Saudi Arabia through nine development plans,” OPEC Energy Review. 42. 42-54. 10.1111/opec.12116.

²¹ Steffen Hertog, Princes, Brokers, and Bureaucrats: Oil and the State in Saudi Arabia (Cornell, 2010). also Michael Herb, All in the Family: Absolutism, Revolution, and Democracy in the Middle Eastern Monarchies (SUNY Press, 1999).

²² Hazem Beblawi, “The Rentier State in the Arab World,” in The Arab State, ed. Giacomo Luciano (Berkeley: University of California Press, 1990): p. 86

²³ Adam Hanieh, Capitalism and Class in the Gulf Arab States (New York: Palgrave Macmillan, 2011), p.34.

clarifies the question of what is changing on the ground actually. Thus, it is important to examine what has been established during the decades in terms of socio-economic and political structures. In Saudi Arabia, as RST literature has explained for decades, there is a specific kind of socio-economic and political structure. Also, seeing Saudi Arabia in its relation with the regional and global geo-economic and geopolitical forces is important in order to locate it within a more broadened spatio-temporal geography.

In this regard, the continuity and transformation in Saudi Arabia could mainly be analyzed through two bodies of literature. For analyzing the continuity, the Rentier State Theory literature and its current discussions regarding the Gulf countries and especially Saudi Arabia gives a widened ground of concepts and perspectives. Also for analyzing the transformation in the Kingdom, economic diversification literature opens a good discussion space. It is crucial here to emphasize that mere focus on economic diversification literature is not sufficient to analyze the current transformation process in the Kingdom of Saudi Arabia. Rather, this thesis will briefly benefit from the economic development theories and current state capitalism discussions in order to have an understanding of the challenges and opportunities which decision makers confront.

To explain the current discussion of continuity and transformation in the Kingdom, the “King’s Dilemma” conceptualization bears cruciality for the thesis. Samuel Huntington²⁴ attempted to demonstrate the dilemma that monarch confront with when they have an endeavour of modernizing their countries. He used the conceptualization of “The King’s Dilemma”²⁵ in order to highlight this key problem of how to modernize the country without getting lost of political authority and control. According to him, monarch have harsh two options in front of them for the future trajectories of these countries. In this regard, according to Huntington, the monarch has to choose one option among the intensification of the repression over

²⁴ Samuel Huntington, *Political Order in Changing Societies* (New Haven, CT: Yale University Press, 1968).

²⁵ Calvert W. Jones, “Social engineering in rentier states,” *The Politics of Rentier States in the Gulf*, *POMEPS Studies*, 33, (2019).

the social groups in order for maintaining the political authority while opening up a new liberalizing page for the country and the gradual acceptance of a symbolic authority in a constitutional monarchy.²⁶ The “King’s Dilemma” conceptualization for the Saudi Arabian case is not only helpful in understanding the dilemma that the Saudi decision makers face but also gives a clear perspective to analyze the tensions between the continuity of already established structures and the attempts or forces of transformation. While power holders of the established structure are not willing to give up their powers, new forces of change create pressures towards reconfiguration of the established power structures. However, the tension between the continuity and transformation leads to the emergence of new opportunities for decision makers and actors and unexpected results for the trajectory of the transformation.

Even further, based on the conceptualization of “late rentierism” by Matthew Gray, the dilemma that the Saudi monarchy currently faces has intensified since the global socio-economic competitiveness has intensified the necessity of an individual country’s adaptation towards the geoeconomic and geopolitical dynamics of world politics. Also, the necessity to adapt to the world economy has been intensified with the rising discussion of the alternative development and political administration model of “state capitalism”.

1.1.2. Definition of the Problem

The thesis primarily problematizes how to better understand the current transformation process between 2016-2022 as manifested itself in the socio-economic reforms, institutional reconfiguration of the bureaucracy, political consolidation of power. The thesis also problematizes why the current transformation process started in 2016 under the management of Mohammad bin Salman even though other Gulf countries had launched their long-term transformation process under the title of economic diversification since the late 1990s and early 2000s. Based on this question, the attempts under the management of King Abdullah will

²⁶ Adel Abdel Ghafar and Anna L. Jacobs, “Morocco: The King’s Dilemma” Brookings Institute, published 2 March 2017, <https://www.brookings.edu/blog/markaz/2017/03/02/morocco-the-kings-dilemma/>

provide a good space for examining the current transformation and for comparing it with the current attempts, trajectory and policy decisions.

There are several explanations for the current transformation process regarding its causes, trajectories, objectives and potential outcomes. Those are explanations being developed in the context of economic diversification objectives and within the framework of Rentier State Theory (RST) literature. Through a focus on the economic diversification attempts, the content of these economic diversification programmes, whether or not those programmes of economic diversification will be achieved and to what extent they will be achieved have been main discussion subjects. Also, the determination of challenges and opportunities is seen as crucial in order to analyze the diversification attempts.²⁷ Secondly, discussions developed through RST literature have provided an important context in order to analyze the current process. This literature is the accumulation of decades of discussions having attempted to analyze and explain the socio-economic, socio-political structures and state-society relations within the countries of the Gulf region. This literature has improved and evolved through decades since its early examples started to show in the 1970s and 1980s.²⁸

Although both Economic Diversification Literature and Rentier State Literature have their own merits for explaining and clarifying the current transformation process in the Kingdom of Saudi Arabia, they also have their deficiencies. Although economic diversification analysis considers carefully what changes on the ground and includes a perspective for analyzing the transformation, analyzing the process through attempts of economic diversification focuses more on the domestic factors or the

²⁷ Ashraf Mishrif, "Introduction to Economic Diversification in the GCC Region," in *Economic Diversification in the Gulf Region, Volume I The Private Sector as an Engine of Growth* ed. Ashraf Mishrif and Yousuf Al Balushi (Palgrave Macmillan Singapore: Cambridge, 2018), p 1-26
10.1007/978-981-10-5783-0_1.

²⁸ Hossein Mahdavy, "The Patterns and Problems of Economic Development in a Rentier State: The Case of Iran," In *Studies in the Economic History of the Middle East* ed. M. A. Cook (London: Oxford University Press, 1970). and Theda Skocpol, "Rentier State and Shi'a Islam in the Iranian Revolution." *Theory and Society*, vol. 11, no. 3, 1982, pp. 265–83, <http://www.jstor.org/stable/657269>. and also Giacomo Luciani, "Allocation vs. Production States: A Theoretical Framework," in *The Rentier State* ed. Hossein Beblawi and Giacomo Luciani (London, Croom Helm, 1987). p.63.

attempt of MbS in order to consolidate his own political power. However, this focus of attention prevents integrating into the analysis a more broadened perspective including regional and global geoeconomic and geopolitical factors having an impact on the decision makers and transformation process as whole. Furthermore, although RST literature gives a good analysis of the established socio-economic and political structures by focusing more on the nation state and domestic factors, it is insufficient to analyze the transformation and to include the more multiscalar factors such as regional and global geoeconomics and geopolitics into the analysis. However, in this regard, the “late rentierism” conceptualization of Matthew Gray opens a good discussion space for analyzing the continuity and transformation in the Kingdom since it includes a multiscalar perspective and necessities having an impact on the decision-making process and transformation process as well.

1.2. Aim of the Study and Research Question(s)

1.2.1. Research Question(s)

The main research question of this thesis is what are the dynamics of the current transformation in the Kingdom of Saudi Arabia. It will focus on the question of why did transformation start in 2016 and not before? As transformation is a process, we will attempt questioning the factors which have an impact on this process and how they interact with each other.

Within the framework of this general question, the following questions are attempted to be answered;

1. What are the global, regional and local developments affecting the process of transformation?
2. To what extent do these developments affect the transformation process?
3. What are the points where the current developments in the Kingdom of Saudi Arabia (KSA) resemble and diverge with previous development plans in the historical process?
4. How does this process affect political decision-making mechanisms?
5. How will this process affect social inequality and poverty?

6. And, generally, how is it likely that these processes will deal with sustainable development goals such as climate action, poverty and sustainable cities and communities?
7. What are some of the early achievements and challenges of this ongoing process?

1.2.2. Aim of the Study

Main objective of this thesis will be firstly to substantiate the current transformation in the Kingdom of Saudi Arabia on the ground. Secondly, it will show that current developments have been discussed within the Kingdom for decades as we will briefly discuss the Development Plans since the 1970s and distinguishing points with the previous development plans. Thirdly, it will show that the current transformation process is a prelude to more authoritarianism and more centralization of power alongside regulatory reforms, economic diversification and cultural openings. This argument will be materialized through the discussions of the necessity of the authoritarian leadership in transforming the economy towards more neoliberal practices such as the deepening of the private sector engagement into more public sectors such as health, education and renewable energy. These have been discussed since the 1980s all around the world and the Saudi Arabian case, though it is a latecomer, fits into this literature well as it tries to attract more foreign investments and create an economic model through tourism, construction, service and entertainment sectors. In the last chapter, our last objective would be to show that all these processes would result in creating more inequality and political exclusion within the Kingdom based on the increasing state activities in the economy, albeit it primarily aims at improving the contribution of the private sector.

1.2.3. Measurement of the Study

To examine the relationship between processes, practices and interconnections of actors and factors regarding the current transformation in Saudi Arabia, the thesis focuses on the historical sociological processes through spatio-temporal analysis with a political economy perspective. Spatio-temporal analysis includes data across

both space and time especially between 2016-2022. Historical sociological processes refer to the use of an historical perspective in the thesis focusing on both continuity and rupture of the relationships of actors and factors and structures. Political economy perspective focuses on capital accumulation relations, state-capital relations, state-labor market relations. The analysis discusses the process and relationships through a combination of quantitative and qualitative analyses. Qualitatively, the political economy of the world politics, regional geopolitics, monarchical dynamics and social mobilization in the country will be covered through the substantial literature discussions. Quantitatively, the discussion will include several statistics ranging from domestic institutions such as Saudi Central Bank (SAMA) and United Nations (UN) and reports from the international think-tanks such as PER, Brookings, AGSIW, CSIS, Atlantic Council and consultancy firms such as McKinsey, E&Y, Boston Consulting Corporation, KPMG, Deloitte and magazines of Harvard Business Review, Bloomberg, Forbes, Money Inc., Fortune, The Economist.

Although, in the second section, the concept “transformation” will be elaborated in order to make the ambiguity of the concept more clear, the above discussion briefly touched upon the theoretical underpinnings of the concept “transformation” benefited in this thesis. Thus, here it will be beneficial to discuss how to measure the supposed transformation in practical terms. Before going deeper into the explanations of the dynamics of transformation and factors affecting this process in the Kingdom through a multiscalar and multivariate analysis, in the following chapters, here the potential variables will be briefly discussed that will be looked at during the thesis in order to measure the existence and extent of transformation.

In order to show the transformation, an eclectic measurement methodology will be used. First, we will adopt the measurement indicators for the economic diversification for the Gulf states developed by Martin Hvidt²⁹ such as;

²⁹ Martin Hvidt, “Economic Diversification in GCC Countries: Past Record and Future Trends,” Kuwait Programme on Development, Governance and Globalization in the Gulf States (27). London School of Economics and Political Science, London, UK. (2013)

- the percentage of oil versus non-oil sectors to GDP,
- the percentage contribution of oil revenues as a proportion of total government revenues,
- the percentage contribution of non-oil export to total export earnings,
- the relative contribution of the public and private sector

Also, we will add to Hvidt's measurement indicators two other important indicators state by Ibrahim S. Alsuwail, Deputy Governor of General Investment Authority (SAGIA) in the Kingdom of Saudi Arabia such as;

- increased and diversified export structure
- configuration of labor markets meaning the private versus public employment percentages

Furthermore, some other measuring indicators will be added to the above-mentioned indicators such as;

Other economic measures;

- The ratio of financialization in the Kingdom and the penetration of the citizens into the finance sector, (Tadawul, SWF, Public debting)
- FDI numbers and investment diversity,
- Use of renewable energy for the domestic energy demand,
- Diversity in government subsidies' final destinations
- Unemployment and youth unemployment

Measurements regarding social life;

- Diversity in recreational activities such as numbers of concerts, theaters, cinemas,
- Prohibition and freedom level,

Human capital measurement;

- Diversity in the departments of the bachelors,
- Diversity in the departments of the graduates, and

The criteria is limited to the diversity in the departments of the bachelors and diversity in the departments of the graduates since the main objective in order to measure human capital in the Kingdom is to analyze the potential human capital

quality which can compete with the world standards in producing innovative products and services.

There are several indexes in order to see the progress and change in several subjects for countries. We will also utilize several indexes in order to evaluate our indicators regarding the transformation in the Kingdom of Saudi Arabia. Some indexes such as Diversification Index, Global Competitiveness Index/Report, Ease of Doing Business Index and World Happiness Index etc. will be utilized in order to better understand the Saudi case in comparison to other countries.

1.2.4. The Importance of the Thesis

Primary contribution of this thesis could be found in its evaluation of developments within the Kingdom through a more dynamic, multi-dimensional and multiscalar perspective. In order to demonstrate this perspective, along the thesis, factors, challenges and potentials of the transformations will be attempted to be shown in different chapters. Likewise, the ancient problem of transcending the agent-structure duality will have another humble case study with this thesis.

1.3. Structure of the Research

The second chapter will attempt to give a general literature review related to the objectives of this study. In this regard, it will focus on two important literature discussions; economic diversification and Rentier State Theory (RST) literature. After briefly discussing the primary assumptions and approaches in the literature of economic diversification regarding the GCC countries and especially Saudi Arabia, the discussion will lead us to adopt the literature of transformation in order to examine the current process in the Kingdom of Saudi Arabia through more historical and structural dimensions. However, before elaborating the concept of transformation, a general literature review of development theories will be carried out with the purpose of locating the transformation concept in a more broadened tendencies and developments and better understand it in a general framework. Then, after discussing the RST literature, the current adoptions of the RST literature and criticisms towards it will be benefited from in order to have a more relevant approach

for examining the current situation in the Kingdom. Based on the discussion of both literature, we will continue to lay down our own theoretical and conceptual framework.

The third chapter will firstly uncover the development strategies of KSA by showing the development plans since the 1970s. An historical and analytical division will be made by discussing the first six development plans until 2000 and the development plans under the administration of King Abdullah between 2000 and 2014. Furthermore, the third chapter will try to analyze the necessity of the transformation in Saudi Arabia now and in a historical manner as it will give us an understanding of the requirements of the country's political economic environment. These necessities will be shown in different scales such as global, regional and domestic in order to better identify the different dimensions of the same issue. This will hopefully provide us a baseline in which Saudi Arabia has to move and flood in terms of geostrategic and political economic perspectives. Analyses of different scales will provide us a sense of change and adaptation to changes. Thus, the chapter will help us find out the conditions which mutually have an impact on the trajectory of the transformation process in Saudi Arabia.

In the fourth chapter, these strategies from the 1970s will be briefly compared with the current Vision 2030 and National Transformation Program launched by the Crown Prince Mohammad bin Salman. This comparison will demonstrate that there is a continuity in the objectives of development plans, however, it will also claim a radical rupture in the implementation of those strategies and plans under the current process. This rupture will be understood as a combination of the necessities and opportunities shown in the previous chapter. Then, challenges will be shown through using the measurements mentioned above and their proximity to the aimed point will be discussed analytically. Here will be used the categorization model drawn from Hvidt such as structural and political challenges with the purpose of analyzing the agency-structure relationship in the process.³⁰ It is thought that looking at structural challenges will provide an analytical base for evaluating the multiscale structure within which the Kingdom has to play. Also, looking at political barriers will give us

³⁰ Martin Hvidt, "Economic Diversification in GCC Countries: Past Record and Future Trends,"

a sense of agency within the aforementioned structure such as institutional and state capacity, the ruling bargain and political choices, the power of affection in social movements and clerics's activities, regime vulnerability. As well described by Swartz, the agency-structure issue will not be regarded as a duality, rather it will be seen as a Mobius strip in which the primary concern will be focusing on the relationality between them. Furthermore, despite the abundance of the challenges, it will be claimed that with the combination of emphasized potentials and the powerful leadership, the transformation process might keep continuing positively since the global political economy of climate policies has been increasingly important in terms of regime legitimacy and this might help keep the perpetuation of the rent mechanisms through the Saudi family. After discussing these debates in a wide range below, the main socio-economic indicators of the last six years in MBS management will be discussed in the light of statistical data in order to examine the achievements of Saudi Vision 2030 until the year 2022.

In the last chapter, the transformation process will be evaluated through its relations with the democratization process and the welfare of the Saudi people. Also, this chapter will include a discussion of the development understanding of Huntington regarding the developing countries which showed itself in the discourse of King's Dilemma and its current relation with discussions of neoliberal policies. This discussion will provide us a good understanding of the choices made or not made and their potential effects on the poverty and inequality issues in the Kingdom. Also, a discussion of urban development will be based on the broad discussions of neoliberal policies, democratization and welfare of the citizens in the Kingdom. Finally, the main findings of the thesis will be briefly discussed and the thesis will be finalized.

CHAPTER 2

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.1. Literature Review

2.1.1. Economic Diversification or Transformation?

The literature and practice of economic diversification around the world have come true with the main idea of diversifying the exports of one country away from specialization in a limited range of primary commodities in order to get rid of high price volatility and dependency.³¹ This aim of diversification accompanies the objective of gaining economic growth and creating new jobs in a country. This strategy requires a push towards manufactured goods in the economic activity. This aim also necessitates increased technological know-how and qualified and skilled labor force.

As rightfully stated by Hvidt, diversification requires a broad societal process, which transforms a country from being dependent upon mainly one specific income source, in Saudi case oil or gas, towards having alternative sources of income with the participation of large sections of the population.³² This shows us the broad transformative characteristics of a diversification process in a country since creating multiple sources of income necessitate a complex network of sectors in which people in the society would have been changed and adapted into this process in order to keep the route which had been planned in the first place. Considering the GCC

³¹ Clovis Freire, "Economic diversification: Explaining the pattern of diversification in the global economy and its implications for fostering diversification in poorer countries." DESA Working Paper No. 150 ST/ESA/2017/DWP/150 2017 <https://www.un.org/en/desa/economic-diversification-explaining-pattern-diversification-global-economy-and>

³² Martin Hvidt, "Economic Diversification in GCC Countries: Past Record and Future Trends," Kuwait Programme on Development, Governance and Globalization in the Gulf States (27). London School of Economics and Political Science, London, UK. (2013): p.10.

countries, based on the definition of United Nations Economic and Social Commission for Western Asia (ESCWA)³³, defines diversification as:

Within the context of the GCC countries, economic diversification means reducing the excessive dependence of the oil sector by developing a non-oil economy, non-oil exports and non-oil revenue sources. By implication, it also means reducing the leading role of the public sector in the GCC economies by promoting the growth of the private sector

While the literature of economic diversification has concentrated on the diversification of the exported products and export diversity of a country, the discussions through economic diversification regarding the GCC case have focused more on diversifying the country of its heavy dependence on oil towards non-oil sectors.³⁴ Hvidt's analysis of the development plans points out that diversification in the broadest sense of the word is seen as the strategy to tackle the core problems brought by the distributive characteristics of the state. According to Hvidt, this is achieved "by reducing volatility, solving the employment problems and securing high and sustainable income levels for citizens in the future". The requested end result of these plans is a transition to a more production-oriented model. According to this model, "the state, the citizens and the private sector are encouraged to produce and involved in producing". Hvidt emphasizes the necessity of implementing fundamental changes in order to achieve the transition since achieving this transition includes implementing political and social reforms as well as achievements in economic issues such as investments in infrastructures and education.³⁵

As pointed out by Cook and Nielson³⁶, a 'one size fits all' description does not apply when it comes to diversification. Also argued by Stephen Castles regarding social

³³ "Economic Diversification in the Oil-Producing Countries: The Case of the Gulf Cooperation Council Economies" ESCWA Economic and Social Commission for Western Asia (New York: United Nations, 2001): p.vii <https://digitallibrary.un.org/record/459099?ln=en>

³⁴ ESCWA (2001), Looney (1994), Shochat (2008) and, not least, the contributions in Sez nec and Kirk (2011).

³⁵ Martin Hvidt, "Economic Diversification in GCC Countries: Past Record and Future Trends," Kuwait Programme on Development, Governance and Globalization in the Gulf States (27). London School of Economics and Political Science, London, UK. (2013): p.38-39.

³⁶ Frances D. Cook and Karen Nielson, "Industrializing Gulf Society," in *Industrialization in the Gulf: A Socioeconomic Revolution*. London: Center for Contemporary Arab Studies ed. J.-F. Sez nec and M. Kirk (Georgetown University/Routledge,2011): pp. 198–204.

transformation processes, transformation processes have their own specificity for each socio-political environment³⁷ while he also considers the difficulty of local action and analysis without considering the increasing impacts of the global over the localities.³⁸ Each country has its own unique history of diversification, and as such represents a unique mix of the measures and a unique overall patterns. For instance, while Oman has had a focus on sectors such as service and tourism, several others sectors have been chosen as key targets by other Gulf countries accordingly their geographical locations and their material resources. There are different models to be taken as an example for the Gulf countries in order to diversify their economies such as Dubai model³⁹, Beijing Consensus model,⁴⁰ Islamic-shariah compliant models⁴¹, Norwegian model⁴² and the Singapore model⁴³.

³⁷ Stephen Castles, "Studying Social Transformation," *International Political Science Review / Revue Internationale de Science Politique*, Volume: 22 issue: 1, (2001): 13–32.
<http://www.jstor.org/stable/1601283>

³⁸ *Ibid.* p.13.

³⁹ Martin Hvidt, "The Dubai Model: An Outline of Key Development-Process Elements in Dubai," *International Journal of Middle East Studies*, Vol. 41, No. 3 (Aug., 2009), pp. 397- 418 <https://www.jstor.org/stable/40389254> . For more detail, see Fatma Al-Sayegh, "Merchants' Role in a Changing Society: The Case of Dubai, 1900-90," *Middle Eastern Studies* 34, no. 1 (January 1998): 87-102.

⁴⁰ The "Beijing consensus" is an ambiguous term, however widely is a development model that, in contrast to the neoliberal "Washington consensus" and later the "Post-Washington consensus," is based on: "a strong pro-market state and state support of economic development; innovation and entrepreneurialism in both the public and private sectors; an authoritarian political system (including an implied rejection of a relationship between economic and political liberalization); and political self-determination and independence in foreign policy. It has been challenged, however, as an overgeneralization of China's model; a system that is not easily transferable elsewhere; and not surprisingly, as something that does not represent a "consensus" anyway". For more, see for example, Stefan Halper, *The Beijing Consensus: How China's Authoritarian Model will Dominate the Twenty-First Century* (New York: Basic Books, 2010).
See also, *Development Models in Muslim Contexts: Chinese, 'Islamic' and Neo-Liberal Alternatives*, ed. Robert Springborg (Edinburgh: Edinburgh University Press, 2009).

⁴¹ Matthew Gray, "Theory of 'Late Rentierism' in the Arab States of the Gulf," *Center for International and Regional Studies, Occasional Paper No.7*, 2011

⁴² Yousif M. Mohammad Alameen, "The Norwegian Oil Experience of Economic Diversification," *A Comparative Study with Gulf Oil Najran University, Community College, Department of Administrative Sciences, KSA Vol 8, No 28* (2016): 94-101.

⁴³ "Dubai and Singapore are exemplary models of economic development" *GulfNews*, accessed February 14, 2022, <https://gulfnews.com/opinion/op-eds/dubai-and-singapore-are-exemplary-models-of-economic-development-1.2078949>

Also, Gray argues that although GCC states have development policies and strategies, they do not have a single development model.⁴⁴ An economic model for one country is only partially transferable to other Gulf states. For example, Hvidt observes that only some aspects of the Dubai model could be transferable to other Gulf states.⁴⁵ For Dubai, the lack of oil reserves has been regarded both a blessing and a curse. The lack of oil reserves is assumed to force Dubai to go beyond simple mineral rents for development. “This is seen as the reason behind the fact that Dubai was an early reformer and diversifier when it began its first moves towards opening to investment and globalization in the 1980s and early 1990s”.⁴⁶

Gray further argues that the Gulf countries have been more hybridist in adopting development models. They perform socially-cautious neoliberal policies and even supports some Islamic/shariah compliant economy policies. At the same time, some specific characteristics of the Beijing consensus can be also detected in their policy implementations. Based on the term “new state capitalism”, distinguishing elements of the Beijing consensus can be seen as having investment friendly state activities and entrepreneurial form of state capitalism.⁴⁷ Thus, according to Gray, a simple economic model or strategy will be insufficient to explain the region, whereas the political leaderships in the region could be well defined by the political utility, adaptability, and flexibility of a hybridized approach.⁴⁸

In this regard, Saudi Arabia has its own distinctive position regarding its own characteristics, differentiating it not only from other countries around the world but also even from the rentier states of the Gulf region.⁴⁹ The literature for Saudi Arabia has substantial discussions which could give us a comprehensive clue for reaching up

⁴⁴ Matthew Gray, “Theory of ‘Late Rentierism”

⁴⁵ Martin Hvidt, “The Dubai Model,” p. 412.

⁴⁶ Christopher M. Davidson, “Dubai: The Vulnerability of Success,” (2009): 103-135; and Fatma Al-Sayegh, “Merchants’ Role in a Changing Society,” *Middle Eastern Studies* Vol. 34, No. 1 (Jan., 1998), pp. 87-102 (16 pages)

⁴⁷ Ian Bremmer, *The End of the Free Market: Who Wins the War Between States and Corporations?*, (Portfolio, 2011)

⁴⁸ Matthew Gray, “Theory of ‘Late Rentierism”, p.30.

⁴⁹ David Commins, “The Gulf States: A Modern History,” New York: I.B. Tauris, 2012.

a good understanding about the country. Transformation is difficult for all societies. Even, it is one of the hardest issues which could be imagined for a highly conservative and religious society like Saudi Arabia alongside the lack of an independent civil society and bourgeoisie.⁵⁰ For this reason, the Saudi dynasty is considered as the main engine in the transformation process,⁵¹ which makes this analysis very interesting. Schumpeter clearly reminds us with his concept of “creative destruction” that “the deliberate dismantling of established processes in order to make way for improved methods of production” often disturbs the forces of status quo.⁵² Thus, the status quo, the Saudi monarchy in the case of Saudi Arabia, is seen as taking risks on the one hand and entrenching its power on the other hand. However, the Saudi monarchy has been the main engine behind the transformation and modernization process in the country as well as the economic development for decades.⁵³ In this regard, the transformation process is thought through power relations within the country as the ruling family aspires continuing its ruling over centuries. However, it must be kept in mind that this is a more complex process than to be reduced to one simple explanation. In addition to the attempts of preservation of power, there is interplay of several dynamics and factors having an impact on the transformation process in the country.

One important argument needed to be added here is the fact that economic diversification literature regarding the Gulf countries discusses the issue mainly through the lenses of what governments plan to do and what they can or can not achieve out of those plans. However, as argued by Hegghammer, Lacroix and

⁵⁰ Tim Niblock and Monica Malik, “The Political Economy of Saudi Arabia,” (Routledge, 1st ed., 2007) also Madawi Al-Rasheed, *A History of Saudi Arabia* (Cambridge: Cambridge University Press, 2nd ed. 2010). p.106 doi:10.1017/CBO9780511993510 p.106

⁵¹ Jane Kinninmont, “Vision 2030 and Saudi Arabia's Social Contract: Austerity and Transformation;,” Chatham House, Research Paper, 2017.

⁵² Joseph Schumpeter, “Capitalism, Socialism, and Democracy,” New York: Harper & Bros. 1942. also Eric Hobsbawm, “The Age of Revolution 1789-1848,” New York: Vintage Books, 1996. Print.

⁵³ Bernard Haykel, Thomas Hegghammer and Stephane Lacroix, ‘ Insights on Social, Political, Economic and Religious Change,’ in *Saudi Arabia in Transition*, eds. Bernard Haykel, Thomas Hegghammer and Stephane Lacroix (New York: Cambridge University Press, 2015), 1-10 also Stephen Hertog, Book Review: *Awakening Islam: The Politics of Religious Dissent in Contemporary Saudi Arabia*. *Comparative Political Studies*. 2013;46(3):418-422. doi:10.1177/0010414012467623

Haykel, the trajectory of the country is shaped by entrenching developments happening in social realm in its broadest sense as well as the government's policies and resources. Saudi Arabia has been largely regarded as being conservative and static, however it has always had its own dynamism towards transforming the country. In this regard, this dynamism has been recently accelerated by the youth bulge since it has extensive socio-cultural implications.⁵⁴ Thus, the current transformation can not be explained by one single factor such as the price of natural resources or the succession problem between the first generation and the second generation. They argue that the reality in Saudi Arabia is more complex than it is thought.⁵⁵

Thus, by putting economic diversification at the center of the discussion, the process of transformation displays itself in its tensions because all of these struggles and their implications are intertwined and in relation to a broad framework being affected by them and vice versa. Furthermore, as the objective of economic diversification requires a multifaceted process of transformation, it is helpful to look at the development theories. After briefly reviewing the development theories, the section will continue by elaborating the social transformation literature in order to make sense of more comprehensive look at the current process in KSA.

Development Theories and Social Change

Although, further studies on development had already been triggered due to problems such as perpetuity of underdevelopment in the colonies, the collapse of modernization theory and the stance against colonialism that triggered further studies on development, the notion of development has followed an increase in popularity in the literature and policy agenda after 1945 in a context of system competition between capitalism and communism. While the First World (Western world) offered a development model for the Third World based on its own experience, the Second World offered an alternative model which is based on the Soviet Five Years Plans' experience. While the former economic model called for a model of economic growth based on state investment, urbanization, cheap and abundant labor, and free

⁵⁴ Bernard Haykel, Thomas Hegghammer and Stephane Lacroix, ' Insights on Social, Political, Economic and Religious Change,'

⁵⁵ Ibid. p.10.

entrepreneurs⁵⁶ backed by the international institutional structure established through the Bretton Woods system, the economic model of the Second World (the Soviet Union) presented itself through a state command economy.

Following the Brandt Line⁵⁷ and with the collapse of the Soviet Union, the focus of attention in the development studies has shifted to a distinction between the developed North and the developing South (instead of the capitalist West and the communist East).⁵⁸ Regarding this new scheme, international institutions such as the World Bank and the United Nations have renewed their main objectives. Concepts such as participation, social capital, inclusion and ownership have started to find more prominent places in their official documents.⁵⁹ However, this divide as well has lost its sharpness since some countries in the South have achieved substantial economic growth and South-South connections in politics, economy and cultural realm are increasingly significant.⁶⁰ Starting from the early 1980s and increasingly following the collapse of the Soviet Union, the key notions of development theories—“developed,” “underdeveloped,” “modernization,” “dependency”—all became problematic. The neoclassical orthodoxy summed up in the Washington Consensus” policed by the World Bank and the IMF globally have thus started to be criticized even in that early times even though neoliberal policies and implementations have been spreading all around the world at that time.⁶¹ The rise of state capitalism discussions especially following the 2008 global financial crisis has been regarded as a manifestation of an intensified criticism towards the international liberal order arranged based on the Washington Consensus. Thus, with the 2008 global financial crisis state capitalism has started to be a stronger model of

⁵⁶ Baeck Louis, “Post-war development theories and practices,” (Paris: UNESCO/ISSC, 1993)

⁵⁷ In the 1980s, the Brandt Line was developed as a way of showing how the world was geographically split into relatively richer and poorer nations.

⁵⁸ Silvia Ferabolli, “Space Making in the Global South: Lessons from the GCC-Mercosur Agreement,” *Contexto Internacional* vol. 43(1) Jan/Apr 2021

⁵⁹ Joseph E. Stiglitz, “Towards a new paradigm for development: strategies, policies and processes,” Prebisch Lecture UNCTAD. (Geneva: World Bank, 1998).

⁶⁰ Stephen Castles, “Studying Social Transformation,”

⁶¹ Joseph E. Stiglitz, “Towards a new paradigm”

development and therefore challenged the liberal world order formed by the principles of Washington Consensus.

Neoclassical Economic Theory

1970s and 1980s have experienced the dominance of neoclassical economic theory in development studies. It focused on the reliance of market mechanisms and supported the reduction of the role of the state. In the 1980s, the WB and the IMF supported free markets and deregulations all over the world. The concept of "Washington Consensus" was used to refer to this neoclassical economic orthodoxy of liberalization, stabilization and privatization.⁶² According to this model of economic development, developing countries are suggested to remove barriers in front of free capital and let free capital generate development. In this regard, the economic development model of developing countries during the 1950s and 1960s, i.e. import substitute industrialization, has been suggested to be given up. The encouragement of free trade all over the world has been the central strategy of the neoliberal/neoclassical model of economic development. According to this understanding, policy priorities to protect labor rights during the 1950s and 1960s have been seen as an important obstacle for capitalism to generate wealth for everyone.

Stiglitz accused this approach of being ignorant of the lessons of history and of not believing in a participatory approach. Rather, Stiglitz argues that neoclassical economists saw the problem as only technical since it could be solved through technical solutions. He has provided an exhaustive critique of neoliberal economy based on Polanyi's concept of transformation.⁶³ In the same vein, Milanovic⁶⁴ accused neoliberal claims of improving economies of the poor countries of masking

⁶² Joseph E. Stiglitz, "Towards a new paradigm"

⁶³ Joseph E. Stiglitz, "Globalization and its Discontents," (London: Penguin, 2002).

⁶⁴ Branko Milanovic, "Globalization and inequality" in *Global Inequality: Patterns and Explanations* ed. David Held and Ayşe Kaya, (Cambridge and Malden MA.: Polity, 2007): 26-49.

the vast increase in inequality, while Petras and Veltmayer⁶⁵ regarded the neoliberal model as a new utopia of self-regulating world economy.

State Capitalism

The term “state capitalism” has been increasingly used in the literature with various meanings attributed to it at the turn of the twenty-first century. However, in these different usages, it is common to understand this process as an increase of the state activities in the domestic economy and in the global scale.⁶⁶ As described by Bremmer⁶⁷, the new state capitalism refers to the increasing numbers and weights of state-owned enterprises and sovereign wealth funds in domestic and global economies. Through such enterprises and funds, economic activities have been benefited for political gains by these states. Also, another string of state capitalism discussion rises up based on a general thesis that states have more entrepreneurial activities in the new era.⁶⁸ Such an entrepreneurialism and increasing numbers of state-owned enterprises (SOEs) have been regarded as an endeavor of survival in the global economy as well as an attempt to take advantage of the opportunities emerging from the vulnerabilities of the international liberal order following the 2008 global financial crisis. Also, Nem Singh & Chen observes, the reconfiguration of the state under conditions of globalization and financialization allows designing new developmental policies across the developing world.⁶⁹ Similarly, van Apeldoorn

⁶⁵ James Petras and Henry Veltmayer, “Globalization or imperialism?” *Cambridge Review of International Affairs*, 14:1, 2000: 32-48.

⁶⁶ Aldo Musacchio and Sergio G. Lazzarini, “Reinventing state capitalism” Harvard University Press, 2014.

⁶⁷ Ian Bremmer, “The End of the Free Market”

⁶⁸ See Nan Jia, Kenneth Huang and Cyndi Man Zhang, “Public governance, corporate governance, and firm innovation: An examination of state-owned enterprises,” *The Academy of Management Journal*, 62, 220–247. 2019.; Sergio G. Lazzarini, Luiz F. Mesquita, Felipe Monteiro and Aldo Musacchio, “Leviathan as an inventor: An extended agency model of state-owned vs. Private firm invention in emerging and developed economies,” *Journal of International Business Studies*. 52(4), 2021. <https://doi.org/10.1057/s41267-020-00327-9>; Kevin Zheng Zhou, Gerald Young Gao and Hongxin Zhao, “State ownership and firm innovation in China: An integrated view of institutional and efficiency logics. *Administrative Science Quarterly*, 62(2), 375–404. 2017.; Aldo Musacchio, Sergio Lazzarini, Pedro Makhoul and Emily Simmons, “The role and impact of development banks,” *World bank working paper*. Brandeis International Business School, 2017.

⁶⁹ Jewellord Nem Singh and Geoffrey C. Chen, “State-owned enterprises and the political economy of state–state relations in the developing world.,” *Third World Quarterly* 39(6): 1077–1097, 2018.

et al. argues that a return of the state combined with a continued deepening of the process of capitalist transnationalization and globalization has been triggered by the current crisis of global capitalism.⁷⁰ In this regard, as the argument made by McNally⁷¹ demonstrates, some scholars regard the refurbished state capitalism of emerging market economies as a monumental alternative model to neoliberal market capitalism while de Graaff and van Apeldoorn⁷² mention the possibility of co-dependence and competition between the co-existing models.

As a general context of the rise of state capitalism discussions in the literature and among politicians in the global South, the inequalities arose from the implementations of neoliberal policies based on the “Washington Consensus” and the instability and uncertainty spreading all over the world following the 2008 financial crisis have provided the ground for an alternative search. In this regard, as argued by Lapavitsas⁷³, the 2008 crisis is described as a crisis of the process of deepening financialization. According to him, this can be called as a systemic crisis. As well described by Fine & Saad Filho⁷⁴, this crisis manifests itself through a slowdown of the rate of capital accumulation, increasing poverty and negative impacts of the financial crisis on developing and underdeveloped countries. As Amitav Acharya defines the current global political economy as having a multiplexity beyond the discussions of a multipolar system, it can be argued that the new era has increasingly witnessed a new wave of globalizations having crosscutting globalisms including an increase of South-South linkages.⁷⁵ He emphasizes the increasing alternatives of international liberal order in terms of values, policies and

⁷⁰ Bastiaan van Apeldoorn, Naná de Graaff and Henk Overbeek, “The reconfiguration of the global state–capital nexus,” *Globalizations* 9(4): 471–486, 2012.

⁷¹ Christopher A. McNally, “The challenge of refurbished state capitalism: Implications for the global political economic order,” *DMS – Der Moderne Staat* 6(1): 33–48, 2013.

⁷² Bastiaan van Apeldoorn, Naná de Graaff and Henk Overbeek, “The reconfiguration of the global state–capital nexus,” *Globalizations*, Volume 9(4), 2012.

⁷³ Costas Lapavitsas, “The financialization of capitalism: ‘Profiting without producing,’” *City*, 17 (6), 2013. 792-805, DOI: 10.1080/13604813.2013.853865

⁷⁴ Ben Fine and Alfo Saad-Filho, “Marx’s “Capital” - Sixth Edition (6th ed.). Pluto Press. 2016. <https://doi.org/10.2307/j.ctt1ddr6c7>

⁷⁵ Amitav Acharya, “After Liberal Hegemony: The Advent of a Multiplex World Order,” *Ethics & International Affairs*. 31. 2017. 271-285. 10.1017/S089267941700020X.

diplomacy following the structural crisis of the international liberal order. Öniş & Kutlay also focus their attention to the rise of other forms of regime types all around the world following the hegemonic and legitimacy crisis of the Western liberal order in the global South. According to them, structural global political economy trends created the current authoritarian populist tide in the global North and the global South both. They argue that the new era is an era of increasing linkages among those regime types rather than being isolated to different camps.⁷⁶ Even Lührman & Lindberg (2019) defines the current order as the third wave of autocratization.⁷⁷

The term “state capitalism” could be confusing as it may be hiding the relation between the state and the economy in the Western world.⁷⁸ And, it may create an image that in this new state capitalism, states control the large state companies and enlarge their scope of power in domestic and global scales while states, in the Western liberal world, have not interfered with the performance of the liberal markets. However, according to Polanyi⁷⁹ markets are always state mediated, and state intervention occurs when the market shakes off its societal obligations. Also, Poulantzas has discussed authoritarian statism through the repressive and ideological functions of state apparatuses for the purpose of the maintenance of the already established power and capital relations.⁸⁰ As proposed by Alami and Dixon (2020)⁸¹, the state actually has never left the business even in the heightened volume of neoliberalization and even in spaces often considered liberal market economies; however they also emphasize the continuously changing forms of state intervention because of the highly dynamic characteristics of capital accumulation.

⁷⁶ Mustafa Kutlay and Ziya Öniş, “Liberal Democracy on the Edge? Anxieties in a Shifting Global (dis)order.” *Alternatives*. 2022. <https://doi.org/10.1177/03043754221096511>

⁷⁷ Anna Lührman and Staffan I. Lindberg, “A third wave of autocratization is here: What is new about it?” *Democratization*, 26(7), 1095–1113. 2019. <https://doi.org/10.1080/13510347.2019.1582029>

⁷⁸ Ilias Alami and Adam D. Dixon, “The strange geographies of the ‘new state capitalism,” *Political Geography* 82:102237, 2020.

⁷⁹ Karl Polanyi, “The great transformation: The political and economic origins of our time,” (Boston: Beacon Press, 2nd ed. 1946).

⁸⁰ Nicos A. Poulantzas, “State, Power, Socialism,” (Verso: London, 2014).

⁸¹ Ilias Alami and Adam D. Dixon, “State capitalism(s) redux? Theories, tensions, controversies,” *Competition & Change*, 24(1), 2020. 70–94. <https://doi.org/10.1177/1024529419881949>

Furthermore, even regarding the global South, it is required to make a distinction between the previous state capitalisms which showed themselves mainly through import-substitution policies and the current one. While the main aim in the previous state capitalism was to improve the domestic economy and to catch up with the developed countries, the new state capitalism after the 2008 global financial crisis aims at survival in the global economy rather than focusing on the national domestic economy. Furthermore, it is crucial to make a clear emphasis on the discussion demonstrating the powerful link between the state and the economy in the neoliberal policies since the implementation of neoliberal policies necessitates the powerful state as a solution to the emerging crisis. Ben Fine and Saad Filho, in this regard, argue that internationalization of the capital requires the reproduction of capitalism through a more strengthened nation-state in the Western world. As the term shock therapy shows, the East Europe countries in the post-Soviet period have experienced a wide array of state intervention in order to lift all the hindrances in front of the capital including the disciplining of the labor force.

Social Transformation

As his seminal work “The Great Transformation” (1944) demonstrates us, Karl Polanyi used a theoretical framework of the non-linear, non-teleological, and inherently dialectic nature of social change, emerging out of constant conflict between political forces.⁸² As it has been substantiated in his concept of counter-movements, his way of theorizing social transformation and political change incorporated conflict in dialectical ways, as a sharp contrast to portrayal of development as a smooth process. In the same vein, Castles proposes to conceptualize the term social transformation in contrast to notions of development (or development studies) since the notion of development implies a teleological belief in progress towards a predetermined goal.⁸³ Also, Castles argues that the different effects of global forces on the domestic should be looked at, while he also touches upon the process of domestic forces restructuring the global. At this point,

⁸² Karl Polanyi, “The great transformation: The political and economic origins of our time,”

⁸³ Stephen Castles, “Studying social transformation and international migration,” COMCAD Arbeitspapiere - working papers; 83) Bielefeld: COMCAD - Center on Migration, Citizenship and Development, 2010.

according to him, it is more explanatory to focus on cross-border flows and networks rather than just seeing the nation-state as a research object. Flows of tangible movements such as capital, commodities, cultural artifacts, migrant and refugees and also flows of intangible movements like values, media images, scientific ideas, and modes of governance have risen as important components of the global interconnections. Castells argues that the network is the specific organizational form of the emerging global society, replacing earlier modes of the hierarchical organization of economic and political institutions. In different spatial levels, the global flows and networks take on specific forms through complex and dynamic relationships. According to Castles, social transformations are closely linked to major shifts in dominant economic, political and strategic relationships.⁸⁴

Furthermore, partly drawing on earlier definitions of social transformation, particularly by Polanyi (1944), Castles (2010) and Portes (2010), de Haas et al (2020) defines social transformation as a fundamental change in the way that societies are organized and resources are distributed. They also distinguish five interconnected dimensions which together constitute the social realm - the political, the economic, the technological, the demographic, and the cultural.⁸⁵ These dimensions allow to capture “big change” by distinguishing the unique manifestations as well as the general features of social change. This has been the main problem of de Haas et al. in their works since it is crucial to keep an eye on the common characteristics of developments in different spatio-temporal geographies without missing the uniqueness of each space. For instance, the originally European model of national states, as Tilly’s compelling historical meta-account of modern state formation formulates us, has spread around the world and become the explicit and implicit model for all states as it includes large bureaucracies, notion of citizenship and formal territorial borders.⁸⁶

⁸⁴ Stephen Castles, “Studying social transformation and international migration,”

⁸⁵ Hein de Haas, Sonja Fransen, Katharina Natter, Kerilyn Schewel, Simona Vezzoli, “Social Transformation,” *International Migration Institute Volume 166* (2020) IMF Working Papers: 1-45 <https://www.migrationinstitute.org/publications/social-transformation>

⁸⁶ Charles Tilly, “Coercion, Capital, and European States, AD 990–1992,” (Oxford: Blackwell, 1992). and Nelly Tsouyopoulos, "German Philosophy and the Rise of Modern Clinical Medicine." *Theoretical Medicine and Bioethics* 5(3): 345–357. 1984.

Based on the spirit of above-discussed definitions of transformation by different scholars, transformation will be treated here as a multifaceted process of changes in relationships and structures within the social, economic and political realms. To be concrete, we will describe “transformation” as a historical and structural change in relationships such as state-society relations, state-capital relations, labor-market relations, intra-governmental relations. Also, it will include not only day-to-day changes but also structural changes in these networks of relationships. What is meant by the dynamics of transformation is to demonstrate the factors having an impact on this process and on the working of the dynamics in different dimensions and to different extents through a contingent relationality. The changes emerging in the above-mentioned networks of relations are realized in sui generis way within the current conditions. This shows that we attempt to combine the relationality with structures in order to analyze the dynamics and transformation process as a whole.

2.1.2. Rentier State Literature and Its Evolution

In order to show the RST and its evolution, in this section, two important studies will be mostly utilized in order to show the genealogy of the Rentier State Theory literature, its continuity and rupture, criticisms and developments in the literature; the work of Meliha Altunışık⁸⁷ based on her pure demonstration of the discussion within the literature with a historical perspective and the work of Matthew Gray⁸⁸ with his use of the new concept “late rentierism” in order to discuss the rentierism of the Gulf countries in a detailed manner. These two authors in their separate studies discuss two phases/generations of RST while, beyond these two categorizations, Gray adds a new category to the discussion as he calls “late rentierism” for the specificity of the Gulf countries.

⁸⁷ Meliha Benli Altunışık, “Rentier State Theory and the Arab Uprisings: An Appraisal”, *Uluslararası İlişkiler*, Volume 11, No. 42 (Summer 2014), p. 75-91.

⁸⁸ Matthew Gray, “Theory of ‘Late Rentierism’”,

2.1.2.1. First Generation RST

According to Gray, Rentier State Theory (RST) is a political economy theory, aiming at explaining state-society relations in states that generate a large proportion of their income from rents, or externally-derived, unproductively-earned payments.⁸⁹ Since a rentier state is considered as distributing to the external income that it receives from natural resources, it is also thought that it is relieved of imposing a tax burden on the shoulders of its society. Thus, it can avoid social concessions of democratization or a development programme.⁹⁰

In the same line with Gray's definition of first generation RST literature, Altunışık identifies three key characteristics of the first RST: 1) oil revenues are paid to the government in the form of rent, 2) oil revenues are externally generated through exporting in the global economy, 3) oil revenues are directly accrued by the state.⁹¹ In the early phase of RST literature, the focus of discussion was on political and economic aspects of this configuration of generating rents. Economic effects of a sudden influx of externally generated revenue through rents on the economy are discussed as the fact that it creates Dutch Disease in which those rents distort the economy and cause enclave development,⁹² thereby the rest of the economy is not well developed.⁹³ According to Altunışık, political effects as described by the first generation RST are high centralization of the state power and the increased role of the state in the economic activity⁹⁴, the public sector as the largest employer⁹⁵, rentier mentality among the citizens which breaks down in the work-reward

⁸⁹ Matthew Gray, "Theory of 'Late Rentierism'", p.1.

⁹⁰ Ibid.

⁹¹ Meliha Benli Altunışık, "Rentier State Theory and the Arab Uprisings: An Appraisal"

⁹² The term Dutch Disease originates in reference to the adverse effects on Dutch manufacturing of the natural gas discoveries of the 1960s and early 1970s. W. Max Corden and J. Peter Neary, "Booming Sector and De-Industrialization in a Small Open Economy", *Economic Journal*, Vol. 92, No.368, 1982, p.825-48.

⁹³ Mahdavy, "Patterns and Problems of Economic Development in Rentier States."

⁹⁴ Ibid.

⁹⁵ Anderson, "The State in the Middle East and North Africa", p.10

causation⁹⁶, the lack of developed institutional capacity of the state⁹⁷, no organization along the class lines rather tribal, ethnic or religious lines⁹⁸, the creation of the clientelistic relationships through networks of kinships and patronage⁹⁹, unlikelihood of democratization due to absence of taxation¹⁰⁰, less sensitivity of the state towards societal demands and social autonomy of the state. According to Luciani, as the rentier state is not in need of performing an economic policy as an expenditure policy for the state is enough for it.¹⁰¹

According to Gray,¹⁰² RST literature creates links between rents and neopatrimonialism. In this understanding, rent distribution mechanisms are operated through patron-client webs by subordinate elites to a leader at the center further down into social groups.¹⁰³ Also, as Erdmann and Engel have astutely argued, neopatrimonialism results in the combination of dominant patrimonial dynamics and rational-legal institutions.¹⁰⁴ Other studies have argued quite convincingly that neopatrimonial dynamics remain important in states such as those of the Gulf in ensuring elite solidarity, by managing business relationships and in sustaining a new

⁹⁶ Beblawi, "The Rentier State in the Arab World", p.52.

⁹⁷ Kiren A. Chaudhry, "The Price of Wealth: business and state in labor remittance and oil economies", *International Organization*, Vol.43, No.1, 1989, p.103.

⁹⁸ Jacques Delacroix, "The Distributive State in the World System", *Studies in Comparative International Development*, Vol.15, 1980, p.11. For the importance of the ideology and organization of Shi'a Islam as opposition in Iran see Theda Skocpol, "The Rentier state and Shi'a Islam in the Iranian revolution", *Theory and Society*, Vol.11, 1982.

⁹⁹ Anderson, "The State in the Middle East and North Africa", p.10.

¹⁰⁰ Luciani, "Allocation vs. Production States: A Theoretical Framework", p.63. and Anderson, "The State in the Middle East and North Africa".

¹⁰¹ Luciani, "Allocation vs. Production States," 76.

¹⁰² Matthew Gray, "Theory of 'Late Rentierism'",

¹⁰³ James A. Bill and Robert Springborg, "Politics in the Middle East," 3rd ed. (Glenview: Scott, Foresman/Little, Brown, 1990), 152-161.

¹⁰⁴ Gero Erdmann and Ulf Engel, "Neopatrimonialism Revisited – Beyond a Catch-All Concept," GIGA German Institute of Global and Area Studies, (Hamburg, Working Paper 16-2006)

version of state capitalism even in the face of market reform pressures and globalization.¹⁰⁵

In terms of democratization discussion, both Gray and Altunışık argued that the classical assumption of modernization theory as oil wealth would create new educated middle classes which would demand political freedoms and democracy is invalid. The abundance of capital in these countries clearly challenged one of the main arguments of Modernization Theory, which blamed scarcity of capital for underdevelopment. As felicitously pointed out by Gray, regimes of the Gulf region have clear red lines on what are acceptable and unacceptable political challenges to the state's authority and economic power remain highly centralized. For those who do not accept "the rentier bargain", the strong repressive state apparatuses which are highly affordable to the rentier state are used to subdue them.

2.1.2.2. Second Generation RST

As Gray argues, the studies during the second phase of the RST retained the broad principles of early the RST, however they were developed to refine, augment and improve the RST literature.¹⁰⁶ In the 1990s, some case studies started to be carried out with the purpose of criticizing the focus of the early RST on the generalizations and similarities and to analyze the differences in different countries. As Altunışık states, the first generation RST was criticized as it can not explain different variations in different cases.¹⁰⁷ Thus, the early studies were called reductionist.

Both authors emphasize the absence of historical dynamics into the analysis mechanism of the early RST. It also included the absence of preexisting structures, institutional set-up and state capacity as important variables for analyzing the different country examples. The study of Jill Crystal clearly showed us the importance of the difference in the pre-existing power relations between state elites

¹⁰⁵ Oliver Schlumberger, "Structural Reform, Economic Order, and Development: Patrimonial Capitalism," . *Review of International Political Economy*, 15 no. 4 (2008): 622-649.

¹⁰⁶ Matthew Gray, "Theory of 'Late Rentierism'". p.19.

¹⁰⁷ Meliha Benli Altunisik, "External vs Internal Debate Revisited: Political Economy of Economic Reforms Policies in Libya (1987-1993), (Phd Thesis, Boston University, Political Science,1994): p.17.

and major social forces in Kuwait and Qatar for the future trajectories of those countries after the exploration of oil.¹⁰⁸ Also, Terry Karl emphasized the importance of institutional capacity in explaining variations in rentier states after making comparative studies among Nigeria, Algeria, Iran, Indonesia and Norway.¹⁰⁹ The analysis of Karl opened the door of agency for us, as she criticized structural determinism by demonstrating that paradoxes can be resolved and development trajectories can be altered in oil-dependent countries.¹¹⁰ Again, as a good example of historicizing the state capacity and material power relations on the ground, the study of Chaudhry emphasized the limits of state capacity and state autonomy in times of crisis by reminding us the fact that in Saudi Arabia in 1990s during the oil slump, the Nejd business elite had the ability to block the implementation of liberalization decisions because those liberalization measures were perceived to be against their interests.¹¹¹

Regarding the Saudi case, Gray argues that looking at the pre-rent historical state-society structure and state formation process in the Kingdom of Saudi Arabia would expose us to new enlightening explanations for today. In this regard, as Foley argues, Saudi Arabia was already a rentier state before the exploration of oil and the flow of the wealth of oil into the Kingdom, given the reliance of the ruling family on rents from trade and pilgrimage, as such income base then allowed rulers to impose far less taxation on the population than otherwise would have been the case.¹¹² Also, as Al-Rasheed argues, in the early years of the Kingdom, the royal elite and merchants class had a symbiotic financial relationship with each other as the royal elite relies on the merchants to provide money and goods in exchange for broader freedoms and

¹⁰⁸ Crystal, *Oil and Politics in the Gulf*.

¹⁰⁹ Terry Lynn Karl, *The Paradox of Plenty: Oil Booms and Petro-States*, Berkeley, University of California Press, 1997.

¹¹⁰ *Ibid.*, p.242.

¹¹¹ Chaudhry, "Economic Liberalization and the Lineages of the Rentier State"

¹¹² Foley, *The Arab Gulf States*, p. 23-24.

new opportunities in their business activities as well as other concessions or privileges.¹¹³

Furthermore, the issue of state autonomy has been one of the main criticisms of the second generation of RST. As Niblock and Malik argue, the Kingdom of Saudi Arabia have not had the absolute autonomy even though it indeed could stay aloof of broad class interests in many occasions. It is a common fact that Saudi Arabia has been under the influence from several actors within the state and elite structures, i.e. princes, senior officials, and clerics, among others.¹¹⁴ Moreover, its reform efforts in the early 2000s do not seem to fit well into the first phase RST ideas. Later political reforms similarly stemmed from international reputational issues and the domestic stresses faced from extremism after 2001.¹¹⁵ Gray agrees with the first phase RST advocates over the responsiveness of the state to society in order to ensure the long-term survival of the state.¹¹⁶

Moreover, the second phase the RST mainly criticized the simple correlation made by the first generation RST between oil rent and authoritarianism and the absence of democracy. As Michael Ross claims that oil-impedes-democracy claim is both valid and robust, oil does hurt democracy.¹¹⁷ Herb is suspicious of this oil-impedes-democracy claim and he sees it is exaggerated and one should focus on other factors as well.¹¹⁸ In this point, the argument of Gulf exceptionalism by Matthew Gray is regarded as a factor for explaining the lack of democratization in the Gulf countries.¹¹⁹ According to Gray, the GCC states have been spending their oil wealth wisely for the most part, developing their economies and societies while at the same

¹¹³ Madawi Al-Rasheed, *A History of Saudi Arabia* (Cambridge: Cambridge University Press, 2nd ed. 2010). p.83-86 doi:10.1017/CBO9780511993510

¹¹⁴ Niblock with Malik, *The Political Economy of Saudi Arabia*, p.19.

¹¹⁵ Al-Rasheed, *A History of Saudi Arabia*, 242-250.

¹¹⁶ Matthew Gray, "Theory of 'Late Rentierism'". p.15.

¹¹⁷ Michael L. Ross, "Does Oil Hinder Democracy?" *World Politics*, Vol.53, 2001, p.356.

¹¹⁸ Herb, "No Representation without taxation? Rents, Development, and Democracy".

¹¹⁹ Meliha Benli Altunışık, "Rentier State Theory and the Arab Uprisings: An Appraisal" p. 75-91.

time diversifying their revenue base¹²⁰ even though it could not prevent social mobilization and oppositionary forces to thrive in Saudi Arabia.¹²¹

Finally, both Altunışık and Gray emphasize the importance of the international relations theories and explanations of external influences, threats and inter-state conflict and instability of the region. In this regard, the study of Libya by Altunışık for explaining the crisis during the Arab Spring argues that the international variable is an important factor to explain the case since the international intervention changed the trajectory of the process and the fate of the regime.¹²²

2.1.2.3. Late Rentierism

Matthew Gray identifies some characteristics regarding the Gulf states which would be very helpful for us in this thesis.¹²³ He discusses the Gulf countries through international lenses as those countries have strong affairs with the global economy and geopolitical structure. According to Gray, the RST's arguments are broadly agreed and maintain a powerful validity. However, the failure of the RST, according to Gray, has been the fact that it could have not achieved to explain the current comprehensive changes in the Gulf states' political economies. He argues that the Gulf countries has achieved a quality adaptation to globalization, new technologies, freer trade and investments, social changes, and development imperatives. As developed by Valeri on Oman¹²⁴ and Jones on Saudi Arabia¹²⁵, rentierism is not considered as an entire political structure, but rather as a characteristic of politics. Gray argues that in addition to earning unproductive external sources, but the Gulf rentier states have also managed to incorporate some quasi-rentier or non-rentier

¹²⁰ Matthew Gray, "Theory of 'Late Rentierism'".

¹²¹ Gwen Ohrulik, "Rentier Wealth, Unruly Law, and the Rise of Opposition: The Political Economy of Rentier States", *Comparative Politics*, Vol.31, 1999.

¹²² Meliha Benli Altunışık, "Rentier State Theory and the Arab Uprisings: An Appraisal" p. 75-91.

¹²³ Matthew Gray, "Theory of 'Late Rentierism'",

¹²⁴ Marc Valeri, *Oman. Politics and Society in the Qaboos State* (London: Hurst Publishers, 2009)

¹²⁵ Toby Craig Jones, *Desert Kingdom: How Oil and Water Forged Modern Saudi Arabia* (Harvard: Harvard University Press, 2010)

aspects into their political economy. Therefore, Gray argues that rentierism in its current version has become more sophisticated to deal with new threats.

Gray claims GCC states are not the same as they were when the Rentier State Theory was born and improved since the 1970s.¹²⁶ GCC states have managed to be more globalized and to achieve the dramatic transformation since the early 1990s.¹²⁷ In addition to the principles of the RST, the late rentierism includes domestic and external influences over the Gulf states, bringing significant changes to their political economies. Although domestic and external influences have had a huge impact on these countries, these influences helped ruling family and elites to maintain and deepen their power.¹²⁸ The change in the region has markedly been far away from being in political realm. Thus, the new state capitalism of the 1990s and 2000s has been regarded by Gray as a core characteristics of late rentierism.¹²⁹

Gray calls this as success stories of the Gulf states since they have achieved successful adaptations to the change in factors such as globalization, population and employment pressures. Gray criticizes the assumption that the Gulf states are thought out of the globalization processes by several authors. Instead of this assumption, Gray argues that globalization necessitated and encouraged economic responses by states. Globalization has brought greater trade liberalization; a greater flow of private investment and capital; other financial reforms; and the prospects of easier communication and transport across nation-state borders.¹³⁰ More active and entrepreneurial state capitalism has been increasingly recognized as it can help state regime survival.¹³¹ It is argued that it provides both new forms of wealth and an alternative to politically-risky neoliberal economic liberalization.¹³²

¹²⁶ Matthew Gray, "Theory of 'Late Rentierism'". p.2.

¹²⁷ Ibid. p.2.

¹²⁸ Ibid. p.2.

¹²⁹ Ibid. p.17-18.

¹³⁰ Clement M. Henry, "The Clash of Globalisations in the Middle East," in *International Relations of the Middle East*, ed. Louise Fawcett (Oxford: Oxford University Press, 2005), p.105-129.

¹³¹ Maloney, "The Gulf 's Renewed Oil Wealth" p.133.

¹³² Bremmer, *The End of the Free Market*, especially p.51-81.

In terms of opening up to globalization, in Saudi Arabia, Gray also argues that the process of reform in the Kingdom also extended into the social realm as well as the economic realm since the 1990s.¹³³ Changes in social realms, however, are undertaken at a gradual pace. The red line in undertaking these social reforms has been the conservation of the absolute authority of the monarchy. The Saudi monarchy has avoided the extent of social reforms which could undermine its power. Thus, the policy implementation of Western-style tourism has been approached very cautiously since it had a powerful social threat for the regime.¹³⁴ As Gray argues out of the example of Dubai, decline of oil revenues do not diminish the rentier character of the state, the state elite can adopt new functions in creating new opportunities to middle classes or wealthy people through different mechanisms such as stocks, property, trade, and work as a senior government officials, business intermediaries, and investors.¹³⁵

According to Gray, the late rentier state most certainly has an active economic policy which includes dynamic fiscal and monetary policy, trade policies, post-industrial sectoral strategies, labor market goals and policies, and the like contrary to what early generation RST theorists such as Luciani claimed regarding the autonomous character of the state needless to take economic actions or engaging in economic strategy beyond the simple work of distributing the external rents within society. The plans and vision strategies signal that a neo-rentierism is happening in which the late rentier states seek out development opportunities because of the rentier-like political outcomes that may accompany economic development and diversification.¹³⁶ However, while taking decisions regarding the economic development policies, Gulf regimes are deeply sensitive to any policy which has the potential to throw their regimes under risks in terms of regime survival.

¹³³ Matthew Gray, "Theory of 'Late Rentierism'". p.26.

¹³⁴ See the interesting description of an early, somewhat "Western-style" tour in Gwenn Okruhlik, "Struggles Over History and Identity: 'Opening the Gates' of the Kingdom to Tourism," in *Counter-Narratives: History, Contemporary Society, and Politics in Saudi Arabia and Yemen*, eds. Madawi Al-Rasheed and Robert Vitalis (New York: Palgrave Macmillan, 2004), 201-228.

¹³⁵ Matthew Gray, "Theory of 'Late Rentierism'". p.27.

¹³⁶ Ibid. p.29

One of the main features of the late rentier state described by Gray is the identification of the Gulf states through the new state capitalism.¹³⁷ According to him, the late rentier state is an ambitious actor willing to create strong relationships economically with the outside world.¹³⁸ These states are willing to set their goals and strategies. On the agenda of these states, the priority is given to the concepts such as investment attraction and export-led growth. This is contrast to the previous development concepts centered around the import-substitution policies. Since regime survival is the top priority for these states, state-owned companies are used in order to achieve this primary goal.¹³⁹ However, it is important to emphasize here that those companies are run efficiently and professionally contrart to what is perceived for state-run companies. Alongside the efficienct and Professional management of the “national champions” and state-owned companies, business environment is retained as being in need of the command of the state.¹⁴⁰

Furthermore, the experience of the oil bust in the 1980s and 90s has affected the long-term survival and political prosperity of the regime in two ways; the first one as mentioned above is a managed diversification and partial-marketization of some economic sectors, creating tax revenues and employment for youth. The second one is the rise of the functions of Sovereign Wealth Funds (SWF)¹⁴¹ especially among the Gulf states. For the regime survival and the economic strategies of the Gulf states, SWFs have played important roles.¹⁴²

¹³⁷ Matthew Gray, “Theory of ‘Late Rentierism’”.

¹³⁸ Matthew Gray, “Theory of ‘Late Rentierism’”. p.32.

¹³⁹ Steffen Hertog, “Defying the Resource Curse,” p.261-301.

¹⁴⁰ Bremmer, *The End of the Free Market*, p.63-65.

¹⁴¹ Xu Yi-chong, “The Political Economy of Sovereign Wealth Funds,” in *The Political Economy of Sovereign Wealth Funds*, eds. Xu Yi-chong and Gawdat Bahgat (Basingstoke: Palgrave Macmillan, 2010), p.7-16.

¹⁴² This set of points is also made in Matthew Gray, “The Politics of the ‘New State Capitalism’: The Origins and Aims of Gulf Sovereign Wealth Funds,” Australian Political Studies Association Annual Conference 2009 Refereed Paper: 16-21, accessed July 8, 2010.,<http://www.pol.mq.edu.au/apsa/papers/Refereed%20papers/Gray%20-%20Sovereign%20Wealth%20Funds%20etc.pdf>.

2.2. Conceptual Framework of the Thesis

It is clear that each explanation provides some insights into the transformation process of Saudi Arabia. For this reason, convenient components of those explanations could be synthesized in order to have comprehensive theoretical contention. In our thesis, we also take into account the alternative perspectives in addition to approaches mentioned above and make use of a three-dimensional theoretical framework. The perspectives that will contribute to this thesis in these three dimensions are the fact that there is a dynamic approach belonging to the state and the necessity of seeing the state in a relational and multi-layered analysis, having a historical perspective because transformation is a process and lastly, the main factors affecting this process must be evaluated through mainly geo-economic and geopolitical aspects.

2.2.1. Multiscalarity, Relationality and the State Autonomy

In this study, the state is treated in a dynamic, a relational and multi-scalar manner. For a dynamic and multiscalar analysis of the Saudi state, we will adopt the concept of the relative autonomy of the state, based on a combination of discussions including the 1970s between Marxist tradition and historical sociology literature (also called neo-institutionalism).¹⁴³

From a Marxist point of view, the concept of relative autonomy emphasizes that the state cannot be understood independently of social relations of production. This emphasis has manifested itself in different ways in Gramsci, Miliband, Poulantzas, Althusser and Bob Jessop.¹⁴⁴ These authors, who basically tried to prevent the understanding that sees political, economic and social relations as separate factors interacting in an external way, emphasized that although the state is an organizational structure, the policies and practices they produce will not develop

¹⁴³ See the article by Gregory Albo and Jane Jenson for an overview for thoughts of those scholars; A Contested Concept: The Relative Autonomy of the State Gregory Albo and Jane Jenson <http://www.yorku.ca/albo/docs/1989/A%20Contested%20Concept.pdf>

¹⁴⁴ Yalman, G. L. (2012). Devlet. In G. Atılğan & E. A. Aytekin (Eds.), *Siyaset Bilimi* (pp. 123–152). Yordam Kitap.

independently of social production relations, that is, the interests of capital.¹⁴⁵ As Poulantzas described a structural analysis of the relative autonomy within the Marxist tradition deviating from the instrumentalist analysis of Miliband, the state is seen as having a relative autonomy from the interest groups based on the nature of the system. On the other hand, in the relational Marxist approach, which is more commonly attributed to Gramsci and Bob Jessop, the distinctions between state, society and state economy are relational beyond being organic. Especially, in his well-known strategic-relational approach, Jessop conceptualizes the state¹⁴⁶;

as a situated set of relations whose concerns, boundaries and apparatus develop historically and spatially and shift in complex ways, involving selective processes which are influenced by and influence in turn a broader environment – a dialectic.

The neo-institutionalists basically criticize the disregard for the existence of the state as a separate structure in Marxist discussions of the state.¹⁴⁷ As emphasized by Yalman, although Marxist and neo-institutionalist scholars sometimes converged on the autonomy of the state, the neo-institutionalists also emphasize that the state can be relatively autonomous of capital and social production relations in policy-making and implementation processes.¹⁴⁸ At this point, institutionalists in the historical sociology literature emphasize that this issue of relative autonomy will change from state to state according to historical conditions, making it difficult to consider the state as a purely independent variable.¹⁴⁹ A more developed version of this approach is that the state is embedded in society.¹⁵⁰ According to this approach, it has been argued that the state-society or the state-economy are not areas that can be separated from each other analytically, and this is defined by the embedded autonomy

¹⁴⁵ Ibid.

¹⁴⁶ Bob Jessop & Jamie Morgan, The strategic-relational approach, realism and the state: from regulation theory to neoliberalism via Marx and Poulantzas, an interview with Bob Jessop, *Journal of Critical Realism*, 21:1, 83-118, 2022 DOI: 10.1080/14767430.2021.1995685

¹⁴⁷ Hall and Ikenberry, 1989; Nordlinger, 1985; Skocpol, 1985;

¹⁴⁸ Fred Block, Beyond Relative Autonomy: State Managers as Historical Subjects, Vol. 17: *Socialist Register* 1980, p.229-230

¹⁴⁹ George Lawson, Historical sociology in international relations: open society, research programme and vocation. *International politics*, 44 (4). 2007, pp. 343-368.

¹⁵⁰ Joel Migdal, *State in Society: Studying How States and Societies Transform and Constitute One Another* (Cambridge: Cambridge University Press, 2001). doi:10.1017/CBO9780511613067

conceptualization.¹⁵¹ Although the state is relatively autonomous in this understanding, it is in a primary position due to its institutional structure and being superior to the classes in the social structure. As Halliday and Hobson emphasized, the international system and international political economy and social structure, which are external factors, have an influence on state structure as well.¹⁵²

As we have seen in the contemporary Marxist theory with a dominance in the studies of Bob Jessop¹⁵³, the literature of historical sociology is also open to regard the state in its relationality, especially based on the works of Charles Tilly and Harrison White in the New York School of relational sociology and the study edited by Julian Go and George Lawson.¹⁵⁴ Basic understanding of the relational thinking in Julian Go and George Lawson is that entities are not given, and therefore can not be explained by (or out of) themselves.¹⁵⁵ Thus, relational thinking pays special attention to relations between entities. However, the most efficacious assumption of their relational thinking is that the states have been made up via relations. It is relations that makes them bring to existence, going beyond the understanding that states have relations. Here, the concept of internal relations, which Adam Hanieh inherited from Ollman, also shows linearity with our approach to the state and other processes. According to Hanieh, as inspired by Ollman, it is considered that the state develops relations at very different layers and is constrained and shaped by these layer structures. In this regard, the state is treated in a relationality to forces, actors and networks in other scales and they are all regarded as mutually constitutive. In our

¹⁵¹ Fred Block and Peter Evans, "The State and the Economy" in *The Handbook of Economic Sociology*, edited by Neil J. Smelser and Richard Swedberg, Princeton: Princeton University Press, 2010, pp. 505-526.

¹⁵² Stephen Hobden and John M. Hobson, "On the road towards an historicised world sociology," in *Historical Sociology of International Relations* ed. Stephen Hobden and John M. Hobson (Cambridge: Cambridge University Press, 2002), p.265-285. and Fred Halliday, *The Middle East in international relations: power, politics and ideology* (Cambridge: Cambridge University Press, 2005).

¹⁵³ Bob Jessop, "Capitalist Diversity and Variety: Variegation, the World Market, Compossibility and Ecological Dominance." *Capital & Class* 38 (1): 2014. p.43-56.

¹⁵⁴ Julian Go and George Lawson, "Introduction: For a global historical sociology" in *Global Historical Sociology* ed. Julian Go and George Lawson (Cambridge: Cambridge University Press 2017), p.1-34.

¹⁵⁵ Angelika Epple, A 'relational turn'?: the merging of history, sociology, and IR. *Cambridge Review of International Affairs*. 33. 2020. 1-6. 10.1080/09557571.2020.1838202.

thesis, we will also benefit from the idea that focusing on relations to resolve the actor/structure duality emphasized in relational theory will be more efficient in terms of analysis. Instead of seeing the international system, regional geopolitical or national social factors as external and separate structures, we will evaluate them through a relationality in which the state is the central analytical actor.¹⁵⁶ While this approach will enable us to analyze the transformation process in a more dynamic way, it will also give us clues about the reasons for the strategies implemented so far and the potential course based on a historical materialist approach.¹⁵⁷ In addition, it will give a preparation for a methodological basis for the necessity of dealing with our next dimension, the transformation, from a historical perspective.

2.2.2. Rationality of the Saudi State

Altunışık argues, rather than only explaining the state policies through a rational choice analysis which assumes that all individuals are rational utility-maximizers¹⁵⁸, they could be also explained by highlighting that policy makers behave the way they do because of their narrow self-interests. Their behavior might be, however, “politically rational” since they choose policies to tighten their hold onto power.¹⁵⁹ This perspective applies to the Saudi case as well. It would be wrong to think that the royal family members or the ruling elite are absolutely irrational in their decisions and spending. Any argument towards the decisions of the ruling elite must be firstly evaluated through a politically rational analysis. This will question the likelihood of a political gain in short or long-term for the decision makers and it will expand the scope of the analysis regarding the rationality of the decisions made.

Gray also argues that the GCC states are rational in their attempts of adopting new policies and adapting themselves towards the new necessities and requirements arising from the domestic and external environment. In this regard, it is important to

¹⁵⁶ Julian Go and George Lawson, “Introduction: For a global historical sociology”.

¹⁵⁷ Faruk Yalvaç, “Historical Sociology and International Relations: Geopolitics, Capitalism and State System,” *Uluslararası İlişkiler Dergisi-Journal of International Relations* (2013)

¹⁵⁸ Anne O. Krueger, “The Political Economy of the Rent-Seeking Society,” *The American Economic Review* Vol. 64, No. 3 (Jun., 1974), pp. 291-303 (13 pages).

¹⁵⁹ Barry Ames, *Political Survival*. (Berkeley: University of California Press, 1987).

look at the strategies and plans in Saudi Arabia taken with a rationalist perspective even if it is aimed at only serving the ruling elites themselves as we have seen above in the discussions of the politically rational decision makers. Since the Saudi ruling family is a monarchy, on the basis of the argument of Nonneman¹⁶⁰, the regimes' primary aim has been to achieve a "decompression". The Saudi monarchy does not want to allow a momentum which could cost itself the absolute authority.¹⁶¹ This is crucial for us in order to understand the rationality of the ruling elite in Saudi Arabia since risks taken with a liberalization or reform process require more careful surveillance of the process in order not to cost their throne.

Bourdieu's critique of rationality is useful here, because the state rationality to be used in this thesis is beyond the rationality in the Weberian sense and we will emphasize that state actions are given through predispositions(habitus) of decision makers and field in which they are located into. For this reason, it will be emphasized that the instrumental mind defined by Weber does not always work, and at the same time, the self-interested mind in homo economicus, defined by neoliberalism, is not in the sense we expect performed in state decision-making mechanisms. As David Swartz adequately explains in his book about the sociology of Bourdieu, actors do not try to increase their profits through the purely economically defined profit and loss/account. Instead, they develop a type of action based on the predispositions they have brought from the past and experienced in the areas (field) they own, for gaining benefit. The analytical benefit that this approach will provide for us is that it allows a more comprehensive understanding of the effort to develop appropriate strategies due to the existence of different value judgments and network of relations with the different areas of the state and those who govern the state. For this reason, it can only be evaluated whether it is a rational and correct strategy after it is seen whether an individual or state action is rational or not depends on the power relations and value

¹⁶⁰ Gerd Nonneman, "Chp.1 Political Reform in the Gulf Monarchies: From Liberalization to Democratization? A Comparative Perspective Reform" in *the Middle East Oil Monarchies* ed. Anoushivaran Ehteshami and Steven Wright (Ithaca Press, 2012). p.14.

¹⁶¹ Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (Cambridge: Cambridge University Press, 1991); Markoff, *Waves of Democracy*; and N. Hamilton and E. Kim, 'Economic and Political Liberalization in South Korea and Mexico', *Third World Quarterly*, Vol. 14 (1993), No. 1, pp. 109–136: p.113.

judgments in the field.¹⁶² In this regard, this argues that unless what is seen as a powerful action of a leader by the Saudi public opinion and interest groups has to be considered cautiously, the rationality of a state action or policy could not be understood.

2.2.3. Historical Perspective

The theoretical approach to be taken as a basis here is inspired by the approach of Fred Halliday in the tradition of historical sociology. The most basic point in his approach is that the event or phenomenon to be explained develops through the interaction of actors or structures in the historical process. Although it is a burdensome task, it is the analysis of the actors, structures, changes, limitations and all developments that may be related to the process, or to what extent they can affect the process.

At the same time, it will be tried to benefit from an understanding of historical perspective as used by Stephane Lacroix in his book *Awakening Islam* specific to Saudi Arabia.¹⁶³ The historical perspective he developed here, instead of focusing only on the images, discourses and actions of the Islamists, makes a historical process analysis and analyzes the development of Islamism in Saudi Arabia with the formation process of the Saudi Arabian state, the actions and legitimacy of the state, intrastate power conflicts, regional and national conflicts. It is the analysis of how the relations between all actors and structures affect the appearance of Islamism, such as international geopolitical and political economy, local demographic and economic changes, the institutionalization of Islamism, how continuity and ruptures are realized. In addition, Lacroix benefits from the concept of field inspired by Bourdieu while analyzing domestic factors, and shows the existence of a dynamic power struggle mediated by the relationality of the actors.¹⁶⁴ In this regard, the

¹⁶² David Swartz, "Culture and Power: The Sociology of Pierre Bourdieu," (University of Chicago Press, 1998).

¹⁶³ Stéphane Lacroix and George Holoch, *Awakening Islam: The Politics of Religious Dissent in Contemporary Saudi Arabia* (Harvard University Press, 2011).

¹⁶⁴ *Ibid.* p.10.

approach of the thesis to the agency-structure problem as a theoretical assumption has been influenced by Bourdieu's approach. Basically, his approach is an attempt to find a middle ground between the dichotomy between structural determinism and agency voluntarism. While emphasizing the importance of structural factors, an emphasis is also given on the ability of actors to create a change in their field in accordance with capitals they have and their effective use of those capitals. At this point, in the Saudi Arabia case, it is claimed that the dynamism of the mutual relations of the actors who try to maintain and increase their own position directs and will guide this whole process.

2.2.4. Geopolitical and Geoeconomic Dimensions

In addition to abstract conceptualizations as the final analytical dimension, we will evaluate the past, present and potential future trajectories through the relationship and network of the geopolitical and geoeconomic dimensions that most fundamentally affect our process, as two factors that will carry our analysis to a more concrete base. We will consider these two factors not as independent variables, but in relation to other factors. We think that we can analyze the transformation process more concretely through the changes in these two factors since they may provide more substantive information regarding the current transformation. At this point, the political economy of capital accumulation processes, state-capital relations, capital-labor relations will constitute our main focus of international political economy. Political economic analysis will be mainly based on studies of Adam Hanieh regarding the capital accumulation processes and political economy of the GCC countries. His primary focus has been to explain the importance of the capital accumulation process on the regime type, state-society relations and transformation of those relations in historical terms. Currently, the internationalization of the Khaleeji capital into the wider Middle Eastern region helps deepen the wealth accumulation and create new opportunities for the Saudi capitalist class. Geostrategically, we will evaluate the effects of changes and developments in international, regional and national geopolitics. At this point, our geopolitical focus will be high volatility in natural resource revenues, financial crisis, unemployment,

food, water and energy security, regional political instability and increasing global geo-economic threat perceptions. In addition to these two variables, as in the historical sociology approach, the role of internal factors in Saudi Arabia in this process and the constraints that may be created will be emphasized. At this point, we will focus on youth unemployment, opposition to change of local capital, clergy, human and woman rights activists, Islamists, weaknesses in institutional capacity and lack of human capital as challenges that the regime may face.

CHAPTER 3

HISTORY OF TRANSFORMATION STRATEGIES, PROCESSES and NECESSITIES

3.1. Introduction

History of transformation in the Kingdom of Saudi Arabia has been correlated with the necessities from the combination of internal and external factors. Although this combination has shaped the trajectory of the transformation story of the Kingdom of Saudi Arabia, it has also contributed to the embodiment of the continuous characteristics and structures of the country. This chapter aims at briefly discussing the century-long transformation history of the Kingdom alongside the continuity of the socio-economic and political structures established in the country. In this regard, the chapter will emphasize briefly the factors affecting the transformation of the country until development plans firstly launched in 1971. Then, it will show the continuous characteristics and structures established during the six development plans between 1971-2000 alongside a focus of transformation through such a continuity. The time scale between 2000 and 2015 will be seen as the most important time interval since it demonstrates the strategies of the decision makers, caused by some necessities and impacts such as oil bust, social mobilization, the nascent pressures from the youth bulge and the global neoliberal transformation. The development plans and reforms under the management of King Abdullah between 2000 and 2016 will be discussed with a perspective of tensions between the continuity of the established structures and the political strategies and implementations caused by multiscalar necessities. This section will be followed by a long section showing and discussing the factors pushing for change and transformation for the Kingdom of Saudi Arabia in a multiscalar manner. This aims

at demonstrating the scale and scope of the threats and necessities facing the decision makers in the Kingdom.

3.2. Development Plans (1971-2000)

The ruling elite in the Kingdom of Saudi Arabia have always been in desire and attempt of the transformation of the Kingdom since Ibn Saud. As Sanger showed, the founder Ibn Saud's modernisation program included expanding the country's irrigation system and modernizing the country's transportation and communication networks and developing human resources such as healthcare and education.¹⁶⁵ If Ibn Saud is renowned for founding the state and establishing its authority structures, both of his successors, King Saud and Faisal must be credited with implementing their economic modernisation attempts.¹⁶⁶ In the 1950s, economic development continued although, prior to 1970, development was financially and geographically limited as a result of Saudi Arabia's limited oil revenues and the physical size of the country. This was also a decade disrupted by a power struggle between Saud and Faisal and a scene of labor unrest and fiscal crisis in 1958.¹⁶⁷

The 1950s and 1960s saw the government expenditure for the construction of new roads, government buildings, new dwellings, urban infrastructure and social amenities such as schools, hospitals and clinics.¹⁶⁸ According Birks and Sinclair, 1960s saw a dual track for the development strategy in the Kingdom. On the one hand, the traditional rural sector was preserved, on the other hand efforts were made to develop a modern economic sector.¹⁶⁹ Moreover, successive development plans diversified the economy, particularly in the petrochemical sector and to a lesser

¹⁶⁵ Richard H. Sanger, "Ibn Saud's Program for Arabia", *Middle East Journal* 1(2): 1947. p.180-190.

¹⁶⁶ Birks, J.S and Sinclair, C.A "The Domestic Political Economy of Development in Saudi Arabia" in *State, Society and Economy in Saudi Arabia* ed. Timothy Niblock (London: Croom Helm London, 1982), p.199.

¹⁶⁷ David Holden, "*The House of Saud*" (London: MacMillan, 1982). p.199.

¹⁶⁸ Birks, J.S and Sinclair, C.A "The Domestic Political Economy of Development in Saudi Arabia", p.201.

¹⁶⁹ Birks, J.S and Sinclair, C.A "The Domestic Political Economy of Development in Saudi Arabia", p.204-205.

extent in developing industries.¹⁷⁰ The emergence of the new middle class did not lead to much improvement in terms of economic liberalization, and the co-optation of different segments by the Saudi monarchy did not increase the representation in the political participation mechanisms. Also, the employment of secular and educated Saudi youth by the bureaucracy meant that the formation of political opposition that could take place by this important social group was discouraged.¹⁷¹

Diversification is not a new strategy in Saudi Arabia, like other GCC states. It has been on the political agenda since oil and gas became the main and almost sole source of income in these countries some half a century ago.¹⁷² However, according to Wilson, although diversification has been the main attempt of the declared development strategies since the 1970s, what was meant by diversification has been questionable.¹⁷³ In the case of Saudi Arabia, the early attempts of the diversification plans have been focused on adding more value to the crude oil by establishing refineries and augmenting petrochemical production capacity.¹⁷⁴ In order to extend the scope of diversification to the manufacturing and services sectors, the Saudi Arabian government applied an import-substitution policy by granting industrial licenses to manufacturing producers in order to ensure themselves a market share and to reduce the risks by limiting the competition in the domestic markets.

Key components of the transformation in the 1970-85 period in Saudi Arabia were the development of oil industry and a substantial industrial base via utilizing hydrocarbon resources and energy for petrochemicals and downstream industries, promotion of agricultural development through the spread of irrigation systems, and further improvement of the social and physical infrastructure of a modern state. The

¹⁷⁰ Ahmed Al Rajhi, Abdullah Al Salamah, Monica Malik and Rodney Wilson, "Economic Development in Saudi Arabia, 1st edition (New York: Routledge, 2004).

¹⁷¹ Michael Hudson, "Arab Politics: The Search for Legitimacy" (New Haven: Yale University Press, 1977).

¹⁷² Martin Hvidt, "Chp.11 Economic Diversification and Job Creation in the Arab Gulf Countries: Applying a Value Chain Perspective," in *When Can Oil Be Deemed Sustainable* ed. Giacomo Luciani and Tom Moerenhout (2021). p.281-300.

¹⁷³ Rodney Wilson, "Economic Development in the Middle East" (2021). p.95.

¹⁷⁴ The setting up of Yanbu and Jubail Petrochemical Industries have been good examples for this argument.

role of the private sector has been limited to the service provision and petty manufacturing while the state companies took the lead in major industrial objectives and activities. Also, social allocations, human resource developments, housing opportunities for citizens have been an integrated part of the development plans as well as the development of an oil-based industrial development.¹⁷⁵ Development plans between 1985-2000 did not indicate any inclination of undertaking radical reforms and continued to have oil-dependent rentier characteristics since even in the case of falling oil revenues, the government regarded itself as having the sufficient funds to keep the existing socio-economic system going. However the looming social dilemmas such as growing social inequality, inadequate employment prospects for the new generations, and a continuing rise in the non-Saudi workforce on the one hand and the business elites' assertion towards their collective interests on the other hand have shown that the rentier-oriented role of the Saudi state would not be enough to deal with the potential threats and future necessities.¹⁷⁶

3.3. Reforms under King Abdullah (2000 - 2015)

King Abdullah (2005-2015) was appointed as crown prince in 1995. His impact on the decision making of the Kingdom has been on the rise ever since its appointment as the crown prince by King Fahd. He has had a huge impact on the political economy of the country and has started reform policies especially in the early 2000s mainly following the domestic social mobilization of 1990s in the Kingdom aftermath of the Gulf war and the deployment of US forces into the soil of the Kingdom¹⁷⁷, the decline in the oil prices throughout the 1990s causing fiscal budget a huge risk and the negative image of 9/11 terrorists causing a huge pressure to open the society and improve the governance spectrum.¹⁷⁸ Also, it has been mainly remarkable to consider the impact of the *Zeitgeist* at that time in which international

¹⁷⁵ Tim Niblock and Monica Malik, *The Political Economy of Saudi Arabia* (1st ed.). (Routledge, 2007), p.92-93 <https://doi.org/10.4324/9780203946190>

¹⁷⁶ Ibid. p.142.

¹⁷⁷ F. Gregory Gause, *The International Relations of the Persian Gulf* (Cambridge: Cambridge University Press, 2009), pp.88-135. doi:10.1017/CBO9780511818264.005

¹⁷⁸ F. Gregory Gause, *The International Relations of the Persian Gulf*, pp.136-183.

human rights activism regarding the Kingdom has been on the rise ever since the journalists from the Western world set foot in the Kingdom following the Gulf war.

According to Tim Niblock,¹⁷⁹ Crown Prince Abdullah has been increasing his dominance in decision making. Concomitant with his launch of National Dialogue program in 2003 and his meetings with a variety of domestic interest groups called as the openings and the decision to start municipal elections in 2005 for the first time in the history of Saudi Arabia, he has launched several reforms aimed at achieving the liberalization and diversification of the economic structure of the Kingdom. Application for WTO¹⁸⁰ constituted an important factor driving the reform process forward. Seventh development plan (2000-2004) was as a substantial change in the content, form and style of Saudi development planning (long term strategy for the first time). The new transformationist vision was structurally different from that which had shaped developments through the mid- to late 1970s and early 1980s. The role of government was portrayed more as the facilitator of transformation than the sole instrument through which transformation could be achieved. He aimed at reducing the fiscal burden of the state.

He has attempted a privatization programme and he has aimed at increasing the importance of the private sector in creating wealth for the Kingdom and employment opportunities for Saudi people.¹⁸¹ From 2000 on, Saudi Arabia has seen the establishment of new administrative institutional structures geared to promote and implement reforms such as Supreme Economic Council (1999), Supreme Council for Petroleum and Minerals (2000), Supreme Council of Tourism (2000), Saudi Arabian General Investment Authority(SAGIA)¹⁸² (2000), Privatization Committee (2001), Capital Markets Authority (2004). Also, this process has experienced the improvement of new regulatory framework such as Law on Foreign Direct

¹⁷⁹ Tim Niblock and Monica Malik, *The Political Economy of Saudi Arabia*, p.173-192.

¹⁸⁰ First application by Saudi Arabia for the membership of WTO was in 1996.

¹⁸¹ The Saudization programme was firstly launched by the Crown Prince Abdullah in early 2003.

¹⁸² It has been tasked with promoting foreign investment and serving the interests of the business community, as a facilitator for foreign investment, speeding up investment decisions and reducing bureaucracy.

Investment (2000), The Corporate Tax Law¹⁸³ (2004), the Capital Markets Law¹⁸⁴ (2003), the Copyright Law (2004), Patent Law (2004), the Cooperative Insurance Companies Control Law (2004).

According to Niblock, the Kingdom had started to see the practical effect of reforms since the 2000s.¹⁸⁵ Even he calls this process as a transformative vision under the auspices of the Crown Prince Abdullah and he argues that the economic planning in Saudi Arabia has become similar in some respects to the experiences of developmental states of East and South-East Asia when the most salient features of state-sponsored capitalism have been softened and the dimensions of state-aid capitalism given more emphasis. It is remarkable that despite rising oil prices from 2003, reforms have continued. According to Niblock, Saudi Arabia, therefore, is emerging as a hybrid developmental state.¹⁸⁶ It has created the mechanisms and the economic linkages to achieve one of the key objectives of a developmental state. It is well placed to gain a significant stake in the global industrial economy through the activities of its petrochemical and financial sectors. But, whereas the developmental states of Asia achieve a rounded process of development through such a strategy, with the wider economy operating on the same competitive basis as the leading core, however this has not been the case in Saudi Arabia. Availability of oil revenue has in Saudi Arabia's case made it possible for inefficient and predatory behavior to co-exist with a highly effective and developmentally directed core.¹⁸⁷

Even though he was seen as achieving the liberalization tide and social reforms, King Abdullah could also be considered as a very cautious reformer. His main approach to reforms was in between the conservatives and pure liberals. The reforms under his management were slow and only partly successful, but they drew the Saudi policy towards gradual change. They have been enough to make King Abdullah a popular

¹⁸³ The Corporate Tax rate for the foreign companies fell to % 20.

¹⁸⁴ The reform of the capital markets was intended to encourage such a capital movement and to encourage Saudis with money to look to domestic rather than foreign investment.

¹⁸⁵ Tim Niblock and Monica Malik, *The Political Economy of Saudi Arabia*, p. 173 - 192.

¹⁸⁶ Tim Niblock and Monica Malik, *The Political Economy of Saudi Arabia*, p.142.

¹⁸⁷ Ibid. p.227-228.

leader among an increasingly young population. However, huge disappointments emerged by some liberal Saudis for his response to the Arab spring, following a domestic security crackdown, populist economic measures and a hawkish foreign policy. King Abdullah's last years have seen activists imprisoned since the early 1990s, demanding changes through petitions.¹⁸⁸

Niblock argued well that as Saudi Arabia has comparative advantage in the production of petrochemicals, its membership in the WTO could bring substantial benefits to the country in form of lower tariff for its exports and cheaper imported goods.¹⁸⁹ The membership process started in 1996 and continued until the midst of the first decade of the millennium. A series of trade deals with the European Union and the United States, and further regulatory changes finally permitted the accession of Saudi Arabia to the WTO in November 2005. As a result, the country had to give substantial concessions such as allowing 60% foreign ownership in banking and insurance, and 75% foreign ownership of distribution within three years. In this regard, Niblock contends that Saudi Arabia's accession to the WTO can not solve the country's most pressing social problems such as the labor market conditions and the role of the private sector, even though the Saudi petrochemicals sector will benefit from the accession.¹⁹⁰ This is because the sectors which will lead the way in creating an advantage for the Kingdom in the competitive global markets are ones which do not employ large numbers.¹⁹¹ What is needed for a strategy which will be successful in the Saudi case is a new social contract, according to Niblock, in which the Saudi citizens abandon the employment security in the public sector and protection in the private sector, and compete effectively with labor elsewhere.

According to Ashraf Mishrif, Saudi Arabia began its diversification strategy over a decade ago in the early 2000s. The Long-Term Strategy (2004–2024) indicated,

¹⁸⁸ "Saudi King Abdullah was a cautious reformer," Reuters, accessed 14 February, 2022, <https://www.reuters.com/article/saudi-succession-abdullah-obituary-idUKL1N0V13D320150123>

¹⁸⁹ Tim Niblock, *Saudi Arabia's Economic Development: Ambitious Visions, Difficult Dilemmas* (2008).

¹⁹⁰ *Ibid.*

¹⁹¹ Tim Niblock and Monica Malik, *The Political Economy of Saudi Arabia*, p.228.

among its many aims, that the Kingdom increases the role of non-oil production in the economy and reduces the share of oil and gas in total exports from 72 per cent to 37 per cent by 2024. However, by 2011, the share of oil in export revenues increased to 85 per cent, while accounting for 85 per cent of government income and 50 percent in GDP. This unsuccessful phase of diversification was accompanied with the growing rate of youth unemployment, low living standards and considerable rise in poverty among Saudis mainly caused by decline in economic growth to an average of 4 per cent that was translated to financial constraints and budget deficits during that period.¹⁹² Furthermore, there was also lack of direction on which role of the private sector would take in economic development, despite the repeated calls for a greater role of private enterprises in the economy and liberalization attempts of the economy after the accession to the World Trade Organization in 2005.¹⁹³

3.4. Factors Pushing for Change

The Saudi government has always experienced several pressures to make reforms for the economy and social structure.¹⁹⁴ The triggering factor has been mostly related to its rentier character as a founding element of the state-society relations. However, as developed earlier in discussions of the theoretical and conceptual foundations of the thesis, here, the factors pushing for change for the Kingdom will be shown in a multiscale manner. This will demonstrate the existence of complex and inextricable reasons in global, regional and domestic scales as the ruling elite in the Kingdom has to consider for their policy agenda making and implementation. While in previous decades the necessity of transformation for the socio-economic structure of the country has been discussed in official texts and political strategies, global tendencies such as oil price volatility, energy transition from carbon fuels towards the renewables, shifts in global and regional geopolitics and some domestic requirements

¹⁹² Saudi Ministry of Economy and Planning 2010

¹⁹³ Ashraf Mishrif and Yousuf H. Al Balushi, 'Economic Diversification: Challenges and Opportunities in the GCC,' Gulf Research Center Cambridge Workshop 9 (2014)

¹⁹⁴ Martin Hvidt, Economic Diversification in GCC Countries: Past Record and Future Trends (LSE, 2013).

have had overwhelming pressures over the ruling elites to achieve an effective transformation in order to have a sustainable growth and to stay in power.

3.4.1. Global Scale

3.4.1.1. Volatility in Oil Prices and Decreasing Future Demand for Oil

Oil as an important energy commodity for the global market has been influenced by several variables, creating high oil price volatility.¹⁹⁵ Volatile characteristics of commodity prices in general and oil prices in particular has been a challenging and dangerous phenomena for the case of Saudi Arabia, given the high dependence of the Kingdom's income on oil revenues and the high dependence of the country's exports on oil exports as well. Holding around 22 percent of the world's proven petroleum reserves, Saudi Arabia's economy is highly reliant on oil and gas, the exportation of which continues to account for over half of the government revenue.¹⁹⁶ Saudi Arabia's economy has been highly vulnerable to oil price shocks mainly because of its narrow profile of exports.¹⁹⁷ Also, based on the data from GASTAT showing the changes over the last 5 year time scale demonstrates us that the high vulnerability of the country in terms of oil dependence since the year that global pandemic has started caused a dramatic slump in the oil sector in the Kingdom, drifting the GDP grow of the country at most level compared to the non-oil GDP decline.¹⁹⁸

Furthermore, more recently, a development in the supply side of energy markets helped emerging a new era of low energy prices. The primary contributing factor is generally agreed to be more oil coming to the market while global demand

¹⁹⁵ Source: Data extracted from BP Statistical Review of World Energy 2021 Full Report, p.28 <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>

¹⁹⁶ Oil and gas have accounted for nearly 78 percent of its total exports and 43 percent of its gross domestic product for Saudi Arabia in 2018. Source: "Oil Rents (% of GDP)," The World Bank, accessed December 2018.

¹⁹⁷ Ibid.

¹⁹⁸ Saudi Arabia's real GDP contracted by 4.1 percent in 2020 compared to a growth of 0.3 percent in 2019, as production in both oil and non-oil sectors declined throughout 2020. The oil sector shrunk by 6.7 percent compared to a decline of 3.6 percent in the previous year and a positive average annual growth of 1.1 percent between 2015 and 2019.

weakened. Technology innovations made it possible to extract oil and gas from more difficult physical environments and also led to the shale oil revolution. Between 2009 and 2014, the production of shale oil in the USA tripled, making the USA one of the largest oil producers globally.¹⁹⁹ Simultaneously, there is a slowdown in demand for oil and gas from the major consumers such as economic growth slowed in Asia²⁰⁰ while the United States pursued a strategy of greater energy independence.

By 2016, the oil boom came to an abrupt end and all the GCC states found themselves in fiscal deficit – some for the first time in over a decade. In June 2014, oil prices peaked at around \$ 110 per barrel, through 2016 it crashed to over \$40 per barrel marking its lowest level since 2003.²⁰¹ Amid the Russian-Ukraine war, the oil price has skyrocketed to \$ 130 per barrel after a decade of low prices. However, this took place in case of war, including one of the most important energy producers in the world, Russia following the measures taken by almost all governments to fight with the global pandemic, creating inflationary pressures with a sharp increase in household demand alongside the rising prices of transport and cuts of global supply chain systems.²⁰² As a report by IMF²⁰³ argues regarding the future projections of oil use and oil prices, commitment of major economies and mass car manufacturers in replacing fossil fuels with renewables and internal combustion engine with electric vehicles will endanger the super cycle of increasing oil prices.²⁰⁴ Thus, already

¹⁹⁹ “The Us Shale Revolution” Financial Times, accessed 14 February 2022, <https://www.ft.com/content/2ded7416-e930-11e4-a71a-00144feab7de>

²⁰⁰ “Why China’s slowdown matters” BBC News, accessed 14 February 2022, <https://www.bbc.com/news/business-32380523> and “4 things to know about China’s growth slowdown,” World Economic Forum Blog, accessed 14 February 2022, <https://www.weforum.org/agenda/2015/10/4-things-to-know-about-chinas-growth-slowdown/>

²⁰¹ “Oil Price Surges to Highest since 2008,” Statista, accessed 14 February 2022, <https://www.statista.com/chart/27000/brent-crude-barrel-price-timeline/>

²⁰² “Oil prices forecast: Will the prices rally to cool?,” Capital.com, accessed 10 July 2022, <https://capital.com/oil-price-forecast>

²⁰³ “End of the Line,” International Monetary Bank, accessed 14 February 2022, <https://www.imf.org/external/pubs/ft/fandd/2021/06/the-future-of-oil-arezki-and-nysveen.htm>

²⁰⁴ Rabah Arezki, “The Economics of Sustainability: Causes and Consequences of Energy Market Transformation.” *Economics of Energy & Environmental Policy* 9 (2) 2020.

highly vulnerable to oil price volatility through developments in both demand and supply sides, the increasing tendency towards green energy caused by a global public policy reaction in order to deal with the climate crisis also poses huge threats to sustainable development and fiscal balance of Saudi Arabia.

3.4.1.2. Green Energy and Declining Importance of Fossil Fuels

The most recently discussed issue in the global economy is the drive of the global public for the shift towards green energy in a bid to deal with the climate crisis. Although there is a controversy over the possible direction for a green energy transition within the global decision makers, it is certain that the demand for hydrocarbon fuels will have a decreasing tendency in the medium to long term future²⁰⁵, being affected by the prospective global political implementations and climate mitigation measures. Meetings such as the Paris Agreement and COP26 have also showed us that reactions of the global leaders towards the climate crisis have placed in the center of the political legitimacy among the global public, even though there are several controversial implementations among the political leaders in national scales towards the objectives and decisions taken by the global organizations. According to International Energy Agency data, the world has witnessed a dramatic reduction in investment in oil and gas production over the past few years since investors are worried about the future fossil-fuel demand in a decarbonizing world.²⁰⁶

Since fossil fuels represent more than 70 percent of global GHG emissions,²⁰⁷ the future access to fossil fuel-based energy will need to be constrained to keep climate change at a (relatively) safe level, meaning a rise in global mean surface

²⁰⁵ International Monetary Fund Report, Economic Prospects and Policy Challenges for the GCC Countries 2021, accessed 14 February 2022, <https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/12/14/Economic-Prospects-and-Policy-Challenges-for-the-GCC-Countries-2021-510967>

²⁰⁶ “The Rise of Greenflation,” Theatlantic.com, accessed 14 February 2022, <https://www.theatlantic.com/science/archive/2022/02/greenflation-prices-inflation-climate-change-coffee-lumber/621456/>

²⁰⁷ Bert Metz, Ogunlade Davidson, Peter Bosch, Rutu Dave and Leo Meyer, “Climate Change 2007: Mitigation of Climate Change” eds., Intergovernmental Panel on Climate Change, “Technical Summary: Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change” (Cambridge: Cambridge University Press, 2007).

temperatures well below 1.5 degrees Celsius compared to preindustrial levels, as the objectives of the Paris Agreement, which entered into force in November 2016. The implementation of mitigation measures will change the trading landscape of hydrocarbon markets by reducing the demand for fossil fuel exports as well as prices.²⁰⁸

Western countries have been the forerunners of implementation of decisions taken by the international organizations. However, efforts to reduce carbon emissions and improve energy efficiency are not only taking place in Western countries. Many of Saudi Arabia's trade partners, including European countries, China, and India, are pursuing ambitious programs to cut GHG emissions. Significant changes in regulations are underway in emerging economies such as China and India, which are major importers of Saudi Arabia's oil. India aims for at least 15 percent of the vehicles on its roads to be electric in five years, and more than 30 percent by 2030.²⁰⁹ Similarly, China targets 2 million annual electric vehicle sales by 2020 and a complete ban on internal-combustion engines by 2040.²¹⁰ Furthermore, climate change mitigation measures such as the use of electric vehicles, renewable energy, energy efficiency, and carbon taxes, especially with global regulatory constraints on fossil fuel resources, especially constraints on the use of fossil fuels (e.g. fossil fuel taxes), can increase production costs and hence prices of exportable goods and services. This is called as greenflation in the literature as extreme weather and energy uncertainty soar prices up.²¹¹ Saudi Arabia, like other Gulf countries, is highly dependent on imports of goods, especially food. Since the 1960s, the percentage of imports of goods and services in total gross domestic product has continued to

²⁰⁸ Mustafa Hussein Babiker and Mohammed Fehaid, "Climate Change Policy in the MENA Region: Prospects, Challenges and the Implication of Market Instruments," Economic Research Forum, May 2011.

²⁰⁹ "India Proposes a Goal of 15% Electric Vehicles in Five Years," Bloomberg, accessed 24 February 2022. <https://www.bloomberg.com/news/articles/2018-09-06/india-proposes-a-goal-of-15-electric-vehicles-in-five-years>

²¹⁰ "China's All In On Electric Vehicles: Here's How That Will Accelerate Sales In Other Nations," Forbes, 24 February 2022. <https://www.forbes.com/sites/energyinnovation/2018/05/30/chinas-all-in-on-electric-vehicles-heres-how-that-will-accelerate-sales-in-other-nations/?sh=2c07e858e5c1>

²¹¹ "The Rise of Greenflation."

increase in all Gulf countries, except for Bahrain. In 2015, the imports of goods and services accounted for more than 35 percent of GDP in Bahrain, 83 percent in the UAE, 45 percent in Kuwait, 52 percent in Oman, 36 percent in Qatar, and 37 percent in Saudi Arabia.²¹²

Empirical analysis by Thomas Covert, Michael Greenstone, and Christopher Knittel shows that historical stability in the ratio of proven fossil fuel reserves to production implies that the world has enough reserves for 50 more years of fossil fuel consumption at the current production rates.²¹³ Nonetheless, policy interventions to lessen greenhouse gas emissions would lead to unburning of fossil fuel reserves. In this regard, it is important to emphasize that the use of fossil fuels will not result from the vanishing of those fossil fuel resources. Instead, their fates will be decided by a dynamic combination of the economic feasibility to use and global political struggles. A more recent study by Christophe McGlade and Paul Ekins shows that the Middle East holds over half of the unburnable oil and gas reserves globally, leaving 263 billion barrels of oil and 46 trillion cubic meters of gas in the region unburned by 2050.²¹⁴ These analyses imply that decarbonization policies are likely to have a significant impact on Gulf economies, probably more pressing than the threat of depleting fossil fuel reserves.²¹⁵

3.4.1.3. Globalization

In this study, the term globalization basically refers to a process by which business, ideas, people or other organizations develop international influence.²¹⁶ It involves the mutual outflows of products and capital both through portfolio investments or direct

²¹² “Imports of Goods and Services (% of GDP),” The World Bank, accessed 24 February 2022.

²¹³ Thomas Covert, Michael Greenstone, and Christopher R. Knittel, "Will We Ever Stop Using Fossil Fuels?" *Journal of Economic Perspectives* 30, no.1 (Winter 2016): p.117-38.

²¹⁴ Christophe McGlade and Paul Ekins, “The Geographical Distribution of Fossil Fuels Unused When Limiting Global Warming to 2°C,” *Nature* 517 (January 7, 2015): p.187-90.

²¹⁵ Aisha Al-Sarihi, “Climate Change and Economic Diversification in Saudi Arabia: Integrity, Challenges, and Opportunities” AGSIW, March 20, 2019, <https://agsiw.org/climate-change-and-economic-diversification-in-saudi-arabia-integrity-challenges-and-opportunities/>

²¹⁶ Rodney Wilson, 2022, *Economic Development in the Middle East*, p.192

investment from regions to the wider global economy and vice versa on the one hand and the mutual outflows of ideas, which both accelerate interconnectedness and interdependence of peoples and countries.

3.4.1.3.1. Economic Aspect of Globalization

The global context doomed by the decreasing growth rates in the advanced economy and the slowdown in the Chinese economy make it increasingly challenging for the emerging economic and developing countries to sustain the economic growth.²¹⁷ Exacerbated by the decreasing pace of the global economy, the insufficiency of the pace of economic growth to generate enough jobs in the private sector to absorb the new entrants in the labor force poses a real threat to the MENA countries in general and Saudi Arabia in particular. In a world economic structure of being highly integrated²¹⁸ and marked by increasing competition²¹⁹, taking advantage of global markets in terms of export rates is highly important for Saudi Arabia in order to create enough jobs.²²⁰ To sustain economic growth in a manner which decreases the unemployment rate requires countries to fit into the increasingly competitive and rapidly evolving world economy.²²¹ This is achieved through primarily capital investments such as domestic or FDIs into the country, with a purpose of achieving new technologies and know-how.²²² To attract the foreign capital, even domestic capital, to invest in a country also requires competitiveness²²³ of this country in terms

²¹⁷ Shahroukh Fardoust, "Economic Integration in the Middle East: Prospects for Development and Stability," MEI Policy Paper 2016-5
https://www.mei.edu/sites/default/files/publications/PP5_Fardoust_RCS_economic_web_1.pdf p.5

²¹⁸ Rodney Wilson, 2021, *Economic Development in the Middle East*, p.12

²¹⁹ Robert O'Brien and Marc Williams, *Global Political Economy: Evolution and Dynamics* (Ed. 5th). (London: Palgrave Macmillan, 2016). p.98.

²²⁰ Rodney Wilson, 2022, *Economic Development in the Middle East*, p.197.

²²¹ Marcus Noland and Howard Pack, "Arab Economies in a Changing World, The," Peterson Institute Press: All Books, Peterson Institute for International Economics, number 3931. (2007). p.11.

²²² Ibid. p.86.

²²³ Roger Owen, *State, power and politics in the making of the modern Middle East* (London; New York: Routledge, 2004).

of cheap labor force or qualified human capital and the speed and ease of doing business through increasing the trust in legal system²²⁴ and the efficiency of regulatory arrangements²²⁵ in this country. In this regard, Saudi Arabia presents an ongoing dilemma in which the ruling elites have been attempting the decrease the number of cheap labor force of foreign migrants, while increasing the number of the citizens employed by the private sector, which disrupts the competitiveness principle due to the high demand of Saudi citizens for salary and its inefficiency. Thus, Saudi Arabia is propelled to decrease the employment costs of its citizens by lowering their expectations, making the labor market more flexible, and increase the qualifications of the labor force in order to get a more competitive environment to attract the capital. While investment may be naturally attracted to those fields in which Saudi Arabia enjoys a comparative advantage, investment and production in other fields will move away from Saudi Arabia unless labor is internationally competitive (in costs and productivity).²²⁶ Furthermore, while the investment in information technology (both hardware and software) and telecommunication sectors have been reasons behind the boom in the late 1990s in some OECD countries²²⁷, Middle Eastern countries generally and Saudi Arabia especially could not benefit from growing international demand for information technology and telecommunications products.²²⁸ In this regard, Noland and Pack demonstrate the importance of transforming the structure of production in accordance with new increasing international demand.

²²⁴ Jamel Zarrouk, "A Survey of Barriers to Trade and Investment in Arab Countries," in *Arab Economic Integration* ed. Ahmed Galal and Bernard Hoekman. (Washington: Brookings Institution, 2003).

²²⁵ Jamel Zarrouk, "Regulatory Regimes and Trade Costs," in *Catching Up with the Competition* ed. Bernard Hoekman and Jamel Zarrouk. Ann Arbor, (MI: University of Michigan Press, 2000).

²²⁶ Tim Niblock and Monica Malik, *The Political Economy of Saudi Arabia*, p.3.

²²⁷ Marcus Noland and Howard Pack, "Arab Economies in a Changing World," number 3931. (Peterson Institute Press: All Books, Peterson Institute for International Economics, 2007). p.46.

²²⁸ "World Development Indicators 2006," World Bank Open Source, accessed 24 February 2022, <https://databank.worldbank.org/source/world-development-indicators>.

Owen also stresses the great need of the Gulf countries to open up their domestic markets to real competition to efficiently integrate with international trade and investments for the purpose of achieving sustainable economic growth.²²⁹ Furthermore, Noland and Pack²³⁰ put an emphasis on the fact that the most successful economies, those in Asia, did not conform to all of the recommendations of the Washington Consensus in their period of growth acceleration. Those countries have also had contradictory policy implementations such as high tariffs and significant levels of publicly owned companies. They observe that not all deviations from the Washington Consensus lead to absolute constraint on growth. According to them, even bad policies can be offset by a variety of countervailing measures if it is politically and economically suitable.²³¹

For achieving more successful investment inflows and growth, political certainty and stability is crucial. Political uncertainty discourages investment by foreigners or local residents to return on the part of the skilled emigres.²³² None of this is to say that undemocratic governance is an insurmountable obstacle to development—South Korea and Taiwan in the 1960s and 1970s and China in the last quarter century spring to mind as obvious counter examples—or that evolutionary political change is impossible, as the South Korean and Taiwanese examples demonstrate.

Adam Hanieh describes neoliberal restructuring starting from the 1980s as a new stage of capitalism representing a material structure of social, economic and political reproduction underpinned by financialization and increased role of globalized finance in ever more areas of economic and social life.²³³ It can be argued that state institutions and domestic capital owners in Saudi Arabia have been successful in integrating with the financial markets. Backed by large surpluses from rising oil

²²⁹ Roger Owen, *State, Power and Politics in the Making of the Modern Middle East*, London; New York: Routledge, 2004. p.114.

²³⁰ Marcus Noland and Howard Pack, "Arab Economies in a Changing World", p.182.

²³¹ *Ibid.* p.182.

²³² *Ibid.* p.9.

²³³ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East* (Cambridge: Cambridge University Press, 2018). p.9.

prices since the 1970s, Gulf investors have achieved a global asset²³⁴ as a result of cross-border capital flows through mergers and acquisitions alongside the portfolio investments from Saudi Arabia have a remarkable scale.²³⁵ Based on the international investments of the Gulf capitalists, global consultancy firm McKinsey described them as one of the new powerbrokers in the global economy.²³⁶

3.4.1.3.2. Socio-Political Aspects of Globalization

Globalization concerns the growth of supraterritorial relations between people.²³⁷ These relations can be found in engagement with and response to mass media (for example, pressure for humanitarian intervention following a TV broadcast), developed through economic structures (global production and finance) or aroused in response to shifting centers of authority.²³⁸ Information and technology too have changed beyond recognition in the past half-century. Information has expanded exponentially, in particular through IT and other communications technology, and has thus exposed people increasingly to international and regional events and developments.²³⁹ More broadly, technological development has had effects not only

²³⁴ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East*, p.1.

²³⁵ “World Investment Report 2017,” UNCTAD, p. 231, https://unctad.org/system/files/official-document/wir2017_en.pdf

²³⁶ McKinsey Global Institute, 2009, *The New Power Brokers: How Oil, Asia, Hedge Funds and Prive Equities are faring in the financial crisis*, https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Global%20Capital%20Markets/How%20the%20new%20power%20brokers%20are%20faring%20in%20financial%20crisis/MGI_New_power_brokers_faring_financial_crisis_full_report.ashx

²³⁷ Ronaldo Munck, *Globalization and Democracy: A New "Great Transformation"?*, *The Annals of the American Academy of Political and Social Science* Vol. 581, *Globalization and Democracy* (May, 2002), pp. 10-21 (12 pages)

²³⁸ Robert O'Brien and Marc Williams, *Global Political Economy: Evolution and Dynamics*, p.99.

²³⁹ See Emma Murphy, ‘Agency and Space: The Political Impact of Information Technologies in the Gulf Arab States’, *Third World Quarterly*, Vol. 27 (Sept. 2006), No. 6, pp. 1059–1083; the special issue of the *Arab Reform Bulletin* (Carnegie Endowment), December 2004, Volume 2, Issue 11, on <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=16242>; and Giacomo Luciani, ‘Democracy vs Shura in the Age of the Internet’, in Khalaf and Luciani (eds.), *Constitutional Reform and Political Participation in the Gulf*, pp. 274–297.

in this arena but throughout the economy and society, creating longer-term trends of change.

Alongside the trends of change, globalization and technology have contributed to the long-term trends of inequality in income and wealth within countries alongside their effects of promoting economic opportunities and spurring growth.²⁴⁰ According to a BIS report, the productivity of highly skilled workers compared to low-skilled counterparts has increased following technological progress, causing the income gap between the two groups.²⁴¹ Also, BIS report argues that based on the data from UNU-WIDER, World Income Inequality Database(WIID); Penn World Table; KOF Swiss Economic Institute; and BIS calculations, the increase in Gini index of income inequality is associated with an increase in the total factor productivity. Higher within-country inequality has been sharpened with globalization and the associated increase in trade interconnectedness, following the erosion of the low-skilled workers' bargaining power. Thus, this fact creates overwhelming pressures for the ruling elites in Saudi Arabia in order to spur economic growth of the country and providing more welfare conditions for Saudis based on the low total factor productivity and low levels of high-technological production in the Kingdom.

Given the contingency of increasing income and wealth inequality within and intra countries, Noland and Pack, argue that the resentment towards the developed countries and the domestic governments caused by the increasing gap between the rich and poor countries among the people in the losing side of the teeter has been intensified with the increasing dissemination of the extent of the international consumption patterns of the rich ones via satellite television and internet.²⁴² Whether growing absolute levels of income over time in individual countries will assuage discontent is unknowable, but many observers believe it is one component of the dissatisfaction in many Arab countries. This shows us the importance of having good standards of living for citizens and efficient purchasing power parity in terms of

²⁴⁰ Federico Cingano, "Trends in Income Inequality and Its Impacts on Economic Growth," OECD Social, Employment and Migration Working Papers, No. 163, OECD Publishing. 2014 <http://dx.doi.org/10.1787/5jxrjncwvxv6j-en>

²⁴¹ "Annual Economic Report 2021," Bank of International Settlements, p.43.

²⁴² Marcus Noland and Howard Pack, "Arab Economies in a Changing World", p.42-43.

relative per capita income. While Saudi Arabia had performed an increasing level of standards of living and purchasing power parity between 1960s and 1980s, between 1980s and 2000s its relative per capita income (purchasing power parity) declined dramatically from 1.30 to 0.47, exhibiting growing divergence from the OECD countries. Even though the second oil boom period of the 2000s has followed a reserve of much of this decline and has been a general tendency to increase²⁴³, the sustainability of it could not be assured due to the absence of a major change in economic policies.²⁴⁴

Based on the above discussion, Saudi Arabian youth has been engaged with the new values, cultures, principles and new forms of lives. They are exposed to multiple perspectives regarding domestic, regional and global developments rather than the official discourse of the Saudi monarchy and ruling elites. This has been increasingly seen in the rise of the importance of Al Jazeera before and during the Arab Spring era. The fact that the Saudi Arabia-led bloc asked from Qatar to shut down Al Jazeera as one of the 13 demands in order to end the 2017 blockade of Qatar.²⁴⁵ In addition to the media outlets, social media platforms have been increasingly important for people to discuss, criticize and get mobilized. Saudi Arabia has the largest social media presence in the world. With 40.20 million mobile subscribers, mobile penetration stands at 116% of the total population. According to GMI data, 27,80 million or 79,25% people out of 38 million population are active social media users.²⁴⁶ This phenomena puts pressure on the ruling elites since the control of the knowledge has been dispersed throughout the different authorities diminishing their capability of being the only one producer of the knowledge.

²⁴³ "Saudi Arabia GDP per capita," Trading Economics, accessed 24 February 2022, <https://tradingeconomics.com/saudi-arabia/gdp-per-capita-ppp>

²⁴⁴ Marcus Noland and Howard Pack, "Arab Economies in a Changing World", p.43.

²⁴⁵ "Arab states issue 13 demands to end Qatar-Gulf crisis," Aljazeera, accessed 24 February 2022, <https://www.aljazeera.com/news/2017/7/12/arab-states-issue-13-demands-to-end-qatar-gulf-crisis>

²⁴⁶ "Saudi Arabia Social Media Statistics 2022," Global Media Insight, accessed May 2022, <https://www.globalmediainsight.com/blog/saudi-arabia-social-media-statistics/#:~:text=Active%20social%20media%20users&text=Saudi%20Arabia%20currently%20has%20a,are%20active%20social%20media%20users>.

Alongside the increasing spread of interpersonal relations and data, international institutions such as the UN, the EU, the WB and IMF as well as international civil society organizations have been increasingly in pursuit of empowering the global governance principles. International civil society organizations such as Human Rights Watch and Amnesty International also search for the human rights violations in individual states and attempt to attract the global public concern over the human rights violations by launching campaigns and publishing articles in media outlets.²⁴⁷

3.4.1.3.3. Global Politics

This section attempts to underline the primary characteristics of global politics and its current tendencies. Also, this section will attempt to understand how the regime security of the Kingdom of Saudi Arabia relates to the changing characteristics of global political structure. This will help us better understand the transformation process of Saudi Arabia since the global politics and changing tendencies of the global politics create mainly pressures and opportunities for the political realm in a country. In the case of Saudi Arabia, current phenomena such as the increasing centralization of power domestically, being interventionist regionally and creation of more flexible relations with the US, China, the European Union and Russia globally will be located into the broader framework of the global politics.

Characteristics of current global political structure will be discussed through three main pillars in this section. Firstly, it will discuss the basis of the increasing multipolar international order as a transition from the US hegemony of the post-Soviet era as several global actors attempt to influence global politics. Second pillar of the discussion will be based on the declining relevance of the US regarding the Middle East and the Gulf region following the decreasing import rates of the US from the Gulf, more focus on the Pacific, recalibration of strategy regarding the Middle East region towards strengthening allies' ability themselves. The last pillar will discuss the changing relations of global energy and food security. In this regard, the main argument will be the fact that the interests of individual states have been influenced by the complex networks of relations following the shale revolution,

²⁴⁷ Naomi Sakr, "Dynamics of GCC press-government relations in the 1990s," p.102.

investment in renewables and the creation of OPEC+ on the one hand and global food shortages, export restrictions for the agricultural commodities and agrarian investments.

Multipolar International Order

The most crucial development of global politics currently is the Sino-US rivalry as the Chinese model has started to be increasingly seen as an inspirational framework for governments all around the world. This has to do with the increasing global impact of China in terms of global trade. Also, its One Road-One Belt initiative is dedicated to increasing its impact and puts a game changing pressure on world politics. The increasing interest of the USA towards Asia-Pacific is negatively correlated with its interest over the Middle East. The decreasing interest over the Middle East creates potential for global powers like China and Russia and regional powers like UAE, KSA, Iran, Qatar and Turkey.

The Chinese Belt and Road Initiative means a lot for the GCC countries since it provides several trade opportunities for the countries of the region, with the increasing importance of investment flows from China to the Middle East via the Beijing based Asian Infrastructure Investment Bank (AIIB).²⁴⁸ This is crucial for especially Saudi Arabia which is in need of FDIs and knowledge transfers since the Belt and Road Initiative are complemented by AIIB funding for Chinese foreign direct investments.²⁴⁹ Also, unlike the discursive defense of the US for democratic values, China's avoidance of getting involved in political disputes and no interference in the internal political affairs of its commercial partners is welcomed by governments in the Middle East.²⁵⁰

While the trade between Russia and the Gulf countries remained minimal following the collapse of the Soviet Union and the formation of the Russian Federation, the

²⁴⁸ Weidong Liu and Michael Dunford, "Inclusive globalization: Unpacking China's Belt and Road Initiative", *Area Development and Policy*, Volume 1, Number 3, 2016, pp.323–340.

²⁴⁹ Julan Du and Yifei Zhang, "Does One Belt One Road initiative promote Chinese overseas direct investment?" *China Economic Review*, Volume 47, 2018, pp.189–205.

²⁵⁰ Shogo Suzuki, "Chinese soft power, insecurity studies, myopia and fantasy", *Third World Quarterly*, Volume 30, Number 4, 2009, pp.779–793.

coordination of OPEC countries with Russia about the oil production level has continued its importance, reaching its peak point with the inclusion of Russia to OPEC through the creation of OPEC + in 2016. However, this coordination did not always prove to be efficient since the conflict between Russia and Saudi Arabia has aroused in 2020 about increasing production levels.²⁵¹

Madawi al-Rashed argues that Riyadh has become irrelevant as the US disengages across the Middle East.²⁵² The crown prince in Riyadh has now new alternative powers and he can lean towards both China and Russia to back him on the international diplomacy. However, according to her, they can not actually be regarded as alternatives for the long-standing US-Saudi alliance. According to Alexey Klebnikov²⁵³, although Russia's interest of Riyadh centers around oil and a growing trade relations through minor weapons. However, he argues that minor arms trade is not sufficient to change the weight of Washington's role towards the Russian side. Equally, according to the Middle East Eye and its agencies, China welcomes greater economic opportunities in Saudi Arabia, but it remains aloof politically and culturally.²⁵⁴ Furthermore, Middle East Eye regards the Britain and Europe as alternative options for MbS owing to their.²⁵⁵

Decrease of US Relevance to the Middle East and the Gulf Region

The fact that the USA has become a net gas and oil exporter caused the reduction of the strategic concerns in the Middle East from an American standpoint.²⁵⁶ The

²⁵¹ Rodney Wilson, *Economic Development in the Middle East* (3rd ed.). (Routledge, 2001), p.200.

²⁵² Madawi Al-Rasheed, "US-Saudi Arabia: Has Riyadh become irrelevant?," Middle East Eye, accessed May 2022, <https://www.middleeasteye.net/opinion/us-saudi-arabia-relations-riyadh-irrelevant-become-has>

²⁵³ Alexey Khlebnikov, "Why Russia is increasing military ties with Saudi Arabia and Egypt," Middle East Eye, accessed May 2022, <https://www.middleeasteye.net/opinion/russia-saudi-arabia-egypt-military-cooperation-increasing>

²⁵⁴ "Saudi Arabia: Chinese investors in talks to take Aramco stake, say sources," Middle East Eye, accessed May 2022, <https://www.middleeasteye.net/news/saudi-arabia-china-aramco-stake>

²⁵⁵ "UK: New foreign secretary Liz Truss pushed for arms sales to Saudi Arabia," Middle East Eye, accessed May 2022, <https://www.middleeasteye.net/news/uk-saudi-arabia-liz-truss-foreign-secretary-arms-sales>

²⁵⁶ Rodney Wilson, *Economic Development in the Middle East*. p.193.

recalibration of the US strategy in the Middle East towards focusing on strengthening its allies' ability to defend themselves. An increasing attention to the Indo-Pacific region and a new military strategy built on capabilities that could be deployed rapidly anywhere in the world have created pressures for Washington to scale back its military involvement in the Middle East. Speaking at the Arab Gulf States Institute in Washington's 2021 UAE Security Forum, Brian Katulis, a senior fellow and vice president for policy at the Middle East Institute saw in the Trump administration's decision not to retaliate militarily for the 2019 attacks as the conclusion of a 40-year period of U.S. engagement in the Middle East that began with the creation of the United States Central Command as a response to the 1979 hostage crisis in Iran and Soviet invasion of Afghanistan. Nonetheless, despite the debate about its retrenchment, the United States remains a major actor in the Middle East and continues to play a significant role, even if it is shifting, in the security of the Gulf, with formidable military capabilities it can bring to bear and robust training and military sales programs.

Changing Patterns of Security Paradigms

Global political shift towards renewable energy and increasing importance of food security due to the increasing commodity prices and the export limitations of producing countries have propelled an integrated security approach of water, energy and food resources. As Ammar Abulibdeh, Esmat Zaidan & Mohammad Al-Saidi argues, it has been increasingly "crucial for GCC nations to accomplish resource security and sustainable development".²⁵⁷ While the advent of electric vehicles and alternative means of electric generation, the renewable energy, and the environmental concerns diminish the long term concerns of the European Union with oil and gas supplies²⁵⁸, China and India as the major importers of oil and natural gas have increased their investment on electric vehicles and renewables. Also, while the

²⁵⁷ Ammar Abulibdeh, Esmat Zaidan and Mohammad Al-Saidi, "Development drivers of the water-energy-food nexus in the Gulf Cooperation Council region," *Development in Practice*, 29:5, (2019). p.582-593.

²⁵⁸ Rodney Wilson, *Economic Development in the Middle East*. p.193.

US shale revolution sharply decreased the energy imports from the Gulf region²⁵⁹, China as a major energy importer from the Gulf has been increasing its relations with the Gulf region and especially with Saudi Arabia. Alongside the importance of the Gulf for its energy security, the trade routes around which the Gulf region has been repositioned, and the Red Sea and the Persian Gulf have been increasingly important for China. The naval base of China at the base of Doraleh to the west of Djibouti is the only military base of China globally, which shows that China has an eye on the road through the Red Sea in order to protect Chinese merchant shipping.²⁶⁰

3.4.2. Regional Scale

This section will tackle the pressure on a regional scale affecting the decision makers in the Kingdom of Saudi Arabia and the regional strategy of its foreign policy making. This scale includes two main bodies of pressures; the political aspect as a result of regime security threats and the economic aspect as a result of the drive to protect the economic interest and capital accumulation patterns in the wider region. The political aspect of pressures will mainly include the provision of regional stability caused by the repercussions of the Arab Spring and the issue of rising regional rivalries. In the economic sense of pressures, the rising economic competition between GCC countries and the rise of the importance of the Red Sea are crucial to understand the decision making processes of the Kingdom.

3.4.2.1. Regime Security Pressures

The increasing importance of having stability in the region especially proven after the chaos marked by toppling of regimes and reforms demands in Tunisia, Egypt and Libya occurred during and post the Arab Spring have created some concerns for the Gulf countries especially KSA and the UAE. Reform demands raised by the populations regarding changes in social, economic and political realms created harsh

²⁵⁹ Alexey Khlebnikov, "Why Russia is increasing military ties with Saudi Arabia and Egypt," Middle East Eye, accessed May 2022, <https://www.middleeasteye.net/opinion/russia-saudi-arabia-egypt-military-cooperation-increasing>

²⁶⁰ Rodney Wilson, *Economic Development in the Middle East*. p.193.

pressure on the decades-long regional political status quo which manifested itself in the authoritarian and monarchical rulers all over the MENA region, while this coincided with the fact that the USA has softened its MENA presence and relevance and seems keep softening, having created a new regional geopolitical equation causing instability. The regime security concerns of UAE and Saudi Arabia have increased following the post-Arab spring regional political environment marked by the rise of Muslim Brotherhood in Tunisia and Egypt. Both regimes launched a sets of securitization policies against the rise of Islamic movements such as Muslim Brotherhood and the democratic movements since the outbreak of the Arab Spring.²⁶¹ In the Gulf region, the UAE and Saudi Arabia have been the forerunners of these securitization policies. They have had harsh and strict measures domestically and supported the regional governments through all possible mechanisms ranging from financial aids and loans to military support.²⁶² Furthermore, the rivalry between the UAE-KSA axis and the Qatar-Turkey axis has been important in shaping the region's politics. Regional conflicts occurred through the confrontation of these two opposite standings.

Qatar, Saudi Arabia and the UAE have, in very different ways, emerged as regional powers with international area of movement, “engineering the Arab response to the crisis in Libya in 2011 and leading regional initiatives to resolve the conflicts in Syria and Yemen”.²⁶³ “Their interventions demonstrate a newly proactive stance in attempting to control and contain the unrest generated by the Arab Spring, and gathered pace after the toppling of the Muslim Brotherhood government and the restoration of military rule in Egypt in July 2013”.²⁶⁴

²⁶¹ Nicola Pratt and Dina Rezk, “Securitizing the Muslim Brotherhood, Legitimizing State Violence and Renewing Authoritarianism in post-Arab Spring Egypt,” *Security Dialogue* (2018).

²⁶² Ashraf El-Sherif, “The Egyptian Muslim Brotherhood’s Failures,” July, Washington, CD: Carnegie Endowment for International Peace. (July 01, 2014).
<https://carnegieendowment.org/2014/07/01/egyptian-muslim-brotherhood-s-failures-pub-56046>

²⁶³ Kristian Coates Ulrichsen, “The changing security dynamics of the Persian Gulf,” (New York, NY: Oxford University Press, 2019).

²⁶⁴ Kristian Coates Ulrichsen, “Post-rentier Economic Challenges India” *Quarterly* 73(2) 210–226 © 2017 Indian Council of World Affairs (ICWA) SAGE Publications sagepub.in/home.nav.

3.4.2.2. Economic Concerns

As well demonstrated by Adam Hanieh, the aftermath of the 2000s has been described by the rise of Khaleeji Capital into the wider Middle East region through FDIs, joint ventures and mergers & acquisitions mainly in real estate, agribusiness and financial sectors.²⁶⁵ The phenomena of the rise of Khaleeji Capital mainly the UAE and Saudi Arabia and the expansion and integration of the capital accumulation patterns of these countries into the wider MENA region have also increased the concerns of Saudi Arabian capital in the case of political stability in a regional country caused by the drive to protect their economic interests and the interruption of the deepening of the capital accumulation. Thus, the drive of the provision of regional stability is not triggered by only geopolitical concerns of the regime's security but also by the economic concerns of the protection of investments in the unstabilized countries and the possibility of capital accumulation process.²⁶⁶ Thus, this perspective helps us understand more authoritarian policies, the increasing use of hard power in the region and the counter-revolutionary role played by Saudi Arabia in the post-Arab spring period.

Besides the impact of the regional instability following the Arab spring movements, the rise of the importance of the Red Sea as an important trade route and its instrumentality for economic development has also affected the regional economic concerns of Saudi Arabia. As Rosie Bsheer argues, the site of NEOM reflects the fundamental change in the long-standing geopolitical realities in the region. Now, the projects like NEOM along the Red Sea demonstrates the shift of the power in terms of economic relations towards to the Red Sea coast of the Arabic Peninsula²⁶⁷ Developments in the global trade patterns and the increasing importance of the Red Sea, the Bab Al Mandab Strait and Suez Canal show us the ongoing and prospect of

²⁶⁵ Adam Hanieh, *Capitalism and class in the Gulf Arab States* (New York: Palgrave Macmillan, 2011).

²⁶⁶ Anne Alexander, "The contemporary dynamics of imperialism in the Middle East: a preliminary analysis", published in 2018 <http://isj.org.uk/contemporary-dynamics-of-imperialism/>

²⁶⁷ Rosie Bsheer, 2018, "How Mohammed bin Salman Has Transformed Saudi Arabia," *The Nation*, May 21, 2018, <https://www.thenation.com/article/archive/how-mohammed-bin-salman-has-transformed-saudi-arabia/>

geopolitics. In addition to the fact that the Chinese only base globally is located in the Djibouti, the increasing interest of the Gulf states over the Horn of Africa and the Red Sea also demonstrate the increasing and dynamic geopolitical concerns.

Furthermore, it is important to emphasize the rivalry between the UAE and Saudi Arabia for regional leadership and placing themselves as the most preferred investment attraction center. This rivalry is triggered by different factors. Firstly both countries attempt to achieve regional hegemony and leadership. Secondly, they both attempt to be the hub of investment, tourism and entertainment in the region. Thirdly, since we have seen an increase in the regional integration of the Gulf capital as it has been clearly demonstrated by Adam Hanieh in real-estate, retail and financial sectors, both countries struggle to increase their influence which would help domestic economic development and accumulation of wealth processes.²⁶⁸ It is very crucial for those monarchies to keep the accumulation of wealth going. This is important for their monarchical security since they have to be able to create new rents to all classes, especially to capitalist classes, in order to have the legitimacy to rule the country. In addition to the regional competition over being the attraction center of the region for the global investors, regional competition over attracting the qualified human capital is also an important factor since human capital is an integral part of the efficient management and production processes for the private businesses. For this reason, as Wilson argues, for example, Dubai is the most preferred working destination among expatriate engineers living in the Gulf countries from the South East region, including the Chinese. According to him, the reason behind living choice in Dubai is because of its more open social environment compared to the other restrictive social realms in other Gulf countries.²⁶⁹

3.4.3. Domestic Scale

Reform discussions have always been in the policy agenda of decision makers since the 1970s, however, current developments in domestic scale have increased the

²⁶⁸ Rosie Bsheer, "Book Review: Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East by Adam Hanieh," *The Journal of Development Studies*, 57:7, (2021), 1242-1244, DOI: 10.1080/00220388.2021.1901837

²⁶⁹ Rodney Wilson, *Economic Development in the Middle East*. p.197.

urgency of a transformation process in the Kingdom. Among those developments, firstly, as mentioned in the global scale, the rulers have to deal with the diversification of the economy in order to avoid the vulnerability of high volatility in oil prices. Secondly, the Saudi private sector needs to create more job opportunities for an increasing youth population in the Kingdom. Thirdly, avoiding a fiscal crisis has been one of the most important challenges of the Saudi ruling elites based on the conventional equation of the high dependence of the government on oil revenues, high public employment of Saudis and public spendings. The fiscal crisis also has to do with increasing domestic oil consumption as a result of the combination of the rising domestic population and the enormously growing energy subsidies, causing the rise of break-even points for the budget. Fourthly, new demands of the younger generation arising from the cultural openness to the world, modernization and new information technologies. Fifthly, the efficiency of government institutions has increased in importance in order to tackle the new arising challenges such as climate crisis related risks, inequality and poverty of the Saudi citizens.

As Halliday argues, on the one side, Saudi Arabia has already had pressures coming from the international economy politics, while on the other side, it has had rising domestic unemployment rates. Within this scope, Saudi Arabian regimes' room for maneuver has been narrowing.²⁷⁰ Halliday further argues that "it was indeed evident that in much of the Arab world this cooperation with the increasingly exigent criteria of global financial credibility was often half-hearted and inadequate²⁷¹ subsidies were cut and agreements on 'restructuring' were signed, but neither the reduction of the state's role in the economy, nor increased accountability, to any significant degree was a mark of Middle Eastern economies in the 1990s".²⁷² Thus, Halliday considers "the marginalization of the region within the new 'globalized' world economy, the long-run fall in state revenues and the inability of labor markets to provide employment" as the major challenges facing the Middle Eastern countries.²⁷³

²⁷⁰ Fred Halliday, *The Middle East in international relations: power, politics and ideology*, p.294.

²⁷¹ Alan Richards and John Waterbury, *A Political Economy of the Middle East* (Boulder, Colo. Westview Press, 1990)

²⁷² Fred Halliday, *The Middle East in International Relations: Power, Politics and Ideology*, p.295.

²⁷³ *Ibid.* p.298.

This has been increasingly valid for the ruling elites of Saudi Arabia, with an increasing pressure to diversify the export commodities of the countries and the fiscal revenues of the state. The weakness of the Saudi regime has intensified with the decrease of oil prices causing a decline in real income and the inability of the state to have alternative revenue streams other than oil revenues. Thus, Halliday argues that the regimes of the Gulf countries and especially the Saudi monarchy are actually afraid of the increased potential pressures out of the mentioned weaknesses.²⁷⁴ Also, it is a fact that those states were restricted to take unpopular policies, let alone attempting to pursue another alternative path to the already present one since a pursuit of an alternative path bears also the danger of entering an open conflict with multinational companies.

In 2007, Marcus Noland and Howard Pack had seen the demographic imperative to create jobs for the large cohort of young people as the major imminent challenge for the Middle Eastern countries.²⁷⁵ It is partly because mortality rates have fallen and life expectancy is rising.²⁷⁶ Between 1980 and 2000, life expectancy in the region increased by more than eight years, and infant mortality was cut in half. Thus, they argued that it is almost impossible to imagine sustained generation of needed employment opportunities without successful globalization and cross border economic integration.²⁷⁷ This case has been increasingly relevant for Saudi Arabia since its sixty percent of population is under the age of 30²⁷⁸ and the youth unemployment rate has reached to 29,63 % in 2019.²⁷⁹ The conventional approach to Saudi employment, providing the Saudis job opportunities in the public sector, has

²⁷⁴ Ibid, p.299.

²⁷⁵ Marcus Noland and Howard Pack, "Arab Economies in a Changing World", p.1.

²⁷⁶ Ibid. p.2.

²⁷⁷ Ibid. p.3.

²⁷⁸ "Is Saudi Arabia Ready for Its Youth Bulge?," Brinknews.com, accessed 07 March 2022, <https://www.brinknews.com/is-saudi-arabia-ready-for-its-youth-bulge/>

²⁷⁹ "Saudi Arabia: Youth unemployment rate from 1999 to 2019," Statista, accessed 07 March 2022, <https://www.statista.com/statistics/812955/youth-unemployment-rate-in-saudi-arabia/#:~:text=Youth%20unemployment%20rate%20in%20Saudi%20Arabia%20in%202019&text=The%20statistic%20shows%20the%20youth,Arabia%20was%20at%2029.63%20percent.>

created a huge burden on the Saudi budget especially in times of the oil prices and revenues decreased, so to get rid of the budget deficit and to achieve a stable budget, the new job opportunities have to be created in the private sector.

According to Bernard Haykell, Thomas Hegghammer, and Stephane Lacroix also, Saudi Arabia is very dynamic country and its dynamism has a huge impact on the future trajectory of the country.²⁸⁰ “The youth bulge it faces has not only economic effects, but also deep social and cultural consequences”.²⁸¹ This approach is crucial for our analysis since it gives us the broadened perspective towards the constraints and environment in which the decision makers could operate.²⁸² This demonstrates the different life expectations and preferences of the young generations deviated from their parents. Especially, the increased rate of the women in terms of the graduates numbers makes it difficult to continue the traditional social relations as they were since new capabilities bring with new demands. This has been the case in the Kingdom since the 1990s when especially the women rights activism is considered.

In the phenomena of high urbanization rates and the disruption of traditional social structure and identities in the Kingdom, individuals became more atomized and families more nuclear. The traditional practices of social life have been replaced by cafe and street culture among the young population²⁸³ in the Kingdom on the one hand, and the car drifting (tafhit)²⁸⁴ practices reaching up to a high level on the other hand. The pace of those developments in the last few decades means that today’s young Saudis live in a wholly different world from that of their parents. Depending

²⁸⁰ Bernard Haykel, Thomas Hegghammer and Stephane Lacroix, “Insights on Social, Political, Economic and Religious Change,” in *Saudi Arabia in Transition*.

²⁸¹ Ibid. p.5.

²⁸² Ibid. p.5.

²⁸³ Abdulaziz H. Al Fahad, “Rootless Trees: Genealogical Politics in Saudi Arabia,” in *Saudi Arabia in Transition: insights on Social, Political, Economic and Religious Change* ed. B. Haykel, T. Hegghammer, and S. Lacroix (Cambridge: Cambridge University Press, 2015), pp. 263-291 doi:10.1017/CBO9781139047586.017

²⁸⁴ Pascal Menoret, *Joyriding in Riyadh: Oil, Urbanism, and Road Revolt* (Cambridge Middle East Studies.) (New York: Cambridge University Press, 2014).

on how the regime handles the situation, they can represent either a formidable challenge or a key asset for the future of the country.

However, we have to consider comments above with caution since the process of more atomized individuals, the spread of nuclear families and the disruption of the traditional practices has coincided with the rise of the importance of the family and tribal genealogies among the population. As Abdulah al-Fahad clearly showed, the production of the family and tribal genealogies by many contemporary Saudis is a practical repurposed use of the genealogical ties in order to achieve present-day needs in the contemporary urbanized Saudi landscape.²⁸⁵ According to Fahad, the production of genealogy of such family and tribal ties is seen as functional by families in order to organize their affairs so as to create a buffer zone between the state and the individual.²⁸⁶ Also, it is crucial to see that beyond the relations of families or individuals with the state, such genealogical ties help them perform and a social field in which they acquire potential benefits.²⁸⁷ According to Haykell et al. the reinvention of traditional elements through the production of genealogical ties and the growing cafe and street culture in the urban landscape are two alternative forms of socialization in the kingdom.²⁸⁸

According to Haykell et al. “corruption and mismanagement can jeopardize delivery and frustrate expectations, leading to potential” dissent. For example, the rain floods occurred in 2009 and 2011 in Jeddah have increased a public resentment towards the management.²⁸⁹ It shows that inefficiency in public management bears a potential threat of public anger towards the government. In terms of regime survival and regime threat perceptions, potential increase in the extreme weather incidents as repercussions of the climate crisis in the Kingdom necessitates an efficient

²⁸⁵ Abdulaziz H. Al Fahad, “Rootless Trees: Genealogical Politics in Saudi Arabia,” pp. 263-291.

²⁸⁶ Ibid.

²⁸⁷ Stéphane Lacroix, *Awakening Islam: The Politics of Religious Dissent in Contemporary Saudi Arabia* Comparative Political Studies (London: Harvard University Press, 2011), p.418-422.

²⁸⁸ Bernard Haykel, Thomas Hegghammer and Stéphane Lacroix, “Insights on Social, Political, Economic and Religious Change,” in *Saudi Arabia in Transition*. p.6.

²⁸⁹ Ibid. p.11.

bureaucratic management. In order to achieve efficient management, Saudi Arabia is required to solve corruption problems.

Furthermore, Saudi Arabia has been negatively affected by the rising prices and shortages in food related commodities since it creates a huge burden for the Saudi budget owing to the high rate of subsidies in food commodities by the government.²⁹⁰ In addition to its inflationary impacts on the Saudi economy²⁹¹, it has been regarded as a security issue by the ruling elite. “The food price boom of 2007-2008 triggered alarm in the policy circles of the Kingdom”.²⁹² This demonstrated the importance of the diversifying the food supply of the country since it had very little fertile water resources. While Saudi Arabia had tried to invest in order to be self-sufficient in domestic food production since the 1970s, due to the inefficiency of lands and shortages of water resources within the country²⁹³, it changed its food policy towards making investments abroad.²⁹⁴ Although the Gulf countries have invested in South America since the beginning of the 2000s, they have currently mostly focused on the Horn of Africa for their agricultural investments.²⁹⁵ Thus, Saudi Arabia has a powerful interest with the outside world in terms of its food security.

²⁹⁰ Imad Yousif and Safar Al-Kahtani, “Effects of high food prices on consumption pattern of Saudi consumers: A case study of Al Riyadh city,” *Journal of the Saudi Society of Agricultural Sciences*. (2013). 13. 10.1016/j.jssas.2013.05.003.

²⁹¹ “Saudi inflation driven up by food and vehicle prices as VAT hangover lingers,” *Arabnews.com*, accessed 07 March 2022, <https://www.arabnews.com/node/1877026/business-economy>

²⁹² Riyazuddin Qureshi, “Rising food prices in Saudi Arabia,” *International Journal of Computer Science and Management Research* (2013).

²⁹³ David Hallam, “International investment in developing country agriculture: issues and challenges”, *Food Security*, Volume 3, Number 1, 2011, pp.91–98.

²⁹⁴ Nicolás M. Depetris Chauvin, “The Rise of the Gulf: Saudi Arabia as a Global Player,” *International Reports* 5. (2010): 46.

²⁹⁵ See Eman Ragab, “Beyond Money and Diplomacy: Regional Policies of Saudi Arabia and UAE after the Arab Spring,” *The International Spectator*, 52:2, (2017) 37-53 ; Federico Donelli & Giuseppe Dentice, “Fluctuating ; The Gulf States and the Horn of Africa: A New Hinterland?,” (2020) ; Asteris Huliaras and Sophia Kalantzakos; Eckart Woertz, “The Governance of Gulf Agro-Investments, Globalizations,” 10:1, (2013) 87-104; Harry Verhoeven, “The Gulf and the Horn: Changing Geographies of Security Interdependence and Competing Visions of Regional Order, Civil Wars,” 20:3, (2018), 333-357; Jos Meester Willem van den Berg Harry Verhoeven, “Riyal Politik The political economy of Gulf investments in the Horn of Africa,”; Alman al-Faisal, “The Gulf’s interest in the Horn of Africa: Influence and Economic Ties,” (<https://www.ifimes.org/en/9690>)

3.5. Conclusion

This chapter has shown the record of development plans and diversification attempts in the Kingdom of Saudi Arabia since the 1970s. Until 2014, the Kingdom had nine development plans, three of which were under King Abdullah between 2000-2014. Although the objectives of the first six development plans have been greatly achieved, they still had an influential impact on the transformation of the country in terms of the improvement of the modern state institutions, industrial production based-on oil such as petrochemicals, deepening of the reliance of the society on the state activities and rentier mechanisms. The era of King Abdullah has shown a slight rupture from the previous period in terms of his understanding of the country's necessities and increasing pressures and threat perceptions towards the regime. In this regard, this era could be seen as the vanguard of the current era as King Abdullah attempted to react to the complicated problems with multiscalar origins.

CHAPTER 4

CURRENT TRANSFORMATION PROCESS UNDER MBS (2016-2022)

4.1. Introduction

This chapter will firstly discuss the tendency of vision strategies, marked by its long-term perspective, across the Gulf countries since the 1990s. After briefly discussing the vision strategies of other GCC countries, the objectives and achievements of Vision 2030 announced in 2016 under the head of Crown Prince Mohammad bin Salman will be discussed. The chapter attempts demonstrating the commonalities of the Vision 2030 project with the earlier development plans in the Kingdom and other Vision programs around the region as well. Furthermore, the differentiating points of the Vision 2030 in its objectives or implementation will be broadly discussed in order to better understand the trajectory of transformation under the management of MBS between 2016 and 2022. In order to locate the current policy objectives and implementations in a wider social context of Saudi Arabia and to see the relationality of the ruling elite with the wider social context, the challenges that the ruling elite faces will be shown based on two categorizations under the titles of political challenges and structural challenges. Followed by the discussion of challenges for the ambitious transformation plan of the Saudi Vision 2030, potential opportunities that might help transform the country towards a post-oil future will be briefly touched upon.

4.2. Vision Strategies of the GCC States

Centralized policy planning and the utilization of Western consultancies have a long history in the GCC region that date to the initial blueprints and “master plans” in the first years of oil fueled economic and urban development in the 1950s and 1960s. However, the national development visions of the twenty-first century went far

beyond the urban master plans and planning agencies of the earlier years. These set out ambitious targets and objectives for diversifying economies and expanding the productive base to ease the eventual transition toward a post-oil political economy. As such, the visions typically were multi decade in length and contained key buzzwords about the development of social and human capital designed to appeal to a global audience of potential investors and business partners.²⁹⁶ The major initiatives²⁹⁷ launched during this period were the following: Oman, Oman 2020: Visions for Oman's Economy (1995); Iran, Vision 2025, 2005; Bahrain, Economic Vision 2030 (2008); Qatar, Qatar National Vision 2030 (2008, Kuwait, Kuwait Vision 2035, (2010), UAE, Vision 2021 (2010); and lastly Saudi Arabia, Saudi Vision 2030 (2016).

A further characteristic of many of the plans of the Gulf Arab states drawn up since the 2000s is that, like Kuwait's, they were devised primarily by international consultants, such as McKinsey, which played a key role also in Saudi Vision 2030.²⁹⁸ McKinsey had, in 2004, been commissioned by Bahrain's Crown Prince Salman bin Hamad al-Khalifa to turn Bahrain, through its own Vision 2030, into a "productive, globally competitive economy, shaped by the government and driven by a pioneering private sector."²⁹⁹ As such, the principles underlying the new strategy in Saudi Vision 2030 are influenced by McKinsey as well.³⁰⁰ Thus, the preparation and implementation processes of visions bear a close alignment between political elites and global consultancy firms.³⁰¹

²⁹⁶ Martin Hvidt, "Economic Diversification in GCC Countries: Past Record and Future Trends," LSE Kuwait Programme Working Paper No. 27, January 2013.

²⁹⁷ Ibid.

²⁹⁸ Salem Saif, "When Consultants Rein," Jacobin, published on May 9, 2016, <https://jacobin.com/2016/05/saudi-arabia-aramco-salman-mckinsey-privatization/>

²⁹⁹ Marc Valeri, "Oligarchy vs. Oligarchy: Business and Politics of Reform in Bahrain and Oman," in *Business Politics in the Middle East* ed. Steffen Hertog, Giacomo Luciani, and Marc Valeri (London: Hurst & Co, 2013), 26.

³⁰⁰ Salem Saif, "When Consultants Rein,"

³⁰¹ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East* (Cambridge: Cambridge University Press, 2018), p.206-207.

According to Ulrichsen, Saudi Vision 2030 and National Transformation Programs have been regarded as the last piece of puzzle for the use of multiyear state-led plans as the drivers of economic diversification and development in the Gulf Cooperation Council states and Iran.³⁰² These vision strategies are more than just a reaction to the post-2014 oil price decline, rather they are a long-term policy trend.³⁰³ These reforms and transformation programmes have come in a period of regional uncertainty, regimes are in need of implementing those programmes in order to become less vulnerable. While focusing on the preservation of the regime and the renewal of it to some extent, officials in GCC states will always be highly careful of not following the shah's missteps of a process of economic and social transformation, resulting in immediately going beyond his control and contributing to his downfall in 1979.³⁰⁴

4.3. Saudi Vision 2030

In 2016, Saudi Arabia launched its national Vision 2030. The need for the launch of Saudi Vision 2030 was announced as to stimulate economic growth and create jobs. It seeks to diversify the economy of the Kingdom beyond being dependent on oil revenues by setting out an ambitious economic development roadmap. Saudi Arabia's Vision 2030 program is being led by Mohammad Bin Salman Bin Abdulaziz Al-Saud, Crown Prince and Chairman of the newly founded (CEDA) Council of Economic and Development Affairs. Later in 2016, the National Transformation Program (NTP) detailed the ambitious economic roadmap of the Kingdom laid by Vision 2030.

4.3.1. Objectives of Saudi Vision 2030

As seen in other Vision strategies of the GCC region countries, the primary objective of the Saudi Vision 2030 is to achieve economic diversification. Diversification is considered as it will help the Kingdom achieve sustainable economic growth, enough

³⁰² Kristian Coates Ulrichsen, "Economic Diversification Plans: Challenges and Prospects for Gulf Policymakers," The Arab Gulf States Institute in Washington (AGSIW), September 26, 2016, <https://agsiw.org/economic-diversification-plans-challenges-and-prospects-for-gulf-policymakers/>

³⁰³ Ibid.

³⁰⁴ Ibid.

creation of jobs and the alternative sources of fiscal revenues rather than oil revenues. Mainly, one of the main pillars of the vision has been the transformation of the Kingdom into a global investment powerhouse with a focus on the attraction of foreign investment into the Kingdom.³⁰⁵ Another main pillar of the Vision is to strengthen the public sector governance with an objective of shifting the role of the state from providing services to regulating and monitoring those services. Concomitant with this shift of the public sector and the role of the state in the economic activity, one of the most important main themes of Saudi Vision 2030 is to increase the contribution of the private sector in GDP towards a regional benchmark of 69 percent by 2020 via a comprehensive privatization programme.³⁰⁶ Increasing the contribution of the private sector will also be accompanied with the increase of the employment of Saudi citizens in the private sector.

Saudi Vision 2030 also portrays its primary columns of how to achieve such long-term projects. In the achievement of Saudi Vision 2030, state-owned petroleum company Saudi Aramco and the Public Investment Fund bear the most important positions in the eyes of the ruling elite. According to the ruling elite, under the auspices of Crown Prince Mohammad bin Salman, transformation of Aramco into a global industrial conglomerate from an oil-producing company has been a key focus by expanding its activities beyond oil and gas sectors such as CCUS and renewable energy investments. Also, the ambitious plan to transform Public Investment Fund into the wealthiest Sovereign Wealth Fund bears cruciality since it is considered that revenues from the global investments of PIF will help the Saudi government to offset the fiscal deficits caused by low oil prices in the meantime and in the future. Also, domestic investments of PIF for the development of the domestic manufacturing sector especially armament and manufacturing of military equipment, machinery and software are of significance according to the objective of Saudi Vision 2030. Furthermore, as we have experienced in the reforms of early 2000s under the management of King Abdullah, upgrading the administrative system to reduce delays

³⁰⁵ Martin Cooper, "Transform KSA: Saudi Arabia's Vision 2030," *Deloitte Middle East: A Middle East Point of View*, Summer 2018,

³⁰⁶ Ashraf Mishrif, "Introduction to Economic Diversification in the GCC Region," in *Economic Diversification in the Gulf Region, Volume I The Private Sector as an Engine of Growth* ed. Ashraf Mishrif and Yousuf Al Balushi (Palgrave Macmillan Singapore: Cambridge, 2018), p 17-18.

and cut tedious bureaucracy also bears importance since the era under the MBS is recognized with its deepening of the centralization of decision making power within a small group of elites. Also, the reforming of the regulatory system in order to improve the business environment is crucial for the achievement of the objectives of Saudi Vision 2030.

4.3.2. Saudi Vision 2030: Policy Implementations (2016 - 2022)

According to Adam Hanieh, new political actors and state institutions have emerged alongside the development of Vision 2030 and the NTP – such a reinstitutionalisation of state power aims at promoting the speedy implementation of these plans, while simultaneously embedding market driven logic more solidly within the state apparatus.³⁰⁷ At the same time, this process has involved a disruption to the preexisting balance of forces within the Saudi ruling family – and the relations between important sectors of Saudi capital and the state.³⁰⁸ Based on the current strategy, reorganization within the state structures has been launched in order to minimize overlapping centers of power and potential areas of resistance, with the ultimate aim of better facilitating the drive to liberalization. Also, the fact that new ministers have extensive corporate backgrounds included Almarai’s former CEO, who became Minister of Agriculture, as well as the ministers for housing and health, labor, social affairs, and education demonstrates that the top decision making places have been reconfigured conformably with the liberalization strategies. The increasing power of carefully selected actors such as Khalid bin Abdulaziz Al-Falih, the minister of MEIMER, within the Saudi state apparatus also indicates the decisive economic policymaking.³⁰⁹ In this regard, Hanieh further argues that Saudi Vision 2030 considers health, education and renewable energy sectors as the major targets for the future private sector growth.

³⁰⁷ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East*.

³⁰⁸ Stephane Lacroix, “Saudi Arabia’s Muslim Brotherhood predicament,” in *The Qatar Crisis* ed. M. Lynch (Washington: The Project on Middle East Political Science (POMEPS) Papers, 2017), pp. 51-53.

³⁰⁹ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East*.

4.3.2.1. Public Investment Fund leaning to Sovereign Wealth Fund

In Saudi Arabia, the government approach regarding the sovereign wealth has radically shifted since the 2014 as the Vision 2030 diversification plan displays this shift. It tasks the Public Investment Fund with the generation of employment opportunities and economic growth in addition to increasing partnerships with international investors such as international investment funds and multinational corporation. The PIF has been both chosen as the source of revenue to the government and new end point for the government funds and transfers.³¹⁰ In order to generate revenues for the government, its profit scope has been extended towards to the more profitable and more risky but more –yield investments in the financial sectors.³¹¹ The fund’s capital is considered by the Saudi decision makers as the firmest solution to the fundamental problems that the Kingdom has had such as fiscal deficits, commodity price fluctuations and financial markets improvements. Its new role in the Saudi political economy is unprecedented as it is the central engine of growth in the new Saudi Arabia.

The transformation of the PIF into an SWF was grounded even before the announcement of Saudi Vision 2030. Council of Saudi Economic and Development Affairs Cabinet (CEDA) under Muhammad Bin Salman had already changed the institutional structure of the PIF in March 2015. PIF become under the control of the crown prince.³¹² Rapid increase in personnel numbers “that have taken place since then and the increase in the fund’s assets indicate that the Saudi leadership is serious about” expanding the PIF.³¹³ Since the launch of Saudi Vision 2030 in 2016, PIF’s assets have increased in value by 308 percent, while they amounted to \$152 billion at

³¹⁰ Stephan Roll, “A Sovereign Wealth Fund for the Prince,” SWP Research Paper 2019/RP 08, 10.07.2019, 32 Seiten; <https://www.swp-berlin.org/10.18449/2019RP08/#en-d53782e529>

³¹¹ Ibid.

³¹² Stephan Roll, “A Sovereign Wealth Fund for the Prince,”

³¹³ Stephan Roll, “A Sovereign Wealth Fund for the Prince,”

the end of 2015.³¹⁴ Also, the PIF increased its number of employees from about 40 in 2016 to surpassing 1000 employees in December 2020.³¹⁵

According to Robert Mogielnicki, the PIF has a plan to reach the goal of achieving around \$1.07 trillion of assets under its management by the year 2025 and \$2 trillion in 2030.³¹⁶ The PIF holds stakes in firms such as Softban's Vision Fund, Magic Leap, Lucid Motors, Uber Technologies, Babylon Health, Jio Platforms, Alibaba Group Holding. PIF's expansive portfolio includes technology firms, companies operating in tourism, hotels, power and desalination, physical retail, and even helicopter services. The Saudi sovereign wealth fund has a balanced international investments alongside national investment initiatives. Also, the PIF attempts to improve the Saudi technology habitat through domestic investments such as;

- Elm (a digital service firm wholly owned by the PIF)
- Noon (Riyad based e-commerce marketplace)
- The Saudi Information Technology Company (which the PIF also owns)
- The Jada Fund of Funds (launched by the PIF in order to further support the development of the region's private equity and venture capital ecosystem)

Some current studies have emphasized that SWFs currently serve more on the interests of the "ruling elites".³¹⁷ The primary assumption in this understanding is that ruling elites have realized that SWFs can serve as an instrument "to secure their

³¹⁴ "Saudi PIF ranks 5th among world's sovereign funds with \$620bn assets," Arabnews, accessed 05 May, 2022, <https://www.arabnews.com/node/2062391/business-economy>

³¹⁵ "RPT-Saudi sovereign fund PIF says total staff count crossed 1,000 in Dec," Reuters, accessed in 05 May, 2022, <https://www.reuters.com/article/saudi-pif-hires-idUSL1N2IX09D>,

³¹⁶ Robert Mogielnicki, Public Investment Fund Grows, Bets Big on Tech, AGSIW, published in 12 Jan, 2022, <https://agsiw.org/public-investment-fund-grows-bets-big-on-tech/#:~:text=The%20PIF%20plans%20to%20achieve,help%20support%20these%20growth%20ambitions>.

³¹⁷ Ibid., see also Sara Bazoobandi and Jeffrey B. Nugent, Political Economy of Sovereign Wealth Funds in the Oil Exporting Countries of the Arab Region and Especially the Gulf, Working Paper no. 1143 (Gizeh: Economic Research Forum, October 2017), <https://erf.org/wp-content/uploads/2017/10/1143.pdf> (accessed 24 January 2019); Artur Grigoryan, "The Ruling Bargain: Sovereign Wealth Funds in Elite-dominated Socie-ties", Economic of Governance 17, no. 2 (Mai 2016): 165–84.

domestic political dominance against both internal and external threats”.³¹⁸ Thus, the report by SWP Berlin has regarded the upgrading of the PIF in Saudi Arabia as a means of promoting a centralization and concentration of power.³¹⁹ Patronage networks have been designed through the state apparatus prior to 2015. However, the new era has dismantled the decades-long patronage networks controlled by different factions within the ruling family with the existence of different centers of power.³²⁰ Although the previous system has been well described by Steffen Hertog as “segmented clientelism”³²¹, the new era under the crown prince MbS could be best described as the “centralized clientelism”.³²²

4.3.2.2. Fiscal Policy Change

Since 2016, we have witnessed a change in fiscal policies of the GCC countries from asset drawdowns towards the issuance of government debt, as they experienced the threat that withdrawal of government deposits might place liquidity pressures on local financial markets. These bonds have met with strong international demand given a global environment of overaccumulation and the search for higher returns, making the Gulf a central player in emerging market debt – in 2016, around 14% of total emerging market debt issued internationally came from the Gulf.³²³ Also, the scale and severity of the budgetary shortfalls caused by the continuing low price of oil throughout 2015 “eventually left Gulf officials with little choice but to introduce various forms of austerity measures intended to bring spending down from surplus-fuelled highs. In Saudi Arabia, the government delayed payments to construction

³¹⁸ Hatton and Pistor, “Maximizing Autonomy” (see note 114), 13ff.

³¹⁹ Stephan Roll, “A Sovereign Wealth Fund for the Prince,”

³²⁰ See, e.g., Madawi Al-Rasheed, “Circles of Power. Royals and Society in Saudi Arabia”, in *Saudi Arabia in the Balance – Political Economy, Society, Foreign Affairs* ed. Paul Aarts and Gerd Nonneman (New York, 2006).; Iris Glosemeyer, “Saudi Arabia: Dynamism Uncovered”, in *Arab Elites. Negotiating the Politics of Change* ed. Volker Perthes (Boulder, 2004).

³²¹ Steffen Hertog, *Princes, Brokers, and Bureaucrats. Oil and the State in Saudi Arabia* (Ithaca, 2010)

³²² Stephan Roll, “A Sovereign Wealth Fund for the Prince,”

³²³ “Regulators Highlight Actions to Stimulate Debt Capital Market at Gulf Bond and Sukuk Association Regional Debt Market Summit,” Zawya, published November 8, 2017, <https://www.zawya.com/en/press-release/regulators-highlight-actions-to-stimulate-debt-capital-market-at-gulf-bond-and-sukuk-association-regional-debt-tro7v7n2>

firms in late 2015 in a bid to reduce the country's deficit for the year. This move caused a rare political intervention by Saudi business leaders in February 2016".³²⁴

While the Saudi government attempted to decrease the previous characteristics of government expenditures and diversify the export streams of the country, it also took the endeavor of diversifying revenue streams of the government seriously.

4.3.2.3. Education Policy

Education has accounted for one of the highest proportion of government expenditures between 2016-2021.³²⁵ The budget allocation for the year 2022 demonstrates the importance given to the improvement of the country's educational environment since education took the biggest share reaching up to \$ 254,6 billion in the 2022 budget with its share of 19.37 % of the total budget, followed by the general items sector.³²⁶ However, although education accounted for 18,9 % of government expenditures in 2020 compared to 12,1% for OECD member countries, education attainment levels still stand below the developed markets. In order to increase the quality of the educational system and to empower the Saudis, Saudi Vision 2030 has envisaged the increase of the rate of Kindergarten enrolment, the enlargement of the distance learning experiences with a focus on life-long learning understanding, and a focus on increasing vocational training.

4.3.2.4. Private Sector Contribution

According to Adam Hanieh, with the Vision 2030 and National Transformation Program, the Saudi ruling class aims beyond reducing government spending.³²⁷ The actual aim is the placement of the private capital at the center of the Saudi economy by the means of Public-Private Partnerships and selling off the state firms through

³²⁴ "Saudi makes \$10.7 billion of delayed payments to private sector: executive quoted," Reuters, accessed 05 May, 2022, <https://www.reuters.com/article/us-saudi-spending-idUSKBN13F088>

³²⁵ "Saudi Arabia Education Report 2021," Knight Frank, <https://argaamplus.s3.amazonaws.com/63ef7efd-d6e9-451c-956d-a4c5408ad119.pdf>

³²⁶ "Education takes biggest chunk of Saudi public spending in 2022," Arabnews, accessed in 12 July 2022 <https://www.arabnews.com/node/1986011/business-economy>

³²⁷ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East* (Cambridge: Cambridge University Press, 2018). p.262.

Initial Public Offerings (market capitalization). Those planned sell offs such as the some percent market capitalization of Aramco, are envisaged as the primary sources of revenue for a newly repurposed Sovereign Wealth Fund (Public Investment Fund), unambiguously linked to the internationalization and expansion of the very largest domestic Saudi conglomerates. In the same line with this privatization objective, finance minister, Mohammad Al-Jadaan talked about the identification of a pipeline of 160 projects across 16 sectors including assets sales and public-private partnerships, through to 2025. These identified privatization projects are hoped to raise about 55 billion dollars over the next four years for the Saudi budget.³²⁸ According to Andrew Englands, Riyadh's main target is transfer the financial and operational burdens of some service sectors to the private sector.³²⁹ It is crucial to pay attention to that, as England also added, the scope of the privatization programme in the Kingdom does not cover entities from the PIF. Furthermore, even from the announced privatization programme, so less has been achieved until now.

According to Ashraf Mishrif, well performing market economy seems a far distance for the Kingdom, as long as the Kingdom sees the public sector as the main source of employment and economic growth.³³⁰ According to him, the role of the private sector remains limited since the dominant position of the state-owned companies leads private companies to outsourcing or subcontracting of the public projects. Furthermore, Mishrif argues that Public-Private-Partnership (PPP) projects bears huge significance for the diversification of the economy in the Kingdom.³³¹

Furthermore, in order to increase a source base for the private sector, the Saudi government has considered increasing the market capitalization of the Saudi private companies in the stock exchange market (Tadawul). As Tadawul was formed in 2007, its primary objective was, as Tim Niblock well discusses, the search for the

³²⁸ "Saudi Arabia hopes to raise \$55bn through privatisation," Financial Times, accessed 12 July 2022, <https://www.ft.com/content/741b2221-e9fb-4363-bc3f-b9cf6eee1ca0>

³²⁹ Ibid.

³³⁰ Ashraf Mishrif, "Introduction to Economic Diversification in the GCC Region," in *Economic Diversification in the Gulf Region, Volume I The Private Sector as an Engine of Growth* ed. Ashraf Mishrif and Yousuf Al Balushi (Palgrave Macmillan Singapore: Cambridge, 2018), p 20.

³³¹ Ibid. p.21.

development of the stock markets within the country as going public for the resolution of some problems in the companies in the private sector.³³² In Saudi Arabia such as the increasing the competitiveness and effectiveness of the company management, getting rid of the company being torn apart due to the family rifts emerged from the power politics among the second generation of the family, having necessary financial basis for the opportunity of making new investments in domestic and international markets, and having the opportunity make mergers with other companies.³³³ In this regard, the Saudi Vision, with its Financial Sector Development Program launched in 2017, has considered the development of the Saudi financial market to become an advanced capital market as having high importance.

4.3.2.5. Regulatory Framework

Since the announcement of Saudi Vision 2030, the ruling elite has been in pursuit of increasing its rate and ranking of Doing Business since it is thought that improvement in this ranking will help the Kingdom attract more capital from domestic and foreign capitalists. In order to have a better ranking of Doing Business for the Kingdom, several regulatory frameworks have been planned and implemented.

4.3.2.6. Cultural Openings

Concomitant with the diversification and foreign investment attraction plans of the ruling elite, the cultural openings have been regarded as a two sided impact for the Kingdom. On the one hand, cultural openings such as the increasing numbers of recreational activities ranging from new theaters, cinemas, concerts halls, bianells etc. and touristic facilities across the Red Sea coast have the objective and power to meet the entertainment demands of the young population. On the other hand, it has the potential to deepen the capital accumulation processes and economic growth, by leading to the fact that the domestic population and expatriate population spend their holidays and leisure times within the Kingdom.

³³² Tim Niblock and Monica Malik, *The Political Economy of Saudi Arabia*, p.160-162.

³³³ Ibid.

4.4. Challenges to Transformation

As it has been discussed and observed in the rentier state literature, the rentier characteristics of state-society relations have been the most difficult aspects of the process of realizing transformation in the Kingdom of Saudi Arabia. Given the attempts of reforms or diversification, there are various interests at stake in the structure of the Saudi political economy. Historically, the oil-exporting economy of Saudi Arabia has privileged citizens and capital class “through an economic model in which the state is the engine of growth, a source of employment, and the provider of a range of social and economic benefits”.³³⁴ Central to this implicit social contract between the state and the society in the Kingdom of Saudi Arabia has been the provision of basic commodities such as water and energy at highly subsidized prices and services health care, housing and free education. Also, the reserve of labor force due to high expatriate numbers in the country, the subsidized energy prices and lucrative public projects have shaped the structure of privileges in the relationship between the state and the private sector. Furthermore, the state formation process of the Kingdom and the legitimacy gained through a pact between the Wahhabi religious creed have been the important factor in the case of any reform attempts in the country. Thus, it remains an important challenge for the ruling elite to deal with in the implementation process of the Vision 2030. Also, the success to deal with the religious resistance by the religious authorities, groups or even individuals will also show the decisiveness of the ruling elite for the transformation of the country’s economic and socio-cultural landscape.

Based on the privileges and the political legitimacy base of the state formation process, the spirit of the implicit social contract generates a general framework for any challenge to emerge. Given this consideration, the following section will examine the challenges that the ruling elites have been facing during the implementation of Saudi Vision 2030. In order to understand the factors affecting the trajectory of the vision program, challenges need to be identified since those challenges have an impact on the progress by making direct pressures on the ruling

³³⁴ Karen E. Young, *The Political Economy of Energy, Finance and Security in the United Arab Emirates: Between the Majilis and the Market* (New York: Palgrave, 2014).

elite or on the considerations of the ruling elite indirectly. Thus, the process is operated through an entangled network of relationships between the existent forces. Challenges will be discussed through two main sections; political challenges and structural challenges. Political challenges will mainly refer to the factors related with the agency and capability of the state institutions in order to perform the implementation process sufficiently. Structural challenges considered will regard the environment in which decision making processes have been operating.

4.4.1. Political Challenges

Political challenges regarding the current transformation process of the Kingdom of Saudi Arabia might be divided into three groups; intra-monarchical fractions, institutional capacity, and decisiveness. After discussing the importance of intra-monarchical fractions for the trajectory of the policy implementation of the Kingdom, institutional capacity to achieve the objectives and deal with the arising problems and the potential reluctance of the ruling elite to continue the reform projects in the meantime will be observed as important challenges for Saudi Arabia.

4.4.1.1. Intra-Monarchical Fractions

The Saudi monarchy has experienced several disputes among the princes in its history. While some disputes have been related to power politics which had a temporary character, the ongoing dispute among the princes has been one regarding the economic trajectory of the Kingdom. Historically, the most remarkable political dispute has been between King Saud and Prince Faisal in the late 1950s and the early 1960s. This has been concluded with the triumph of Faisal when King Saud was deposed from the throne with the help of the official religious clergy in 1963. While the Kingdom has experienced other political conflicts such as the conflict between King Abdullah and Nayef, though some scholars call their relationship as a conservative-liberal allegiance³³⁵ during the 2000s, the death of King Abdullah and Salman bin Abdulaziz coming to power as the new king in 2015 marked an era of increase of the Sudairi Seven. The rising of King Salman to the throne radically

³³⁵ “Toeing the royal line: Resolving succession amidst Saudi conflict,” The John-Hopkins News Letter, accessed 12 July 2022, <https://www.jhunewsletter.com/article/2011/11/toeing-the-royal-line-resolving-succession-amidst-saudi-conflict-20626>

changed the implicit alliance between the princes.³³⁶ This change has followed the rise of the princes from the Sudairi Seven to the top.³³⁷ The Sudairi Seven refers to the matrilineal identity of an influential alliance of seven brothers born to King Abdulaziz and Hassa bint Ahmad al-Sudairi. As Hanieh calls it, King Salman has been one of the Sudairi Seven. After he was appointed as the King, King Salman made strategic appointments, moving his sons and some of allies into key positions within the Kingdom. The influence of the Sudairi princes extends its reach with both minor and senior posts within the policy making mechanisms in the Kingdom. Regarding the rising power of the members of the Sudairi Seven, Tally Helfont argues that amid a regional climate which has the characteristics of a breeding ground for instability and uncertainty, the consolidation of power in the hands of a small royal group may help the country weather the transition successfully.³³⁸ While the consolidation of power of the Sudairi Seven for under King Salman and the Crown Prince MBS has proved successful until now, there are several scholars arguing about the potential conflict zones within the royal family and intra-monarchical conflicts still pose a real threat to MBS.³³⁹ Even Madawi al-Rasheed further argues that the most crucial threat for the ruling elite is the palace intrigue rather than regionally or globally caused threats. In this regard, as political instability is a prerequisite for domestic and foreign investors to spend their money in a country and to achieve sustainable development for a country, even rumors about the succession after King Salman negatively affect the current reform attempts.

³³⁶ Stephane Lacroix, "Saudi Arabia's Muslim Brotherhood predicament," in *The Qatar Crisis* ed. M. Lynch (Washington: The Project on Middle East Political Science (POMEPS) Papers, 2017), pp. 51-53.

³³⁷ "The Sudairi Seven Back on Top," Foreign Policy Research Institute, accessed 12 July 2022, <https://www.fpri.org/2015/01/the-sudairi-seven-back-on-top/>

³³⁸ Ibid.

³³⁹ Madawi Al-Rasheed, "Saudi Arabia: Royal dissent could keep MBS from the throne," *Middle East Eye*, published 17 January 2022, <https://www.middleeasteye.net/opinion/saudi-arabia-royal-dissent-could-keep-mbs-throne>

Secondly it relates to the rivalry of different camps in terms of economic trajectory. In this regard, as pointed out by a report by the Atlantic Council³⁴⁰, there are mainly three different camps within the royal family. These are those who oppose the reforms and transformation at all, those who favor the more liberal openings and those who are in favor of a controlled and state-led transformation process. The last camp is the dominant one. The report also describes the Crown Prince MBS as in this dominant camp. Furthermore, based on the arguments of Piotr Schulkes in his MEI Policy Center report³⁴¹, the current management under MBS could be defined as more radical in his efforts of consolidation and centralization of power and dealing with the socio-cultural norms. He is neither economically pure liberal nor socially conservative. Thus, socially conservative or economically liberal monarchy members have criticisms of his policies. However, due to their divisiveness and lack of capability to get united, those socially conservative and economically liberal monarchy members could have not posed a united challenge to the current management. Nevertheless, as economic interests of the royal members have been defined through the proximity to MBS, those who are out of privilege could pose a threat to the Crown Prince.

4.4.1.2. Institutional Capacity

Besides the political volatility, institutional uncertainty is unattractive to international business. This is both affected by the durability of the institutions and uncertain quality and reliability of statistical and data sources provided by the government institutions. The lack of sufficiency and precise data also negatively affects a public policy trajectory since decision makers can not get the essential and precise data. Also, the implementation of the precise public policy necessitates sufficient coordination between different institutions in their overlapping job areas. Thus, the establishment of CEDA under MBS could be seen as an attempt to overcome the limited capabilities of the existing institutional infrastructure. Taken together with the difficulty of institutional upgrading in an environment identified by implicit

³⁴⁰ Stephen Grand and Katherine Wolff, "Assessing Saudi Vision 2030: A 2020 review," Atlantic Council Report (2020)

³⁴¹ Piotr Schulkes, "Mega-projects and Small Enterprises- Understanding Saudi Arabian Banks' Role in Economic Development," MEI Policy Center, September 2021.

rentier bargain and social benefits, the establishment of overarching bodies of institutions are considered as important in order to efficiently manage the policy implementation. The difficulty of institutional upgrading through renovation of the existing bureaucratic institutions could be understood by considering the “segmented clientelism” conceptualization of Steffen Hertog regarding the bureaucratic institutions especially the Saudi bureaucracy since this definition has well underlined and demonstrated the decades-long presence of several interest groups within the ministries and government institutions.³⁴²

Furthermore, in addition to the prominence of institutional efficiency and capacity, the current policy objectives and even implementations create new dilemmas for the policy process. Thus, to achieve more resilience to get the best out of the process requires more institutional flexibility towards the problems emerged during the process itself. Firstly, since the long-felt need of labor policy change in the Kingdom to replace the local citizens with the expatriate workers threatens the profit maximization process, the aim of the Saudi government to raise more revenues out of the privatization process is conflicted with the current labor policy change. Secondly, besides its negative social impacts, subsidy cuts also increase the costs of the private sector, damaging the contribution of the private sector to the GDP and economic development and employment creation. Thirdly, the official objective of encouraging the SMEs and entrepreneurship within the Kingdom requires financially diversified banking system, which will lend credits to the small and medium scale enterprises, however, the current acts of large-mergers and financial burdens of large scale projects such as NEOM and the Red Sea creates difficulty to the objective of the private sector funded by a competitive banking system.³⁴³

As discussed by Makio Yamada³⁴⁴ regarding the question of “why institutional upgrading is not so easy in rentier states”, the role and support of the existing capitalist class within the Kingdom is crucial for the diversification attempts. As we

³⁴² Steffen Hertog, *Princes, Brokers, and Bureaucrats. Oil and the State in Saudi Arabia*.

³⁴³ Piotr Schulkes, “Mega-projects and Small Enterprises- Understanding Saudi Arabian Banks’ Role in Economic Development,”

³⁴⁴ Makio Yamada, “Exploring why institutional upgrading is not so easy in rentier states,” *POMEPS Studies* 33, 2019

have seen before, the development of the Saudi bourgeoisie has always been intertwined with its proximity and connections to the monarchy. As the ruling monarchy has already had a class base which is dependent upon it and supports it, it is not easy to just turn over the interests of this class. In this regard, the centralization of power in the hands of MbS or a small group of people would only create a specific class base as also claimed by Adam Hanieh.³⁴⁵ The only changing characteristic in this new relationship would be the names within the class as the ruler wants him to be abided by all sorts of figures within the system in favor of their own interests and benefits. Yamada argues, in this regard, that patronage and clientelism will continue even bigger with the new opportunities created by the new diversification attempts.³⁴⁶ In the same line with this argument, Adam Hanieh regards the fall of Oger Company and the marginalization of the Hariri family as a reconfiguration of the long-standing relationships between certain parts of the Saudi capitalist class and the Saudi ruling family. Also, as an attempt to weaken the rival branches of the ruling family, 2017 Ritz-Carlton arrests were mainly aimed at the business leaders closely associated with wings of the ruling family outside the Sudairi lineage.³⁴⁷

4.4.1.3. Decisiveness to Reform

As Wilson argues, even though some reforms in the first half of the new millennium have been achieved such as successful reforms in banking sector and financial system, the second boom starting in 2003 gave the decision makers more room to maneuver. Thus, this created an excuse to postpone some components of economic reform such as putting the new taxes on hold. Besides the fiscal relaxation due to rising oil prices, the decisions of the rulers for implementing and maintaining the reform process could be influenced by the crisis. For example, the Arab Spring movements have reversed the course of first diversification attempts in the Kingdom and King Abdullah announced the promise of 60,000 security force posts, 500,000

³⁴⁵ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East*. p.260.

³⁴⁶ Ibid.

³⁴⁷ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East*. p.1.

new homes and several benefits³⁴⁸ to avoid the unrest. Those watered-down policy outcomes demonstrate the fear of the ruling monarchy to lose power and control.³⁴⁹ Furthermore, the Saudi monarchy has politically opposed the economic openness to the international arena in order not to lose its political power to control and not to lose its capability of creating new rent mechanisms and controlling the existing ones.³⁵⁰ However, the policy of increasing the VAT to % 15 from %5 in June 2020 in pandemic conditions demonstrates the decisiveness of the Crown Prince MBS in order to achieve the reform objectives and transformation aspired by him.

Furthermore, in addition to the cutbacks in decisiveness of the ruling elite for reform, as Kinninmont argued well in 2017³⁵¹, association of the whole reform process in Vision 2030 with only one person, Crown Prince Mohammad bin Salman in the Saudi case, could end up with being a distraction from the fundamental need to implement economic diversification. Kinninmont also emphasizes the fact that such a deeply powerful association of Vision 2030 with the Crown Prince would be highly vulnerable since the sustainability and implementation of Vision 2030 will be in correlation with the sustainability of the Crown Prince in office.³⁵²

4.4.2. Structural Challenges

4.4.2.1. Private Sector and Class Struggle

The World Bank defines the private sector as pointing out the indistinct character of the dividing line between public and private sectors.³⁵³ According to this definition,

³⁴⁸ “Saudi Arabia’s king announces huge jobs and housing package,” Guardian, accessed 12 July 2022, <https://www.theguardian.com/world/2011/mar/18/saudi-arabia-job-housing-package>

³⁴⁹ Kristian Coates Ulrichsen, *Economic Diversification Plans: Challenges and Prospects for Gulf Policymakers*, AGSIW Visions of Change Series, Policy Paper 2, 2016

³⁵⁰ Rodney Wilson, “Good International Governance, Implications for Saudi Arabia’s Political Economy,” in *Good Governance in the Middle East Oil Monarchies* ed. Martin Hetherington and Tom Pierre Najem (London: routledge, 2003), p.102.

³⁵¹ Jane Kinninmont, “Vision 2030 and Saudi Arabia’s Social Contract: Austerity and Transformation,” Chatham House, Research Paper, 2017.

³⁵² Ibid.

³⁵³ “World Development Report 1989, Financial Systems and Development. New York: Oxford University Press. 1989. <https://openknowledge.worldbank.org/handle/10986/5972>

the private sector is usually considered as the collection of enterprises that are owned by individuals or groups not representing the state, where the public sector comprises government agencies and state owned enterprises. However, the definition of the World Bank emphasized that in practice, this division between public and private sector is always blurred. The blurred nature of the dividing line is particularly beyond being apparent in the case of Saudi Arabia³⁵⁴, since the extent to which the state controls or partly owns many of the enterprises which operate in the commercial/industrial sector is very high.³⁵⁵

Beside the state ownership and partnership of the commercial/industrial sector enterprises, the development of the private sector has been dependent on the government spendings and the government projects.³⁵⁶ According to Vassiliev, the development of domestic bourgeoisie in the Kingdom has been based on the real estate operations and the distribution of the commodities of foreign companies as the authorized local agency.³⁵⁷ Wilson also emphasizes that the oil boom periods have benefited most to the trading sectors in the Kingdom since the government expenditure financed from petroleum revenue helped stimulate traditional trading; indeed many of the merchant families became extremely wealthy.³⁵⁸

Thus, as Cristian Coates Ulrichsen argues, the ruling elite in the Kingdom have always experienced the difficulty of having the private sector on their side during the reform process, mainly because reforms pose a dangerous threat to their interests in several areas. The first challenge is related to the labor market regulations. Labor market regulations and the policies to restrict and limit the numbers of the expatriates cause headaches for the private sector due to the potential loss of cheap labor forces.

³⁵⁴ John R. Presley, "A Guide to the Saudi Arabian Economy," (Macmillan, 1984), p.27–8; Caroline Montagu, "The Private Sector of Saudi Arabia," (Committee for Middle East Trade, 1994), p.61.

³⁵⁵ Tim Niblock and Monica Malik, *The Political Economy of Saudi Arabia*, p.26.

³⁵⁶ Aissaoui (2013). 'Saudi Arabia's Economic Diversification: Progress in the Context of the GCC and Challenges', APICORP Economic Commentary, June 2013

³⁵⁷ Alexei Vassiliev, *The History of Saudi Arabia* (London; Saqi Books, 1998), p.845.

³⁵⁸ Rodney Wilson, *Economic Development in the Middle East*. p.52.

Also, changing the Kafala system towards a more contract-based system is also a real challenge to the power and cost effectiveness of the private sector actors.³⁵⁹ In the short-run, new regulation of the rights of the expatriates has a disruptive effect on the productivity of Saudi firms since it discourages them from capital investments.³⁶⁰

Furthermore, the enforcement of the Nitaqat program and more stringent Saudization quotas by the firm have also negative effects. As emphasized by Jennifer Peck, those quotas and the Nitaqat program led to the closure of thousands of firms unable to comply with Saudization quotas.³⁶¹ According to Rodney Wilson, the policy of replacing expatriate workers with more expensive and often less flexible Saudi workers potentially undermines this competitive advantage which private sector businesses have.³⁶² This partly explains why over 4000 Saudi businesses are now located in Dubai where there is less pressure to restrict work permits. The danger is that the replacement of expatriate labor could actually damage employment rather than increase employment opportunities for domestic citizens.

According to England, in the five years since Saudi Arabia launched its “Vision 2030” programme, there have been complaints about companies being crowded out by the PIF, while costs have increased as Riyadh has slashed energy and fuel subsidies, increased value added tax and more forcibly enforced quotas on the employment of Saudis, which tend to be more expensive than foreign workers who dominate the private sector. John Sfakianakis argues that the private sector is concerned about the rise in fees and taxes while the government wants to create a more slimmed-down state, and reduce their liabilities to the private sector.³⁶³

³⁵⁹ Kristian Coates Ulrichsen, “The Politics of Economic Reform in Arab Gulf States,” Rice University’s Baker Institute for Public Policy Research Paper, June 2016, 16.

³⁶⁰ “Saudi Arabia announces major reforms for its migrant workers,” World Bank Blogs, published December 18, 2020, <https://blogs.worldbank.org/peoplemove/saudi-arabia-announces-major-reforms-its-migrant-workers>

³⁶¹ Jennifer R. Peck. “Can hiring quotas work? The effect of the Nitaqat program on the Saudi private sector.” *American Economic Journal: Economic Policy* 9, no. 2 (2017), 316-47.

³⁶² Rodney Wilson, *Economic Development in the Middle East*. p.52.

³⁶³ “Saudi Arabia hopes to raise \$55bn through privatization,” *Financial Times*, accessed 12 July 2022, <https://www.ft.com/content/741b2221-e9fb-4363-bc3f-b9cf6eee1ca0>

According to Piotr Schulkes³⁶⁴, there is a discrepancy and contradiction between the policy objectives and the tools used to achieve Vision 2030 goals. As a clear example of this, he demonstrates that the job creation and economic development through SMEs and entrepreneurship requires a much more diversified financial and banking system. However, when we look at the large-scale mergers and financial burdens of mega-projects such as NEOM and the Red Sea Project, we could see that the conventional experience of the Saudi banking system could not be changed in such structural circumstances. To achieve the goals described by Vision 2030 would necessitate a vibrant private sector funded by a competitive banking system which has the motivation to give credits through retail transactions. Thus, it is remarkable to argue that while the shift in the debt policy of the government towards the increase of the bond issuance and international borrowing has increased the potential of the Saudi commercial banks of reserving more credit to the private sector³⁶⁵, now under the management of the Crown Prince MBS, the tendency towards mega-projects have also negative impact of crowding out commercial actors since banks are still inclined to do business with large companies such as SABIC and ARAMCO.³⁶⁶ Thus, McPherson Smith regards the PIF's current investments as contradictory political dichotomy as it paradoxically both supports private sector development and ambitious projects that ignore market signals or national champions that risk crowding out smaller firms.³⁶⁷

Moreover, Hanieh emphasizes the historical close relationship between the Saudi economic policymaking and the accumulation of the Gulf's capitalist classes.³⁶⁸ According to him, the Vision 2030 and National Transformation Plan shows that

³⁶⁴ Piotr Schulkes, "Mega-projects and Small Enterprises- Understanding Saudi Arabian Banks' Role in Economic Development,"

³⁶⁵ Rodney Wilson, 2021, *Economic Development in the Middle East*, p.34.

³⁶⁶ Piotr Schulkes, "Mega-projects and Small Enterprises- Understanding Saudi Arabian Banks' Role in Economic Development,"

³⁶⁷ Oliver McPherson-Smith, "Diversification, Khashoggi, and Saudi Arabia's Public Investment Fund," *Global Policy*, London School of Economics and Political Science, vol. 12(2), 2021), p.190-203.

³⁶⁸ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East*.

such a configuration will likely continue. Based on Hanieh's emphasis on the expansion and internationalization of the Saudi domestic capital and its continuing orientation with the Saudi economic policymaking, he argues that the relationship between the ruling class and the Saudi domestic capital will deepen.

4.4.2.2. National Labor Market

Employment generation has been seen as a major problem of development states since the 1950s.³⁶⁹ Labor intensive production was seen as a solution to this looming problem often channeled into exports as it took place in Asian countries.³⁷⁰ This is now more difficult to achieve since the world is more competitive³⁷¹ with a transition to the production and exports of low-cost, high-quality labor-intensive³⁷² as well as technologically sophisticated commodities.³⁷³ However, regarding the GCC countries in general and Saudi Arabia in particular, employment generation has another important dimensions which Asian states have experienced to a little extent, which is the role of the state as considered by the population having responsible for the provision of every aspects of social life³⁷⁴ as well as the high reluctance with working at relatively low wages in longer times in the private sector.

The fundamental challenge of the Saudi regime is to encourage Saudi citizens to seek out private-sector positions and deal with the deep-rooted expectations developed within the context of redistributive mechanisms for decades. As observed by

³⁶⁹ See Lewis 1954, Ranis 1973, Baer and Hervé 1966

³⁷⁰ DeMelo (1985) and Chenery, Robinson, and Syrquin (1986) provide detailed numerical data.

³⁷¹ Marcus Noland and Howard Pack, "Arab Economies in a Changing World", p.86.

³⁷² Zahra Babar, 'Labor Migration to the Persian Gulf Monarchies', in *The Oxford Handbook of the Sociology of the Middle East* ed. Amando Salvatore, Sari Hanafi, and Kieko Obuse (Oxford: Oxford University Press, 2020); Michael Herb, *The Wages of Oil: Parliaments and Economic Development in Kuwait and the UAE* (Ithaca, NY: Cornell University Press, 2014).

³⁷³ Zahra Babar, 'Population, Power, and Distributional Politics in Qatar', *Journal of Arabian Studies* 5, no. 2 (3 July 2015): 138–55; Steffen Hertog, *Princes, Brokers, and Bureaucrats: Oil and the State in Saudi Arabia* (Ithaca: Cornell University Press, 2010); Michael Herb, 'A Nation of Bureaucrats: Political Participation and Economic Diversification in Kuwait and the United Arab Emirates', *International Journal of Middle East Studies* 41, no. 03 (2009): 375–95; Herb, *The Wages of Oil*. 2010

³⁷⁴ Tim Niblock and Monica Malik, *The Political Economy of Saudi Arabia*, p.191.

Wilson³⁷⁵, Saudi youth have unrealistic expectations in terms of wages and work conditions in the private sector, while they primarily prefer the public sector and wait for a suitable job in the public sector for years without searching for work.

As a response to the fiscal burden of the Saudi population and the failure of the employment generation in the private sector, what the ruling elite has been attempting to achieve firstly is, according to Hanieh, to avert the crisis to other spaces, in this case, the expatriates.³⁷⁶ Although they have been taken advantage of as a temporary migrants flow for decades, in the time of crisis, they are again utilized as a spatial fix to the crisis. The current policies of adoption of fees and restrictions over the expatriates are good examples to this. Although the latest change of the Kafala system has benefited the expatriates in terms of more rights and flexibility, this change aims at decreasing the competitiveness of the migrants vis-a-vis the national labor.

According to Hertog, the new double segmentation of Gulf labor markets creates potential challenges for authoritarian stability in the region.³⁷⁷ Government in Saudi Arabia has tried to increase citizen employment proportion in the private sector via a range of quota rules and by reserving particular occupations to nationals. It has also announced unemployment insurance and assistance systems, temporary wage subsidies, and training and job placement mechanisms for citizens.³⁷⁸ However, new citizen entrants on the Saudi Arabian labor market are at a large disadvantageous position relative to older incumbents in the public sector, whose privileges are particularly deep and stable. While the labor conditions of citizens in the private sector are not comparable with those of low-wage migrants, they face wage

³⁷⁵ Rodney Wilson, 2021, *Economic Development in the Middle East*, p.34.

³⁷⁶ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East*.

³⁷⁷ Steffen Hertog, 'Arab Gulf States: An Assessment of Nationalization Policies'; Jennifer R. Peck, 'Can Hiring Quotas Work? The Effect of the Nitaqat Program on the Saudi Private Sector', *American Economic Journal: Economic Policy* 9, no. 2 (2017). p.316–47.

³⁷⁸ World Bank, *The Jobs Agenda for the Gulf Cooperation Council Countries* (Washington, D.C.: World Bank, 2018).

competition on a scale that does not exist in other economies.³⁷⁹ Also, the announcement of the reservation of most retail jobs for Saudi citizens is not likely to meet the welfare expectations of the young generations.³⁸⁰

If the integration of the new labor market entrants fails, this is a real threat for the Crown Prince Mohammad bin Salman. MbS has achieved social opening through concerts, theaters, biansels etc. But has not managed to change the already inherited labor market structures. Failing to generate new job offerings for the youth bulge is a crack that has to be in near future overcome. Furthermore, even if the leadership in the Kingdom has achieved new national culture seeking out to work in the private sector with a less care of the previous public sector benefits of the older generation and their current less comfortable position, the Saudi labor force has long period of time in order to be competitive in world standards due to the lack of training and necessary quality.

4.4.2.3. Educational System

Besides the unrealistic expectations of the Saudi youth for their career plans, Mishrif and Alabduljabbar hold the Ministry of Education responsible for the uncompetitiveness of the Saudi labor force. They accuse the Ministry of Education of not having a clear set of visions for the Saudi education system and the labor market.³⁸¹ They also highlight the poor organizational structures and the centralisation of the ministerial functions at structural level, while stressing the outdated teaching and learning methods, lack of transferable and analytical skills, and limited access to information technology and its utilization in the learning process. Such deficiencies hinder the prospect of Saudi citizens in participating in the increasingly globalized marketplace. According to Wilson, the educational system in

³⁷⁹ Steffen Hertog, "What would the Saudi economy have to look like to be "post-rentier"?", *The Politics of Rentier States in the Gulf*, POMEPS Studies, 33, (2019): p.29-33.

³⁸⁰ Michael Herb, "Labor markets and economic diversification in the Gulf rentiers," *The Politics of Rentier States in the Gulf*, POMEPS Studies, 33, (2019): p.8-12.; and Michael Herb, "The Political Realities of Economic Reform in the Gulf Monarchies." 25. ERF Policy Brief. Economic Research Forum. (2017), <http://erf.org.eg/publications/the-political-realities-of-economic-reform-in-the-gulf-monarchi>

³⁸¹ Ashraf Mishrif, "Introduction to Economic Diversification in the GCC Region," p.21-22.

the Kingdom of Saudi Arabia does not provide students necessary qualifications well suited for employment.³⁸²

OECD data shows that Saudi Arabia has the lowest proportion of upper secondary students enrolled in vocational programmes among OECD and partner countries with available data.³⁸³ Also, based on OECD data, it is clear that there is a noticeable difference in the ratio of students graduating from engineering faculties and social sciences faculties to total students in Saudi Arabia. In this regard, while the percentage of graduates in the field of arts and humanities and also in the field of business, administration and law is high compared to the OECD and partner countries, the percentage of graduates in the field of engineering, manufacturing and construction is one of the lowest among OECD and partner countries.³⁸⁴

4.4.2.4. Social Mobilization and Resistance

Another important potential challenge in the trajectory of transformation in the Kingdom is the potential of social mobilization and resistance against the policy implementations and changes in tangible life practices. As shown earlier, while the society plays an important role in creating fiscal burden for the Saudi state budget and creating pressures of employment generation imperative for the ruling elite for their economic interests, they may also play a crucial role in demanding social changes and reforms in terms of cultural realm on the one hand and conservation of the status quo on the other hand. Thus, they could be conceived as both the causes of the transformation and the reactionary to the transformation itself. Although social forces could demand transformation, change and adaptation to the global networks in terms of social, economic and political realms, they could support the conservation of the socio-cultural practices and political economic structures in the Kingdom. While this process is mainly driven by material interests of people or social groups

³⁸² Mohammed Bosbait and Rodney Wilson, 'Education, School to Work Transitions and Unemployment in Saudi Arabia', *Middle Eastern Studies*, Vol. 41, No. 4 (July 2005), pp. 533–545.

³⁸³ "Saudi Arabia, Overview of the education system (EAG 2021)," OECD Data, accessed 12 July 2022, <https://gpseducation.oecd.org/CountryProfile?plotter=h5&primaryCountry=SAU&treshold=5&topic=EO>

³⁸⁴ "Distribution of graduates and new entrants by field," OECD Data, accessed 12 July 2022, https://stats.oecd.org/Index.aspx?datasetcode=EAG_GRAD_ENTR_FIELD

especially for the Saudi case, social forces also manifest some non-material interests in their practices. Thus, social forces in directing and shaping the transformational trajectory of the Kingdom of Saudi Arabia have been more crucial than assumed. This section with its limitation to the scope and content of discussion attempts to analyze the impact of social forces as both supporters and obstacles of transformation process and diversification attempts of the ruling elite.

Regarding the attempts of diversification and attraction of foreign direct investments, the ultra-conservative climate of the country creates concerns for foreign investors. Thus, according to Schneider, the biggest challenge of Saudi Arabia remains the softening of ultraconservative social norms without alienating conservative citizens.³⁸⁵ However, it is highly difficult since as described by Halliday, globalization is often seen as a threat to the Islamic values.³⁸⁶ Thus, any attempt to adopt foreign values and practices into the Kingdom might be encountered with the rising mobilization of the conservative forces against them. However, as portrayed by Gray, since Islamists take up the theme corruption as an issue which is against the Islamic values, regimes might become to be more responsive to societal concerns of fighting with corruption and inefficiency of administrative institutions in order not to be threatened by an Islamist discourse.³⁸⁷

As observed by Nonneman, civil society may have a significant power affecting the outcome of the some for of democratization or political landscape of a country³⁸⁸ since it may help restrict the power of the state.³⁸⁹ However, the development of civil

³⁸⁵ Frederic G. Schneider, "The Stalling Visions of the Gulf: The Case of SA's Vision 2030," published 14 May 2021, <https://www.washingtoninstitute.org/policy-analysis/stalling-visions-gulf-case-saudi-arabias-vision-2030>

³⁸⁶ Fred Halliday, "The Middle East and the Politics of Differential Integration," in *Globalization and the Middle East: Islam, Economy, Society and Politics* ed. Toby Dodge and Richard Higgott (London: Royal Institute of International Affairs, 2002), 45-56.

³⁸⁷ Matthew Gray, "Theory of 'Late Rentierism'" p.21.

³⁸⁸ Gerd Nonneman, "Political Reform in the Gulf Monarchies: From Liberalization to Democratization? A Comparative Perspective," in *Reform in the Middle East oil monarchies* ed. Reform in the Middle East oil Monarchies (Berkshire, UK: Ithaca Press, 2008), pp 3-47.

³⁸⁹ Gerd Nonneman, "Political Reform in the Gulf Monarchies: From Liberalization to Democratization? A Comparative Perspective," p.5.

society is itself shaped and influenced by several other factors such as socioeconomic development, existing political culture, and importantly, the willingness of the existing regime to tolerate it.³⁹⁰ In addition to that, Nonneman argues that compelling statistical and other evidence shows socio-economic development – encompassing economic development, literacy, urbanization, and technology – to be positively correlated with the evolution of civil society, with the growth of the middle class and bourgeoisie.³⁹¹ In the literature, the concept of civil society is mainly associated with the official and institutional manifestations of interests of groups of people. However, Moritz criticizes restricting the scope of civil society only to organizational formation.³⁹² Rather, she emphasizes the necessity of extending our understanding of civil society towards the unofficial and non-organizational forms of gatherings and interest-sharings such as diwan meetings, summer camps, masjid gatherings etc. in the case of Saudi Arabia.³⁹³ Furthermore, she touches upon the necessity to understand the civil society actors not stuck in one place, rather having flexibility to create new alliances and change course of actions.³⁹⁴

Historically, as sources of social mobilization and resistance, Saudi Arabia has experienced three major social forces, such as official clergy, unofficial Islamists (moderate or radical), and civil society activism (human rights and women rights).³⁹⁵ Unofficial Islamists and civil society activism have mainly increased their

³⁹⁰ Rex Brynen, Bahgat Korany and Paul Noble, “Introduction: Theoretical Perspectives on Arab Liberalization and Democratization,” in *Political Liberalization and Democratization in the Arab World: Theoretical Perspectives* ed. Brynen, Korany and Noble (Boulder: Lynne Rienner 1995), pp.10–14.

³⁹¹ Gerd Nonneman, “Political Reform in the Gulf Monarchies: From Liberalization to Democratization? A Comparative Perspective,” p.15.

³⁹² Jessie Moritz, “Reformers and the Rentier State: Re-Evaluating the Co-Optation Mechanism in Rentier State Theory,” *Journal of Arabian Studies*, 8:sup1, (2018), p.46-64.

³⁹³ For further details, see Jessie Moritz, “Slick Operators: Revising Rentier State Theory for the Modern Arab States of the Gulf,” PhD Dissertation (Australian National University, 2016).

³⁹⁴ Jessie Moritz, “Oil and societal quiescence: Rethinking causal mechanisms in rentier state theory,” in *The Politics of Rentier States in the Gulf*, The Project on Middle East Political Science (Washington, 2019). pp. 40-43.

³⁹⁵ Madawi Al-Rasheed, “Saudi Arabia: local and regional challenges,” *Contemporary Arab Affairs*, 6:1, (2013), p.28-40.

mobilization power following the Gulf War of 1990-1. They were mainly together in their criticisms and reform demands during the 1990s. However, the turn of the millennium showed a changing tendency towards the separations and differences among those groups, being affected by different strategies of the state elite. The official clergy has been effective in shaping the conservative roots of the socio-cultural environment and maintaining the legitimacy of the regime within the Kingdom.³⁹⁶ However, it does not mean that the official clergy has always followed the path of the regime. In some moments, for example, the decision of the King Abdullah to launch co-education in KAUST in 2009 has sparked a powerful criticism by ulama, even though King Abdullah dismissed the chief of the Council of Senior Scholars as a result of this criticism.

The early 2000s saw an opening tendency in terms of socio-cultural landscape of the country manifested itself in the National Dialogue Initiative of the Crown Prince Abdullah³⁹⁷ and the electronic petitions with a content of reform demands including economic and political realms by several social forces.³⁹⁸ However, the securitization policy of the post-Arab Spring period saw a more radical shift towards repressing any discontent. The era of King Salman and the Crown Prince MBS also took a step further to such a repressive policy, signified by crackdowns over civil society activists and moderate Islamists. Those crackdowns have attracted the interest of international public opinion and several campaigns have been launched by several international human rights organizations accusing the ruling elite of the Kingdom of human rights violations. Besides international human rights organizations, several Saudi diaspora also struggle to expose human rights violations in the Kingdom.³⁹⁹

While the period following the Gulf War has experienced an increase of social mobilization in the Kingdom, the following two decades proved the resilience of the

³⁹⁶Stéphane Lacroix, *Awakening Islam: The Politics of Religious Dissent in Contemporary Saudi Arabia* Comparative Political Studies (London: Harvard University Press, 2011), p.418-422.

³⁹⁷ He would be the King in 2005.

³⁹⁸ Raed Abdulaziz Alhargan, "Saudi Arabia: Civil Rights and Local Actors," *Middle East Policy*, 19: (2012). p.126-139.

³⁹⁹ Hassan Oz, "Undermining the transatlantic democracy agenda? The Arab Spring and Saudi Arabia's counteracting democracy strategy," *Democratization*, 22:3, (2015). p.479-495.

ruling elite in their means to deal with such mobilizations, through a combination of repressive and consensual means.⁴⁰⁰ Also, the two decade period showed us the scattered characteristics of the Saudi social mobilization with diversified interests and means to achieve the objectives. For now, any social mobilization potential has been seen as repressed even though Saudi Arabia has not seen a powerful social mobilization and demonstrations on the ground even in the course of the Arab spring.⁴⁰¹ It is crucial to emphasize that the regime under MBS has a radical perspective of reforms. However, as experienced with the detentions of mobilizations for the right to drive in 2017, even though mobilizations have been in parallel with the objectives of the ruling elite, mobilizations on the ground non intermediary of the ruling elite have been rigorously suppressed by the regime.

4.5. Opportunities

As mentioned above, there are different types of challenges in Saudi Arabia. While these challenges affect the transformation process through their own capacities, Saudi Arabia seems to have opportunities to achieve its goals in line with the objectives it has set. Most recently, the most important of these opportunities relates to the global energy transition, as global action on the energy transition puts huge pressures on Saudi Arabia in terms of change. The opportunity, on the other hand, is about where and how this incoming pressure will be directed to and channeled, because the pressure felt at the point of change actually aligns with the most basic goals of the ruling elite. Saudi Arabia aims at economic diversification and the global energy change wave is affecting this change practically because Saudi Arabia also has an advantage in terms of renewable energy sources.

There are several discussions in the literature regarding the opportunity creating factors of crisis. For example, as Hassan Hakimian discussed in the course of the 2008 global financial crisis in Brookings Institute in 2009, the 2008 global financial crisis has created a unique opportunity for Saudi Arabia to realize its ambitious

⁴⁰⁰ Caroline Montagu, "Civil Society in Saudi Arabia: The Power and Challenges of Association," The Royal Institute of International Affairs (Chatham House, 2013).

⁴⁰¹ Toby Matthiesen, *The Other Saudis: Shiism, Dissent and Sectarianism* (Cambridge Middle East Studies). (Cambridge: Cambridge University Press, 2014). doi:10.1017/CBO9781107337732

internal reform programs. Based on the Saudi challenge in youth unemployment, Hakimian claimed that the current slowdown may just offer the government a faster way (at least on paper) of achieving some of the more ambitious targets it has set itself for achieving “Saudization” of the local workforce in the years to come.⁴⁰² Since labor-intensive sectors such as construction, manufacturing, retail and service sectors predominantly consist of non-nationals, decision-makers could evaluate the fiscal crisis caused by the dropped oil prices as a right time to act for an initiative to increase the rate of the Saudis in those labor-intensive sectors. As such, Arab Spring movements are also seen in the same line with this approach as its crisis has given the Saudi monarchy to realize and legitimize its necessity for reform itself. We have seen the manifestation of the mentioned reform programs focused on the Saudization of the private sector with the help of the Nitaqat program launched just after the Arab Spring movements. Since 2011, Saudization in the private sector has given its benefits despite its low levels compared to the announced and aimed level.

Furthermore in terms of opportunities that the Kingdom has, Adam Hanieh also touches upon this issue in his book and argues that climate change reactions create new opportunities for Saudi Arabia.⁴⁰³ Conflict can act as a driver of liberalization and the creation of markets, a chance to push forward new policies that reshape expectations, change social norms, and shift patterns of accumulation in ways that were previously blocked.⁴⁰⁴ In this sense, violent conflict ‘should be regarded as the emergence of alternative systems of profit and power, rather than simply the breakdown of a system’.⁴⁰⁵ Large GCC-based institutions such as the Saudi Fund for Development, the Abu Dhabi Fund for Development, the Kuwait Fund for Arab Economic Development, and the Islamic Development Bank are already active

⁴⁰² Hassan Hakimian and Navtej Dhillon, “Global Economic Crisis: A Catalyst for Change in Saudi Arabia?,” published Wednesday, February 25, 2009, <https://www.brookings.edu/on-the-record/global-economic-crisis-a-catalyst-for-change-in-saudi-arabia/>, accessed February, 2022

⁴⁰³ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East*, p.266.

⁴⁰⁴ Christopher Cramer, *Civil War Is Not a Stupid Thing: Accounting for Violence in Developing Societies* (London: Hurst & Company, 2006).

⁴⁰⁵ Mandy Turner, “Follow the money, uncover the power dynamics: understanding the political economy of violence,” *Jadaliyya*, published 29 August 2017, http://cities.jadaliyya.com/pages/index/27077/follow-the-money-uncoverthe-power-dynamics_unders.

across the region and will certainly play a major role in determining where post-conflict funding goes and on what it is spent.⁴⁰⁶

Globally, energy transition implementations have been regarded as having several economic opportunities to the economy of the countries and the global economy as whole although it creates several problems for the ongoing economic structure. It is claimed that the transition to renewable energy would help create an overall economic growth and employment. According to a OECD report prepared in the context of the German Presidency of the G20 called Investing in Climate, Investing in Growth, integrating measures to tackle climate change into regular economic policy will have a positive impact on economic growth over the medium and long term and taking action on climate change will boost economic growth.⁴⁰⁷ Far from being a dampener on growth, integrating climate action into growth policies can have a positive impact,” said OECD Secretary-General Angel Gurría, presenting the report at the Petersberg Climate Dialogue in Berlin. Furthermore, Radoslav Dimitrov contends that one of “the key drivers behind the success of the Paris climate accord was the persuasive argument about the economic benefits of climate action, which, in turn, altered preferences in favor of policy commitments. This demonstrates that the parties to the Paris Agreement have been convinced of the feasibility of the actions regarding the climate crisis”.⁴⁰⁸

Amidst the decreasing investment rates for the hydrocarbon resources recently, the production and use of renewable energy resources have been extended all over the world. Renewable energy, especially solar (PV and CSP) has become less expensive to produce. On the global market, solar technology now delivers power at prices comparable to traditional electricity plants. Expanding solar power electricity generation now makes both political and economic sense, particularly since Gulf governments are reducing electricity subsidies, the price that consumers will pay for either renewable or traditionally produced electricity will be more in line with

⁴⁰⁶ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East*.

⁴⁰⁷ “No More Business As Usual: Seizing Opportunities in the New Climate Economy,” New Climate Economy Report, published 2015, <http://newclimateeconomy.report/2015/>

⁴⁰⁸ Ibid.

international prices. In this regard, Saudi Arabia, as other the GCC states, has new and powerful incentives to invest in renewable energy sector:⁴⁰⁹

- for preserving natural gas and oil resources,
- for creating more job offerings in new fields and,
- for the attraction of foreign investment.

Several studies claim that energy transition could be achieved relatively easily in KSA and UAE owing to their characteristics as the following;⁴¹⁰

- solar power availability (PV)
- revenues to invest in capital-intensive, low-carbon energy technologies like nuclear power
- expertise in energy sector
- investments in CCUS technologies

Furthermore, according to Daniel Yergin⁴¹¹, the Gulf countries especially UAE and Saudi Arabia see themselves having opportunities to both diversify their economies through new investments in transition to renewable energy and to create revenues by being the residual, low cost, low carbon producer of oil and gas that the world will need at the same time. Those oil producers thereby prove a double respond. As it is mentioned by Yergin also, the growth of Environmental, Social, and Corporate Governance (ESG) investments have been in the agendas of the world leaders, giving leverage to the attempts of diversification of the Gulf countries. Discussions regarding the fact that oil and gas will be in the global energy system ‘for decades,’ as BP chief says, has importance for our analysis here since it shows that the above-mentioned double response demonstrated by the UAE and Saudi Arabia has the

⁴⁰⁹ Karen E. Young, “Prioritizing Renewable Energy in a Time of Fiscal Austerity,” AGSIW, published 19 June 2017, <https://agsiw.org/prioritizing-renewable-energy-time-fiscal-austerity/>

⁴¹⁰ Aisha Al-Sarihi, “Prospects for Climate Change Integration into the GCC Economic Diversification Strategies,” LSE Kuwait Programme Paper Series, No. 20, February 2018.

⁴¹¹ Daniel Yergin, “Why Energy Transition Will Be So Complicated,” Financial Post, published 14 December 2021, <https://financialpost.com/commodities/energy/oil-gas/daniel-yergin-why-the-energy-transition-will-be-so-complicated>

opportunity to be achieved.⁴¹² Furthermore, like other industry leaders, Looney has admitted the continuous role of oil and gas for the energy market in the near future because energy transition from hydrocarbon energy resources towards renewable ones necessitates some period of time.⁴¹³ These show us that the experts in the energy markets figure out the reality of the energy transition in the future in the same way that the Gulf leaders act for their diversification attempts. Daniel Yergin clearly observes the complexity of transition from carbon fuel to renewables and hydrogen as it has the potential to create a new North-South divide between the developed and developing countries and new technologies also are dependent upon the exploitation of carbon fuels to some degree. This shows us that the opportunities for Gulf countries in order to create revenue out of purchase of natural resources would be on the table for more decades, albeit at a decreasing pace.⁴¹⁴

4.6. Saudi Vision 2030: Achievements (2016 - 2022)

This section seeks to take a comprehensive look at the current state of Saudi Vision 2030. It attempts to discuss what has happened so far regarding the objectives in the Saudi Vision Program and National Transformation Program. In order to assess the progress, Vision 2030's own "Key Performance Indicators" (KPIs) and national economic data and surveys will be used where available. Also, the analysis of the progress will benefit from statistics and data from international organizations such as the World Bank, International Monetary Fund, World Trade Organization, think-tank and research institutions and consultancy firms. It is valuable to emphasize that where available, the assessment will be supported by the data from the several indexes demonstrating the scores achieved by looking at specific indicators for a specific subject such as World Competitiveness Index or World Happiness Index etc.

⁴¹² "Inflation fueled by new green policies will boost these stocks and sectors, strategist says" CNBC, accessed 12 July 2022, <https://www.cnbc.com/2021/11/15/inflation-fueled-by-new-green-policies-will-boost-these-stocks-strategist.html>

⁴¹³ "Oil and gas giants hit back at climate critics, say they're leaders in energy transition" CNBC, accessed 12 July 2022, <https://www.cnbc.com/2021/11/16/oil-and-gas-giants-say-theyre-active-in-energy-transition-already.html>

⁴¹⁴ Daniel Yergin, "Why Energy Transition Will Be So Complicated,"

Before diving into the statistics, it is important to give a general outlook for the progress so far. As observed by a report of the Atlantic Council, the Saudi Government's efforts have led to some noteworthy achievements in areas such as fiscal stabilization and macroeconomic management, the development of capital markets and the banking system, the digitization of government services, and social reforms.⁴¹⁵ However, in many other important areas such as creating jobs, acquiring the private sector a leading role in the economic growth and attracting foreign direct investment are falling short of their targeted objectives. For the objective of diversification to be achieved, the spirit of Saudi Vision 2030 is not to be abandoned. This is because it officially aims at bolstering the private sectors which could be globally competitive and enabling the entrepreneurial capacities of the citizens. However, in practice, the Saudi government has a top-down approach to the process which has been focused on the mega-projects as a source of political legitimacy and economic development. Achieving diversification requires making serious commitments to education and human capital development and creating a transparent and well-regulated environment for the private sector to thrive.⁴¹⁶

4.6.1. GDP

Following the price of oil, which had been \$115 per barrel in June 2014, plunged rapidly, reaching as low as \$28 a barrel in January 2016.⁴¹⁷ Government revenue fell to about \$133 billion (500 billion SAR) in 2016, which was almost \$320 billion (1200 billion SAR) in 2013. From this year, the GDP of Saudi Arabia has seen a general declining tendency owing to the decreasing oil prices. According the World Bank statistics⁴¹⁸, GDP has dramatically declined from 756,35 (billion US dollars) in

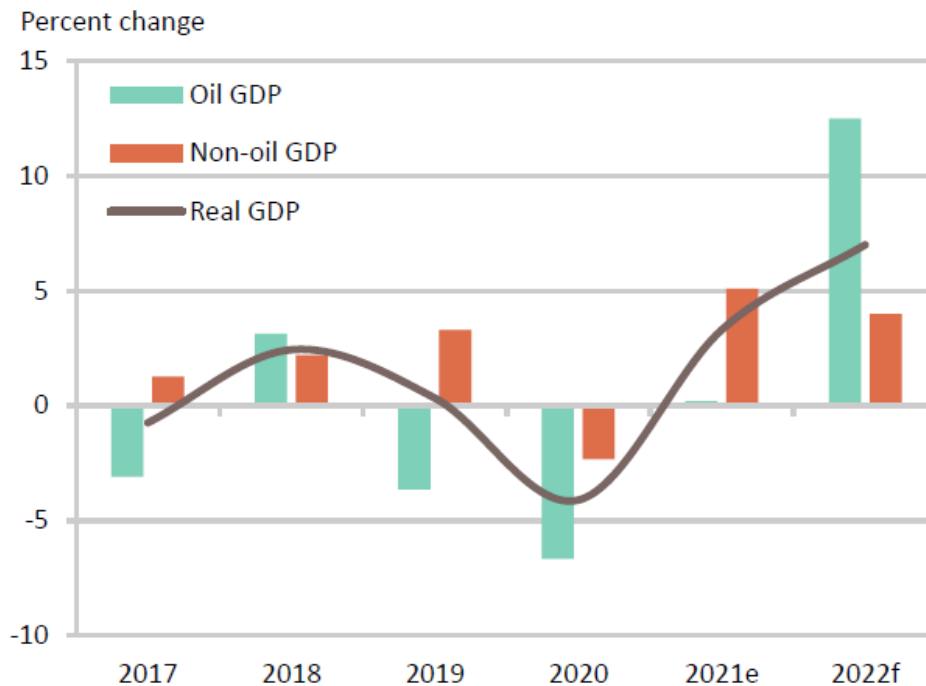
⁴¹⁵ Stephen Grand and Katherine Wolff, "Assessing Saudi Vision 2030: A 2020 review," Atlantic Council Report (2020) <https://www.atlanticcouncil.org/in-depth-research-reports/report/assessing-saudi-vision-2030-a-2020-review/>

⁴¹⁶ Ibid.

⁴¹⁷ Alex Lawler, David Sheppard, and Rania El Gamal, "Saudis Block OPEC Output Cut, Sending Oil Price Plunging," Reuters, accessed 12 July 2022, <https://www.reuters.com/article/us-opeec-meeting/saudis-block-opeec-output-cut-sending-oilprice-plunging-id>; and Mark Thompson, "OPEC and Its Allies Agree to Deeper Production Cuts to Prop Up Oil Prices," CNN, accessed 12 July 2022, <https://www.cnn.com/2019/12/06/investing/opeec-production-cuts/index.html>.

⁴¹⁸ "Saudi Arabia GDP" Trading Economics, accessed 12 July 2022, <https://tradingeconomics.com/saudi-arabia/gdp>

2014 to 654,27 (billion US dollars) in 2015. The year 2016 has also continued this tendency with a GDP of 644,94 (billion US dollars). With an increase in 2018 and 2019, the GDP of the country has reach 792,27 (billion US dollars) in 2019. Also, although the global pandemic has created a negative impact of contraction in GDP downwards 700 (billion US dollars), 2021 GDP has achieved a recovery with a value of 833 (current US billion dollars).⁴¹⁹



Sources: GASTAT Saudi Arabia and World Bank staff estimates

Figure 1 Saudi Arabia / Annual GDP Growth (2017 – 2022)

The figure 1 demonstrates the yearly change in GDP growth of Saudi Arabia based on a differentiation between oil GDP and non-oil GDP. When we consider the figure, we would claim that overall GDP expands by 7,7 percent in 2022 following a contract in 2020 due to the global pandemic conditions and low oil demand in that year. Oil sector GDP has reached 15,5 with the non-oil sector registering a rise of 3,4

⁴¹⁹ “Saudi Arabian Economic Outlook”, World Bank, accessed 12 July 2022, <https://thedocs.worldbank.org/en/doc/9c0921ab79a547605e27e296ab35af09-0280012022/original/mpo-sm22-saudi-arabia-sau-kcm3.pdf>

% . This shows us the high dependence continuing in the contribution of the oil sector to GDP growth in Saudi Arabia.⁴²⁰

When we look at the GDP per capita, according to the data from Jadwa Investment, it has increased following the global pandemic and it is projected to increase in a sharp manner in the following years.⁴²¹ Related to the GDP per capita, consumer spending has been increasing for several years. According to World Economics Research statistics, Saudi Arabia has been ranked at the 16th position in terms of GDP in purchasing power parity terms in 2021.⁴²²

The Private-Sector Contribution to GDP

Over the past three decades, the share of oil income in Saudi Arabia GDP has fallen. It decreased from 65% in 1991 to 42% in 2019, according to researchers from the King Abdullah Petroleum Studies and Research Center in Riyadh.⁴²³ However, Manfred Stamer, a senior economist with trade credit insurance company, Allianz Trade, who specializes in analysis of the Middle East region, argues that since the Vision 2030 is a long-termed project, right now it would be very early to talk about failure or success for the Vision 2030.⁴²⁴ However, he still argues, based on the data for the already past six years that it could not have met the expectations since not huge amount of economic transformation has been seen on the ground until now. He pointed out that oil and non-oil sectors have remained somehow unchanged compared to the data in 2016. Stamer also argues that the achievement of the

⁴²⁰ “The Saudi Economy in 2022” Jadwa Investment Report, published February 2022, <https://www.jadwa.com/sites/default/files/2022-05/Chartbook%20-%20May%202022.pdf> 2021e refers to the estimated numbers while 2022f refers to the forecasted numbers of the coming year.

⁴²¹ “The Saudi Economy in 2022” Jadwa Investment Report

⁴²² “Saudi Arabia's Gross Domestic Product (GDP)” World Economics, accessed 12 July 2022, <https://www.worldeconomics.com/Country-Size/saudi%20arabia.aspx>

⁴²³ “KAPSARC investigates ways to diversify non-oil exports to achieve Saudi Vision 2030” KAPSARC, accessed 12 July 2022, <https://www.kapsarc.org/news/kapsarc-investigates-ways-to-diversify-non-oil-exports-to-achieve-saudi-vision-2030/>

⁴²⁴ “Saudi Arabia's economic shift from oil to ski slopes” Deutsche Welle, accessed 12 July 2022, <https://www.dw.com/en/skiing-in-saudi-arabia-fantasy-or-genuine-economic-change/a-62090850>

Kingdom of Saudi Arabia for all the goals it has set in the Vision 2030 does not seem realistic.⁴²⁵ As of 2019, the private-sector contribution to GDP had only reached 40.67 percent⁴²⁶, while it has reached 44.1 % in the first quarter of 2021 at constant prices while the objective for 2030 is 65.⁴²⁷

Government Debt Ratio to GDP

As an important revenue stream for the new administration in Saudi Arabia, government debt had increased from 1,6 percent of GDP in 2014 to 5,8 percent in 2015. It had reached double digital such as 13,1 percent in 2016. Even though it has continuously increased since 2014 and is around 26,4 percent of GDP by the end of 2022, it is still modest by international standards.⁴²⁸ The figure 2 successfully demonstrates the change in the debt ratio-GDP on a year basis since 2016. It shows that the stability has been reached in terms of public debt ratio to GDP. Also, it is crucial to emphasize that even the highest ratio is very below the public debt ratio of the developed countries. Also, Jadwa report argues that based on the data from National Debt Management Center (MDMC), the level of total government debt is targeted as not changing very much in the consequent years.⁴²⁹

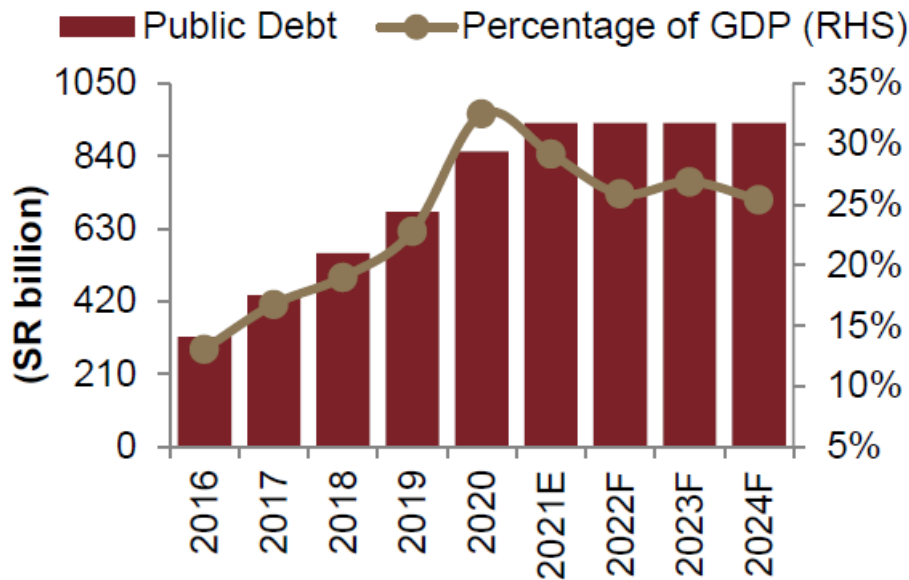
⁴²⁵ Ibid.

⁴²⁶ “Quarterly GDP at Constant Prices for 2010-2019”, General Authority for Statistics (Saudi Arabia), accessed 12 July 2020, <https://www.stats.gov.sa/en/823>.

⁴²⁷ “Private sector contribution to Saudi GDP rises to 44% in Q1 2021
“ Argaam, accessed 12 July 2022, <https://www.argaam.com/en/article/articledetail/id/1474849>

⁴²⁸ “Report for Selected Countries and Subjects,” World Economic Outlook Database, International Monetary Fund, April 2018, accessed on February 24, 2020, https://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weorept.aspx?sy=1980&ey=2023&scsm=1&ssd=1&sort=country&ds=.&br=1&c=456&s=NGDP_RPCH%2CPPP%2CPCPI%2CCLUR%2CGGXWDG_NGDP&grp=0&a=&pr.x=30&pr.y=1.

⁴²⁹ “The Saudi Economy in 2022” Jadwa Investment Report, accessed 12 July 2022, https://www.jadwa.com/sites/default/files/2022-03/20220221_Saudi-Economy-2022.pdf



Source: “The Saudi Economy in 2022”, Jadwa Investment Report

Figure 2 Saudi Arabia: Public Debt and Percentage of GDP (2016 – 2024)

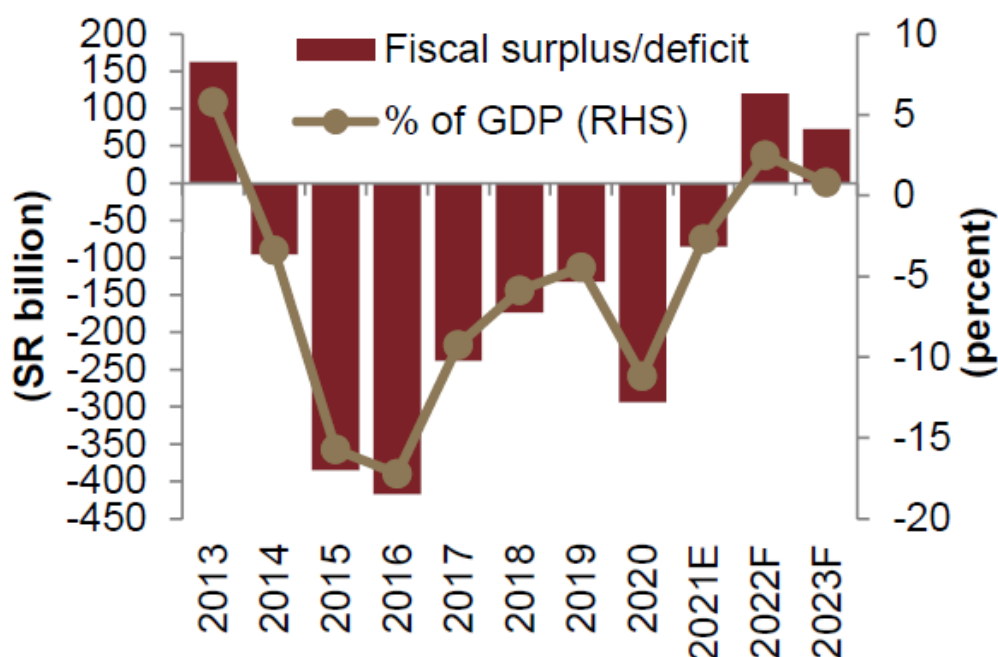
4.6.2. Fiscal Balance

After the plummet of oil revenues following the 2014 oil prices shock, the budget leaning into deficit, and falling foreign exchange reserves,⁴³⁰ it seems that Saudi policy makers did manage to stabilize the macroeconomic situation. However, government spending still goes disproportionately to public-sector wages. In 2015, the wage bill was around 45 percent of overall government expenditure; by the end of 2019, rather than showing a decrease, it reached 48 percent.⁴³¹ As a sign of

⁴³⁰ Since 2014, official foreign reserves have had a decreasing tendency. While it had decreased from about \$730 billion in 2014 to approximately \$600 billion at the beginning of 2016, in March 2020, it saw a sharp decline to \$464 billion. For a detailed analysis, see. Marwa Rashad and Davide Barbuscia, “Saudi foreign reserves fall at fastest for two decades,” Reuters, accessed 12 July 2022, <https://www.reuters.com/article/us-saudi-budget/saudi-foreign-reserves-fall-at-fastest-for-two-decades-idUSKCN22B0W5>; This level of foreign reserves is still considered as strong according to international standards and is the seventh highest in the world. “International Reserves and Foreign Currency Liquidity,” International Monetary Fund website, accessed on 12 July 2022, http://data.imf.org/?sk=98788e36-230c-46b3-ab14-3c8633f73903&hide_uv=1.)

⁴³¹ The plan of the 2019 budget for the wage bill was to drop it to 41,2 percent of annual expenditures. However, in 2020, the wage bill made up 49 percent of total government expenditures. “Saudi Arabia’s 2020 Fiscal Budget,” Jadwa Investments, accessed 12 July 2022,

stabilizing fiscal outlook, budgeted government expenditure is supposed to be SR955 billion in 2022, meaning it would be 3,5 and 6 percent lower than 2021 budgeted (SAR 990 billion) and actual (SAR 1.02 trillion) expenditure, respectively.⁴³² However, it is also crucial to emphasize that the Saudi budget is projected to have a fiscal surplus for the first time since 2013.



Source: “The Saudi Economy in 2022” Jadwa Investment Report

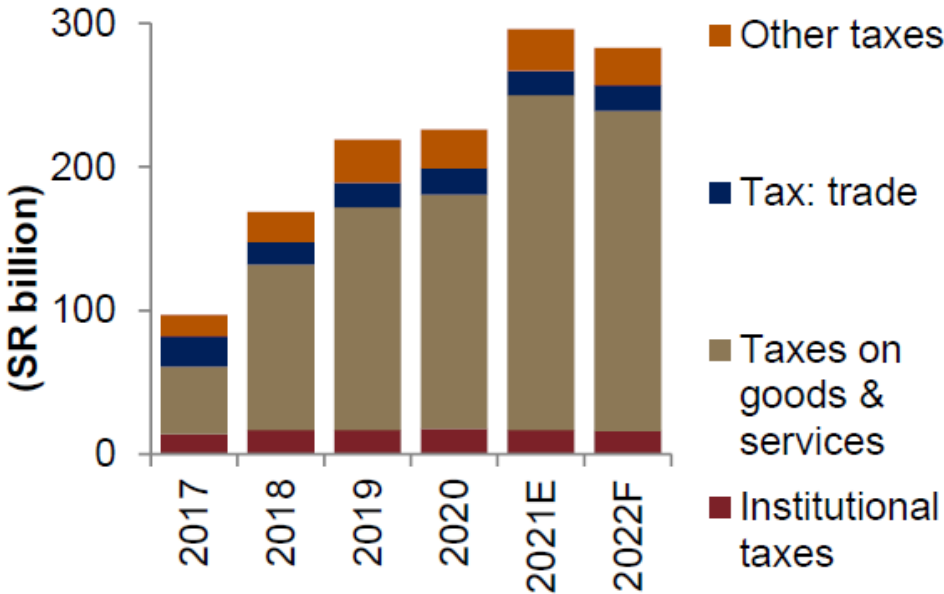
Figure 3 Saudi Arabia: Fiscal Surplus / Deficit (2013 – 2023)

Government Revenues

Since the announcement of Saudi Vision 2030, the Saudi government has attempted to diversify its revenue streams as a way of getting rid of its high dependence on oil revenues as well as the diversification of production and export of the country. International bonds and loans also issuance of domestic sukuks or financial certificates since 2016 has been an important means for the Saudi policy making in order to achieve its projects without consuming all the foreign reserves which the

⁴³² “The Saudi Economy in 2022” Jadwa Investment Report, accessed 12 July 2022, https://www.jadwa.com/sites/default/files/2022-03/20220221_Saudi-Economy-2022.pdf

country has piled up for decades. Although capital flight following the Ritz-Carlton Hotel incident has brought a halt to the government's plans of attracting FDIs into the Kingdom in an increasing pace⁴³³, the figure 4 shows us the yearly increase in the diversification of the government revenue streams. The most largest share has been recorded by the increase of the VAT from % 5 to % 15 in 2020 and it is on the rise for years.



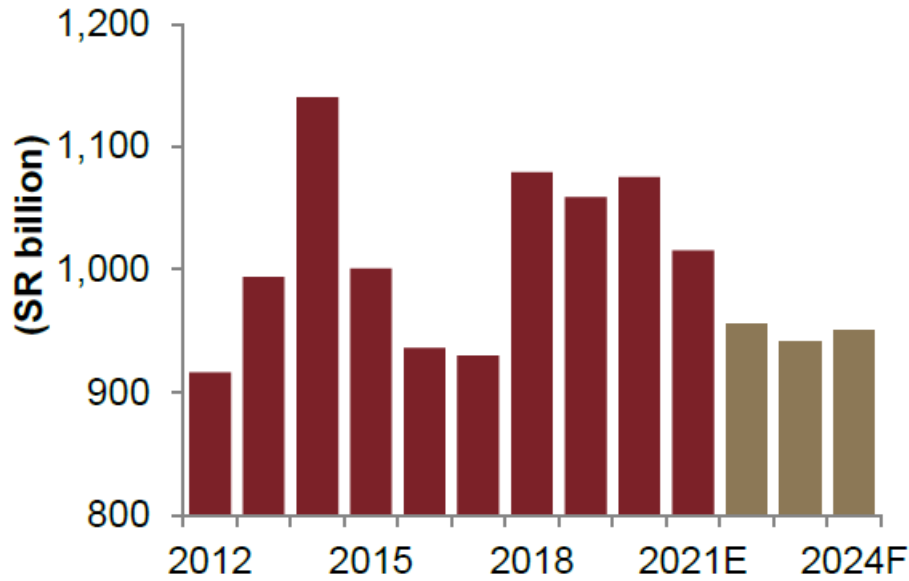
Other taxes = 'Other Taxes (including Zakat)
 Tax: trade = 'Taxes on trade and transactions (customs duties)
 Institutional taxes = 'Taxes on income, profits and capital gains'

Source: "The Saudi Economy in 2022" Jadwa Investment Report

Figure 4 Saudi Arabia: Non-Oil Tax Revenue by Type (2017 – 2022)

⁴³³ Karen E. Young, "Saudi Arabia's Problem Isn't the Canada Flight, It's Capital Flight," American Enterprise Institute, published 17 August 2018, <http://www.aei.org/publication/saudi-arabias-problem-isnt-the-canada-flight-its-capital-flight/>.

Government Expenditure

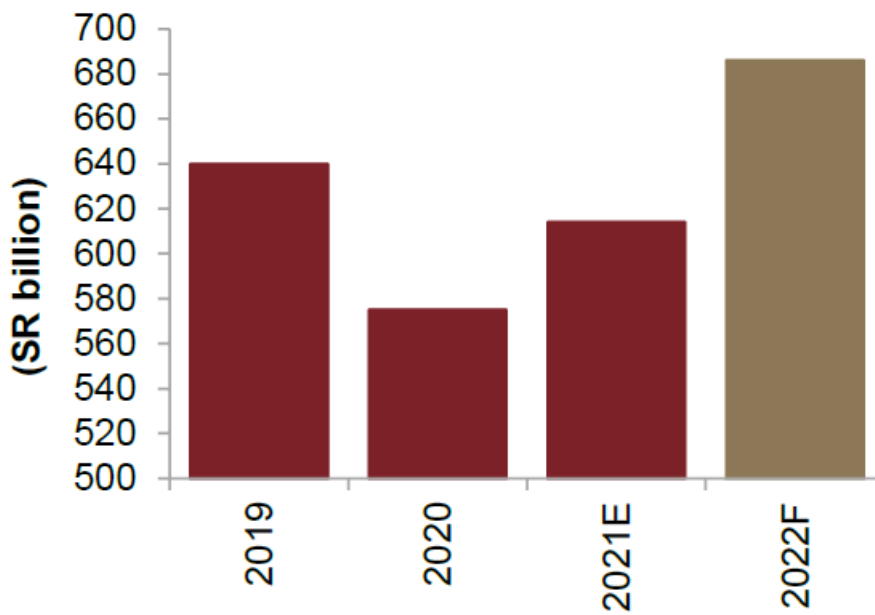


*actual till 2021, budgeted 2022-2024

Source: "The Saudi Economy in 2022" Jadwa Investment Report

Figure 5 Saudi Arabia: Government Expenditure (2012 – 2024)

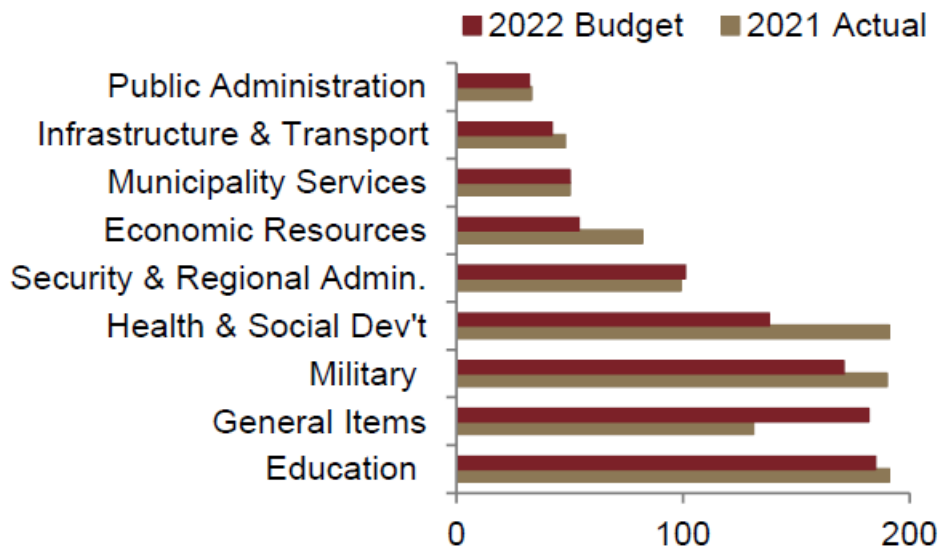
Although above figure shows the declining trend of government expenditure, it is important to emphasize that as the below figure shows, with the recently announced National Investment Strategy (NIS), total domestic investment (including government capex, PIF, 'Shareek' and NDF investments) will increase by 12 percent year-on-year in 2022, to SR686 billion.



Source: “The Saudi Economy in 2022” Jadwa Investment Report

Figure 6 Domestic Investment under the National Investment Strategy (2016 – 2022)

Also, when we compare the actual spending in 2021 and budgeted spending of 2022 by sector, the below figures show us the decrease in several areas of spending. While healthcare and social development, defense, education, infrastructure and transportation are still at the top of the public expenditure in 2022, education spending seems to decrease from SAR205 billion in 2020 to an estimated SAR191 billion in 2021, representing a 6,8% YoY decline. The budget for Healthcare and social development in 2022 is set to decrease by 27,6% to SAR138 billion from estimated SAR191 billion in 2021 in line with expectations that Covid-19-related spending will fall. CAPEX in 2021 is also estimated to fall by 27,7% YoY, to SAR112 billion. The estimate for defense spending indicates a reduction from SAR204 billion in 2020 to SAR190 billion in 2021, and is expected to reduce further, to SAR171 billion, in 2022.



Source: “The Saudi Economy in 2022” Jadwa Investment Report

Figure 7 Saudi Arabia 2022 Budget and 2021 Actual Spending

Trade and Non-Oil Exports

According to the Saudi 2022 report by KPMG, although Saudi exports increased from 652 (SAR billion) in 2020 to 935 (SAR billion) in 2021, the share of oil exports in total exports also increased from 448 (SAR billion) in 2020 to 693 (SAR billion) in 2021. This indicates the ongoing dependence of the Saudi economy on oil revenues and exports.⁴³⁴ In May 2021, the Kingdom announced that non-oil exports had grown 29% over the first quarter of the year, worth around \$21 billion (€19,6 billion).⁴³⁵ However, the data released by the General Authority for Statistics regarding the exports of the Kingdom in January 2022 clearly showed the continuing weight of the oil exports in total exports.⁴³⁶ It declared that the share of oil exports in

⁴³⁴ “Saudi Arabia Budget Report 2022,” KPMG, accessed 12 July 2022, <https://assets.kpmg/content/dam/kpmg/sa/pdf/2021/budget-2022-en.pdf>

⁴³⁵ “Saudi Arabia's economic shift from oil to ski slopes” Deutsche Welle,

⁴³⁶ “Saudi Arabian export stats show mixed results in non-oil commerce,” Al Monitor, accessed 12 July 2022, <https://www.al-monitor.com/originals/2022/03/saudi-arabian-export-stats-show-mixed-results-non-oil-commerce>

total exports increased from 73,7% in January 2021 to 77,6% in January 2022.⁴³⁷ Also, it stated that non-oil exports of the Kingdom decreased by SAR-5,5 billion or 18,5% compared to December 2021.

4.6.3. Labor Market and Unemployment Rate

Creating job opportunities for a rapidly expanding Saudi workforce outside the public sector has been regarded as the most daunting challenge for the Saudi Arabian government to deal with for decades. Thus, job generation has been an integral part of the Saudi Vision 2030, as it has been always officially declared and aimed at in the previous five-year plans. Saudi Vision 2030 has aimed at decreasing Saudi unemployment downward 7% in 2030. While unemployment among Saudis was 12,5% in 2016, In the fourth quarter of 2019, the unemployment rate stood at 12,0 percent.⁴³⁸ However, it was the lowest level since 2015. Also, the female unemployment rate, particularly for young women, remains high—30,8 percent in the fourth quarter of 2019 compared with a male unemployment rate of 4,9 percent. As the below figure shows, the estimated numbers demonstrate that the year 2021 scored an unemployment rate close to 11%.

Table 1 Saudi Arabia and Demographic Indicators (2015 – 2023)

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
Social and demographic indicators									
Population (million)	31.0	31.7	32.6	33.4	34.2	35.0	35.4	35.8	36.3
Saudi Unemployment (15+, %)	11.5	12.5	12.8	12.7	12.0	12.6	10.5	10.3	10.0
GDP per capita (\$)	21,095	20,318	21,114	24,438	23,485	20,089	24,170	26,487	26,267

Source: “The Saudi Economy in 2022” Jadwa Investment Report

⁴³⁷ “International Trade January 2022,” General Authority for Statistics, accessed 12 July 2022, <https://www.stats.gov.sa/sites/default/files/ITR%20JAN2022E.pdf>

⁴³⁸ The official goal in 2020 was 10,5 percent.

It is crucial here to argue that the pace of job creation can not be seen as slow by looking at the current improvement of the numbers of employment. The point to be questioned has to do more with the contribution of the private sector in the job creation. Investigating the contribution of the private sector in the job generation for Saudi citizens will be more helpful for examining the latest progress in the Kingdom and the consistency of the objectives of the initiatives and programs. Statistics by the Ministry of Human Resources and Social Development (HRSD) showed that the Saudi citizens only accounted for 23 % of the total workforce (8,5 million) of the private sector with 1.92 million workers in 2021.⁴³⁹ Even though the rate of Saudization in the private sector has been only 17,5 % in 2015, the latest figures, albeit showing an increase, still indicate the continuing dominance of the expatriates in the private sector.⁴⁴⁰ Based on the GASTAT data showing the Labor Market Statistics Quarter 4 2021, the total labor market had 3.038.945 Saudi employees and 10.850.192 non-Saudi employees in 2017. However, while the numbers of Saudis in the labor market increased to 3.450.047, the total number of non-Saudi employees decreased to 9.595.191 by the end of 2021.⁴⁴¹

As a devastating reality, a comparison of the numbers of Saudis working in public and private sectors between the years 2016-2022 tells a lot for us regarding the story in Saudi Arabia. According to the GASTAT data of quarterly Labor Market Statistics, by the end of 2016⁴⁴², 1.183.110 Saudis work for the public sector and 1.878.287 people work for the private sector. However, by the end of 2021⁴⁴³, while the number of Saudi employees increased by almost 350.000 to 1.539.981 in the

⁴³⁹ “Saudi Arabia's private sector workers hit 8.52 mln in 2021,” Argaam, accessed 12 July 2022, [https://www.argaam.com/en/article/articledetail/id/1557587#:~:text=The%20number%20of%20workers%20in,Social%20Development%20\(HRSD\)%20showed.](https://www.argaam.com/en/article/articledetail/id/1557587#:~:text=The%20number%20of%20workers%20in,Social%20Development%20(HRSD)%20showed.)

⁴⁴⁰ “Saudi Arabia: Citizens make up 21,8% of private sector workforce,” Gulf News, accessed 12 July 2022, <https://gulfnews.com/world/gulf/saudi/saudi-arabia-citizens-make-up-218-of-private-sector-workforce-1.76913406>

⁴⁴¹ Labor Market Statistics Q4 2021, General Authority for Statistics <https://www.stats.gov.sa/sites/default/files/LMS%20Q042021E.pdf>

⁴⁴² “Labor Market Bulletin 2016 Fourth Quarter,” General Authority for Statistics, accessed 12 July 2022, https://www.stats.gov.sa/sites/default/files/labour_market_fourth_quarter_2016_en001.pdf

⁴⁴³ Labor Market Statistics Q4 2021, General Authority for Statistics <https://www.stats.gov.sa/sites/default/files/LMS%20Q042021E.pdf>

public sector, the increase in the number of Saudi employees working in the private sector has been slightly more than 30.000 with the total number of 1.910.075. This shows that Saudi citizens still depend on job opportunities mostly in the public sector.

Overall low quality of education and skill mismatches for the private sector have been an important factor for such a high unemployment rate. Also, it is significant that graduates from universities have been more concentrated on faculties such as humanities and religious rather than science, technology, engineering and mathematics fields or vocational programs.⁴⁴⁴ By 2020, the Ministry for Labor and Social Development (MLSD) would like to see 50 percent of job seekers looking to the private sector, one million Saudis having completed job training (from 36,000 in 2016), and 950,000 Saudis having enrolled in technical or vocational training programs (from 104,000 in 2016). In increasing the engagement of the private sector in recruitment of Saudis, SME sectors have been targeted as one of the main pillars of such an increase. The official target is to increase the contribution of small-and medium- sized enterprises to non-oil GDP to % 35 in 2030 from % 20 in 2016. In order to achieve this objective, the Kafalah system as an SME loan-guarantee program has been announced in order to encourage the financial institutions to invest in small businesses.⁴⁴⁵

Also, the launching of the Saudi Venture Capital Company at its hand almost \$ 1 billion capital and “Funds of Fund ” announced by the Public Investment Fund with its \$1 billion capital as well has been officially aimed at supporting SMEs by investing the Venture Capital firms and private equity funds.⁴⁴⁶ The SME authority (Monshaat) has launched a support center called Meras with the aim of digitizing

⁴⁴⁴ Stephen Provasnik, Lydia Malley, Maria Stephens, Katherine Landeros, Robert Perkins, and Judy H. Tang, “National Center for Education Statistics, a unit of the Institute of Education Sciences, US Department of Education,” accessed 12 July 2022, <https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2017002>.

⁴⁴⁵ Halah al-Shathri, “Kafalah Program for SMEs Signs Agreement with Saudi Finance Company,” Arab News, accessed 12 July 2022,, <https://www.arabnews.com/ node/1463441/saudi-arabia>.

⁴⁴⁶ Katie Paul, “Saudi Sovereign Fund Creates \$1.07 Billion “Fund of Funds” to Back SMEs,” Reuters, accessed 12 July 2022, <https://www.reuters.com/article/saudifund-funds/saudi-sovereign-fund-creates-1-07-bl-fund-of-funds-to-back-smes-idUSL8N1MK3XH>.

resources with the purpose of decreasing the time spent on setting up a business towards down just one day.⁴⁴⁷ Also, the Misk Foundation has an important role in creating partnership between the international funds and domestic high-tech entrepreneurs.⁴⁴⁸

4.6.4. Business Environment

As a means of improving the quality of the business environment within the Kingdom, the Saudi government has attempted to increase institutional capacity and effectiveness of the Saudi bureaucracy. In this regard, KSA has experienced several initiatives making government services accessible online such as Aadaa⁴⁴⁹, Absher⁴⁵⁰, Etimad⁴⁵¹, new e-visa program launched in 2019. According to World Bank's Ease of Doing Business Ranking, the kingdom's 2020 score is a significant jump from 2019 (when Saudi Arabia was ranked ninety-second with a score of 63.5 percent)—the World Bank ranked Saudi Arabia as the number one most improved economy in terms of ease of doing business, based on regulatory reforms it enacted in 2018–2019.⁴⁵² Furthermore, as another measurement for the progress, in the ranking of the World Economic Forum (WEF) Global Competitiveness Index, which seeks to evaluate the long-term drivers of national competitiveness and growth of countries on a comparative basis, Saudi Arabia scored 67.5 percent in 2018 (with the top

⁴⁴⁷ Osama Ashri, "On the Fast Track: Saudi Arabia's Entrepreneurship Ecosystem," *Entrepreneur*, accessed 13 July 2022, <https://www.entrepreneur.com/article/336766>.

⁴⁴⁸ Caitlin Glazebrook, "500 Startups and MiSK Innovation to Launch Second Batch of the MiSK 500 Accelerator Program," 500 Startups blog, accessed 13 July 2022, <https://500.co/500-startups-misk-innovation-to-launch-second-batch-of-the-misk-500-accelerator-program/>.

⁴⁴⁹ Noor Nugali, "Smartphone Application Launched to Improve Public Agencies' Services in Saudi Arabia," *Arab News*, accessed 13 July 2022, <https://www.arabnews.com/node/1452376/saudi-arabia>

⁴⁵⁰ "Saudi Arabia's Absher App: Controlling Women's Travel While Offering Government Services," *Human Rights Watch*, accessed 12 July 2022, <https://www.hrw.org/news/2019/05/06/saudi-arabias-absher-app-controlling-womens-travel-while-offering-government>.

⁴⁵¹ "Ministry of Finance Launches Etimad—the Digital Services Platform," *Ministry of Finance (Saudi Arabia)*, accessed 12 July 2022, https://www.mof.gov.sa/en/MediaCenter/news/Pages/news_20012017.aspx.

⁴⁵² "Doing Business 2020: Saudi Arabia Accelerated Business Climate Reforms, Joins Ranks of 10 Most Improved," *World Bank press release*, published 24 October 2019, <https://www.worldbank.org/en/news/press-release/2019/10/24/doing-business-2020-saudi-arabia-accelerated-business-climate-reforms-joins-ranksof-10-most-improved>

performer at the level of 100 percent) and ranked 39 out of 140 in the world. The following year, in 2019, Saudi Arabia scored 70 percent overall and rose in the rankings to 36 out of 141 countries.⁴⁵³ Its ranking on the World Economic Forum's biennial travel and tourism development index has also improved. Compared to 2019 when it was 43rd in the world; Saudi Arabia made it to 33rd in 2021.⁴⁵⁴

Privatization

The Privatization Vision Realization Program announced in 2018 has only achieved some little privatization on the grounds of companies chosen for corporatization and partial privatization. Until 2020, the privatization attempt has only included the Saudi Professional Football League, flour mills at General Silos and Flour Mills Organization, the production sector at the Saudi Saline Water Conversion Corp., the Ras al-Khair desalination and power plant, a number of Saudi ports, and some services in the transportation sector. The government had also identified the health care, education, and postal sectors for possible privatization projects; however, these announcements could not go beyond good intentions so far.⁴⁵⁵ Furthermore, although currently the Saudi government announces the restart of the privatization plan for 29 airports⁴⁵⁶ and preparation for 160 privatization deals in 2022⁴⁵⁷ including health, education and logistics sectors, the government decision to cancel the privatization of the country's main water desalination company, Saline Water Conversion Corp, and

⁴⁵³ Klaus Schwab, "The Global Competitiveness Report," World Economic Forum, 2019, http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf.

⁴⁵⁴ "Travel & Tourism Development Index 2021," Weforum, accessed 13 July 2022, <https://www.weforum.org/reports/travel-and-tourism-development-index-2021/in-full/2-at-a-glance-travel-tourism-development-index-2021-overall-rankings>

⁴⁵⁵ In February 2020, Saudi Arabia completed the first privatization of a government-owned health care entity, the Saudia Medical Services Company. Nadaal-Rifai, "Saudi Arabia Completes Privatization of its First Government-owned Healthcare Entity," Zawya, accessed 13 July 2022, https://www.zawya.com/mena/en/markets/story/Saudi_Arabia_completes_privatization_of_its_first_govtowned_healthcare_entity-ZAWYA20200204124215/

⁴⁵⁶ "Saudi Arabia to Restart Privatization Plan for 29 Airports," Bloomberg, accessed 13 July 2022, <https://www.bloomberg.com/news/articles/2022-05-09/saudi-arabia-aims-to-restart-privatization-plan-for-29-airports#xj4y7vzkg>

⁴⁵⁷ "Saudi Arabia preparing for 160 privatization deals in 2022," Arabnews, accessed 13 July 2022, <https://www.arabnews.com/node/1975251/business-economy>

the transfer of both its direct and indirect assets to the Public Investment Fund (PIF), the government's sovereign wealth fund (SWF)⁴⁵⁸ reflect the continuing tendency of the weight of the government activities in important investment areas.⁴⁵⁹

Entrepreneurship and SME Growth

Saudi Vision 2030 aims at increasing loans by the banking sector to SMEs. As a specific KPI in order to measure the progress in this area, raising the percentage of loans to SMEs as a share of overall bank lending from a baseline of 2 percent to 5 percent by 2020 has been the main objective of the Saudi government. The Atlantic Council report argues, based on the statistics from the Financial Sector Development Program, such loans already represent 5,9 percent of overall lending, exceeding the 2020 target.⁴⁶⁰ The report also regards the 3,5 percent rise of bank credits given to the private sector as crucial, as of June 2019.⁴⁶¹ Based on the Financial Sector Development Program Q3 report in 2021, although bank credit to the private sector rose by 15,2% year-on-year, bank credit to the public sector rose by 38,0% year-on-year, indicating the continuing tendency of crowding out of the private sector by the public sector.⁴⁶² Also, the report shows that the current status of SME loans as a percentage of bank loans has reached 7,9 % in 2021, moving closer to the 2025 target of 11%.

⁴⁵⁸ "Saudi Arabia stops privatization of SWCC," Smart Water Magazine, accessed 13 July 2022, <https://smartwatermagazine.com/news/smart-water-magazine/saudi-arabia-stops-privatization-swcc>

⁴⁵⁹ "Saudi Arabia suspends privatization of desalination and power plant," Reuters, accessed 13 July 2022, <https://www.reuters.com/world/middle-east/saudi-arabia-suspends-privatisation-desalination-power-plant-2021-07-26/>

⁴⁶⁰ "Financial Sector Development Program: Quarterly Newsletter Q2 2019," Financial Sector Development Program (Saudi Arabia), <https://vision2030.gov.sa/sites/default/files/attachments/FSDP%20Quarterly%20Newsletter%20Q2%202019.pdf>.

⁴⁶¹ "Saudi Chartbook—June 2019," Jadwa Investments, accessed 13 July 2022, <http://www.jadwa.com/en/researchsection/research/chart-books?page=2>; "World Economic Outlook, April 2020: The Great Lockdown," <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>.

⁴⁶² "Annual Report 2021," SAMA, accessed 13 July 2022, <https://www.sama.gov.sa/en-US/EconomicReports/AnnualReport/Fifty%20Fourth%20Annual%20Report.pdf>

Another KPI in this area is increasing the representation of micro- and small-capitalization firms on Tadawul. The number of such firms increased to 42 percent of total listings in 2019, up from 34 percent in 2016, exceeding the government's 2020 target of 40 percent.⁴⁶³ However, the 2021 Q3 report indicates that this percentage has dramatically decreased to 12,9%.⁴⁶⁴ Thus, micro-and small-capitalization is far from being stable yet.

Foreign Direct Investment

Financial Sector reform has been seen by the ruling elite as a way of bringing in foreign direct investment and financing. The government has accomplished the continued growth in the Saudi stock exchange (Tadawul) and its launching with US company MSCI of the MSCI Tadawul Index 30. Also, the inclusion of Tadawul into the FTSE Russell Emerging Markets Fund and the S&P Emerging Market indices has opened a mechanism for global institutional investors to make portfolio investments in Saudi Arabia.⁴⁶⁵ However, FDI shrank dramatically in 2017, to only 0.2 percent of GDP, from an average of 1 percent and 1.25 percent since 2013.⁴⁶⁶ A number of events, most notably the crackdown on Saudi businessmen and the murder of the Saudi journalist Jamal Khashoggi, have dramatically damaged the confidence of foreign investor. In addition to the decreasing trend of foreign investors, this period has witnessed FDI outflows reaching \$22,9 billion in 2018 (or 2,9 percent of GDP), suggesting that Saudi Arabia is still investing more around the world (largely through the PIF) than it is getting in return into the Saudi soil. Capital outflows by Saudi residents reached \$80 billion in 2017, and may have been as high as \$65

⁴⁶³ "Financial Sector Development Program: Quarterly Newsletter Q2 2019," Vision 2030 Kingdom of Saudi Arabia, accessed 13 July 2022, <https://www.vision2030.gov.sa/media/e4yfvzea/fsdp-quarterly-newsletter-q2-2019.pdf>

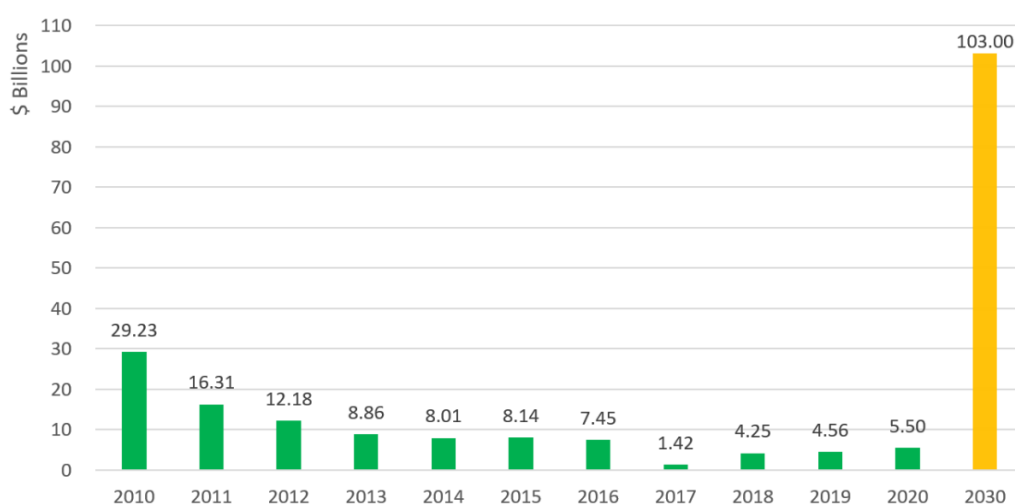
⁴⁶⁴ "Annual Report 2021," SAMA.

⁴⁶⁵ "Macroeconomic Update–Pick-up in Non-oil Activity," Jadwa Investment, accessed 13 July 2022, <http://www.jadwa.com/en/researchsection/research/economicresearch/macro-economic-reports>.

⁴⁶⁶ "Country Fact Sheet: Saudi Arabia," World Investment Report 2019, UN Conference on Trade and Development (UNCTAD) FDI/MNE Database, <https://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx>.

billion in 2018, which suggests that even wealthy Saudis themselves are hesitant to risk their capital in the Saudi program right now.⁴⁶⁷

As the figure below shows clearly⁴⁶⁸, the Saudi government is far from the official target of 103 billion dollar FDI inflow yearly in 2030. In 2020, it has only recorded 5,5 billion dollar FDI inflow.⁴⁶⁹



Source: unctadstat.unctad.org

Figure 8 Saudi National Investment Strategy FDI Target (2010 – 2030)

However, in a dramatic increase in 2021 compared to the numbers of FDI in 2020, the Ministry of Investment announced that the FDI inflows into the Kingdom in 2021

⁴⁶⁷ Karen E. Young, “Saudi Arabia’s Problem Isn’t the Canada Flight, It’s Capital Flight.” Bloomberg opinion, published 17 August 2018, <https://www.aei.org/articles/saudi-arabias-problem-isnt-the-canada-flight-its-capital-flight/>

⁴⁶⁸ Sami Fadlalah, “The opportunities of Saudi Arabia’s economic awakening,” Health Consultants Groups, published 18 October 2021, <https://blog.healyconsultants.com/the-opportunities-of-saudi-arabias-economic-awakening/>

⁴⁶⁹ “Saudi Arabia's race to attract investment dogged by scepticism,” Reuters, accessed 13 July 2022, <https://www.reuters.com/business/energy/saudi-arabias-race-attract-investment-dogged-by-scepticism-2021-11-16/>

has been \$ 19,3 billion.⁴⁷⁰ The news has seen the rise of FDI as a result of the ambitious series of initiatives launched in October 2021 in the National Investment Strategy. As the above figure also shows, even these renewed FDI numbers have been below the numbers of the year 2011.⁴⁷¹ It is crucial to remind here that the bulk of the FDI number in 2021 has come from the deal of Aramco selling its \$12,4 billion stake in an oil pipeline entity. In a current published article in Foreign Affairs, Karen E. Young also argues that the latest Saudi programmes and initiatives under Saudi Vision 2030 have failed to attract the amount of foreign investment it promised so far.⁴⁷²

Public Investment Fund

As a new mandate for the Public Investment Fund to become the world's largest sovereign wealth fund, the fund has adopted several new roles rather than its traditional role as a development fund financing the investments primarily regarding the public enterprises.⁴⁷³ The PIF Vision Realization Program has mainly fourfold objectives, including to grow the assets of the fund to be one of the largest in the world, targeting \$600 billion by 2020, to use the PIF to “unlock new sectors” and mega projects, to build global strategic partnerships, and to promote high-tech innovation through investment in research and development and advanced technology sectors.⁴⁷⁴

⁴⁷⁰ “FDI net inflows record growth rate of 257.2% in 2021,” Saudi Gazette, accessed 13 July 2022, <https://saudigazette.com.sa/article/618753>

⁴⁷¹ “Saudi Arabia’s FDI hit decade-high last year on Aramco deal,” Gulf Business, accessed 13 July 2022, <https://gulfbusiness.com/saudi-arabias-fdi-hit-decade-high-last-year-on-aramco-deal/>

⁴⁷² Karen E. Young, “The MBS Economy: Can Technocratic Reforms Save Saudi Arabia ?,” Foreign Affairs, published 27 January 2022, <https://www.foreignaffairs.com/articles/saudi-arabia/2022-01-27/mbs-economy>

⁴⁷³ Stephan Roll, “A Sovereign Wealth Fund for the Prince,” SWP Research Paper 2019/RP 08, 10.07.2019, 32 Seiten; <https://www.swp-berlin.org/10.18449/2019RP08/#en-d53782e529>; and Bina Hussein, Sovereign Investors: A Means for Economic Diversification? Atlantic Council, accessed 13 July 2022, <https://www.atlanticcouncil.org/in-depth-research-reports/report/sovereign-investors-a-means-for-economic-diversification/>.

⁴⁷⁴ “The Public Investment Fund (2018–2020),” Saudi Vision 2030, accessed 13 July 2022, https://vision2030.gov.sa/sites/default/files/attachments/PIF%20Program_EN_0.pdf.

The PIF has massively increased its assets under management, from \$152 billion in 2015 to more than \$300 billion in 2019. While the government had adjusted many Saudi Vision 2030 KPIs downward to more realistically reflect progress and expectations, the PIF's KPIs have gone up—from a targeted \$400 billion in assets by 2020 when the plan was announced in 2017, to a now projected \$600 billion by 2020.⁴⁷⁵ Indeed, in a high contrast to some mega projects such as Neom, which so far has to a great extent existed on paper,⁴⁷⁶ renewable energy projects which have been repeatedly modified,⁴⁷⁷ and delayed privatization projects,⁴⁷⁸ the expansion of the PIF has been consistently pursued since the announcement of Saudi Vision 2030 in 2016.⁴⁷⁹

The PIF receives fundings from several sources such as the remainder of oil revenues from balancing the Saudi budget, the cash savings from economic reforms, inflows from SAMA and state oil revenues.⁴⁸⁰ Also, the PIF receives loan revenues from the international debt markets. This is an unusual move for a SWF.⁴⁸¹ As examples of

⁴⁷⁵ Riad Hamade, Matthew Martin, and Archana Narayanan, "Saudi Arabia Doubles Down on SoftBank Bet With Extra \$45 Billion," Bloomberg, accessed 13 July 2022, <https://www.bloomberg.com/news/articles/2018-10-05/saudi-arabia-doubles-down-on-softbank-bet-with-extra-45-billion>.

⁴⁷⁶ "Saudi Investment Ambitions Impress but Foreign Money May Be Slow to Come", Reuters, published 26 October 2017, <https://reut.rs/30H9Rzd>; and Simeon Kerr and Anjli Raval, "Saudi Prince's Flagship Plan Beset by Doubts after Khashoggi Death", Financial Times, published 12 December 2018, <https://www.ft.com/content/c24ab1d4-f8a7-11e8-8b7c-6fa24bd5409c>

⁴⁷⁷ "Saudi Arabia Resets Renewable Energy Goals", Power Technology (online), published 22 January 2019, <https://www.power-technology.com/comment/saudi-renewable-energy-targets/>

⁴⁷⁸ Sarah Algethami, "Saudis Set for \$11 Billion Asset-Sale Blitz after Slow Start", Bloomberg, published 13 January 2019, <https://bloom.bg/2YMWUIP>

⁴⁷⁹ Stephan Roll, "A Sovereign Wealth Fund for the Prince,"

⁴⁸⁰ Anjil Raval, "Oil Cash Set to Boost Saudi Arabia's Sovereign Wealth Fund," Financial Times, published 9 March 2018, <https://www.ft.com/content/aff55882-2372-11e8-add1-0e8958b189ea>; and Andrew Torchia, "The Mysterious (and Continuing) Fall in Saudi Foreign Reserves," Reuters, published 27 June 2017, <https://www.reuters.com/article/uk-saudi-economy-reserves-analysis/the-mysterious-fall-in-saudi-foreign-reserves-idUKKBN19I17R>; and also Philip Cornell, "The Saudi Public Investment Fund: The Emerging Financial Vehicle behind Vision 2030," Atlantic Council, published 30 March 2018, <https://www.atlanticcouncil.org/commentary/the-saudi-public-investment-fund-the-emerging-financial-vehicle-behind-vision-2030/>

⁴⁸¹ Rory Jones, "In Rare Step, Saudi's Sovereign-Wealth Fund Raises \$11 Billion Loan," Wall Street Journal, published 17 September 2018, <https://www.wsj.com/articles/in-rare-step-saudis-sovereign-wealth-fund-raises-11-billion-loan-1537170690>.

some international partnership and investments of the PIF, the Softbank Vision Fund Initiative as a joint fund with SoftBank, US Infrastructure Investment Program, Russian Direct Investment Fund Initiative, China's National Energy Administration, Egyptian Joint Funds, Saudi-Jordanian Investment Fund, French Private Equity Investment Initiative and investments such as Carnival Cruise Line, Royal Dutch Shell and Total, Live Nation, Newcastle United could be counted.⁴⁸² Based on the diversifying revenue streams of the PIF extending into the international borrowing mechanisms, Rory Jones argues that the role of the PIF has also expanded towards acting as an active investor rather than only managing government surpluses.⁴⁸³

The PIF plays a critical important role in the creation of entirely new economic sectors such as defense industry and tourism. This is reflected in the weight of the PIF subsidiary Saudi Entertainment Venture Company (SEVEN, as its former name was Development and Investment Entertainment Company) in order to promote the entertainment sector announced in Vision 2030.⁴⁸⁴ In spring 2018, the company was granted its first license to operate cinemas in the Kingdom.⁴⁸⁵

4.6.5. Social Sphere

The creation of a more tolerable social sphere in the Kingdom has been one of the main aims of the Saudi Vision 2030, emphasized with a theme of “a vibrant society”. It was aimed at creating more recreation activities such as opening of cinemas and theaters for the first time in the history of Saudi Arabia in order to provide more

⁴⁸² “Blackstone to Launch \$40 Billion Infrastructure Investment Vehicle and New Infrastructure Business,” Arash Massoudi and Anna Nicolaou, “Saudi wealth fund builds \$500m Live Nation stake,” *Financial Times*, published 27 April 2020, <https://www.ft.com/content/ad8ea498-6982-478d-a16e-3948b8963076>; and Public Investment Fund, published 19 May 2017, <https://www.pif.gov.sa/en/MediaCenter/Pages/NewsDetails.aspx?NewsID=19>; Kate Kelly and Landon Thomas Jr., “Big Payoff After Blackstone Courted a Saudi Prince,” *New York Times*, published 25 May 2017, <https://www.nytimes.com/2017/05/25/business/dealbook/blackstone-saudi-arabia-investments-infrastructure.html>.

⁴⁸³ Rory Jones, “In Rare Step, Saudi’s Sovereign-Wealth Fund Raises \$11 Billion Loan,”

⁴⁸⁴ Katie Paul, “Saudi PIF Entertainment Company Plans to Build Leisure Complex in Riyadh”, *Reuters*, accessed 13 July 2022, <https://www.reuters.com/article/us-saudi-entertainment/saudi-pif-entertainment-company-plans-to-build-leisure-complex-in-riyadh-idUSKCN1OW11X>

⁴⁸⁵ “Development & Investment Entertainment Company Plans with AMC to Establish 30 Cinemas in 15 Saudi Cities”, *Saudi Press Agency*, accessed 13 July 2022,, <http://bit.ly/2WIKbsx>

opportunities for the young Saudi population, the internationally qualified talent and potential future tourists. For this objective, the General Entertainment Authority was created in 2016 with the task of building the entertainment sector in the Kingdom with plans for cinemas, concerts, theme parks, water parks, street festivals, an opera house, and an entire “entertainment” city. As of March 2019, it has superintended over 6,000 event days for 27 million attendees. The Kingdom has also witnessed an historical moment with the opening of cinemas in 2018 after a 35 year ban.⁴⁸⁶

From the Saudi Arabian Grand Prix, boxing matches, and concerts, to world-class tourist destinations, visitors and residents have been witnessing the emergence of a new cultural center. One of the driving forces behind the shift is the country’s General Entertainment Authority (GEA), which was established by the government in 2016 to help drive Vision 2030, an ambitious roadmap to reimagine Saudi Arabia’s society and economy. The Quality of Life program will unlock opportunities for citizens, residents, and investors alike. These efforts appear to be having the desired effect; since the UN published its 2016 World Happiness Report, Saudi Arabia has risen nine places from 34th to 25th. That places the country higher than Spain (29th), Italy (31st), and Japan (54th).⁴⁸⁷

As an important milestone in the history of the Kingdom, the curtailment of the enforcement powers of the religious police, “the promotion of virtue and the prevention of vice”, in 2016 has been crucial for the implementation of a more open society.⁴⁸⁸ In 2018, another important milestone has followed the action of stripping the religious police of their authority to pursue, arrest, and detain is the right for

⁴⁸⁶ Katie Paul, “Quietly at First, Music Comes Back to Saudi Arabia,” Reuters, accessed 13 July 2022, <https://www.reuters.com/article/saudi-entertainment-music-int/quietly-at-first-music-comes-back-to-saudi-arabia-idUSKBN15F23B>

⁴⁸⁷ “Saudi Arabia’s Entertainment Sector Set To Substantially Develop Through 2022,” Forbes, accessed 13 July 2022, <https://www.forbes.com/sites/joshwilson/2022/06/09/saudi-arabias-entertainment-sector-set-to-substantially-develop-through-2022/?sh=103b393a21c5>

⁴⁸⁸ Sewell Chan, “Saudi Arabia Moves to Curb Its Feared Religious Police,” New York Times, accessed 13 July 2022, <https://www.nytimes.com/2016/04/16/world/middleeast/saudi-arabia-moves-to-curb-its-feared-religious-police.html>

women to have their driver licenses.⁴⁸⁹ Also, the flexibility announced in male guardianship in 2019 has been quite an important step for the Kingdom as well.⁴⁹⁰ However, there are still further steps to be taken. While Saudi women can now travel abroad, obtain family documents, and make some personal medical decisions without asking for permission of their guardians, they still need approval for marrying, divorcing, and leaving detention and domestic violence shelters. In January 2018, for the first time in its history, the Saudi women attended a football match in the King Abdullah Sports City Stadium in Jeddah.⁴⁹¹ Also, the General Sports Authority has seen some achievements such as the licensing of women's gyms, the introduction of women to Saudi Arabia's Special Olympics team and physical education for girls in public schools.⁴⁹²

In a bid to improve the image in the eyes of the foreigners and to thrive the economic activity, several social and moral restrictions have been lifted even though Saudi Arabia still retains its conservative characteristics to a great extent. For example, foreign women are no longer required to wear the abaya in order to travel in the country. Also, foreign men and women no longer need to provide a marriage certificate to stay at a Saudi hotel. Furthermore, the current move towards the decision of shops to remain open during prayer times has been also one of the indicators of the current transformation within the Kingdom since such a decision has been thought of creating a harsh social backlash regarding the ultra-conservative

⁴⁸⁹ Since the first day of 24 June 2018 as driving licences to be issued to women until January 2020, the number of driving licenses issued to women in the Kingdom of Saudi Arabia reached 174.624. https://www.stats.gov.sa/sites/default/files/woman_international_day_2020EN.pdf

⁴⁹⁰ Stephen Kalin, "Cleared for Takeoff: Saudi Women Start Exercising Their Newest Right," Reuters, accessed 13 July 2022, <https://www.reuters.com/article/ussaudi-women/cleared-for-takeoff-saudi-women-start-exercising-their-newest-right-idUSKCN1VC1XI>.

⁴⁹¹ Kareem Shaheen, "Saudi Football Stadium Welcomes Women for First Time," Guardian, accessed 13 July 2022, <https://www.theguardian.com/world/2018/jan/12/saudi-football-stadiums-prepare-welcome-women-first-time>.

⁴⁹² Madeline Holcombe and Yousuf Basil, "Saudi Arabia to Issue Licenses for Female-only Gyms," CNN, published February 19, 2017, <https://www.cnn.com/2017/02/13/middleeast/saudia-arabia-women-gyms-trnd/index.html>; "Saudi Arabia to Introduce Physical Education for Schoolgirls," Reuters, published July 11, 2017, <https://www.reuters.com/article/us-saudi-education-women/saudi-arabia-to-introduce-physical-education-for-schoolgirls-idUSKBN19W1DM>; Jennifer Bell, "Meet the Saudis Making History at the Special Olympics," Arab News, published March 14, 2019, <https://www.arabnews.com/node/1466371/saudi-arabia>.

character of the Saudi population.⁴⁹³ However, the official decision did not follow a strong social backlash.⁴⁹⁴

Moreover, as an important but not frequently discussed dimension of the Saudi Vision 2030, the focus of the Saudi government on the enhancement and expansion of the volunteering activities in the Kingdom seems to well serve with the other objectives since the objectives of the privatization of the state-owned companies and the retreat of the state in the welfare creation process for Saudi citizens are likely to generate a vacuum in the provision of the necessities of poor citizens. In this regard, the Saudi government launched the volunteering system and the National Volunteer Portal. Until 2021, these initiatives have reached over 409.000 volunteers. Also, it aims at increasing the number of volunteers to more than 600.000 by 2025 within the context of the objectives of the National Transformation Program (2021-2025).

Housing Program

As Karen Young has emphasized, as it has been highly important for the previous generations, housing opportunities with affordable prices for especially young Saudis has continued its cruciality of being at the top priorities of Saudi nationals' concerns.⁴⁹⁵ In terms of new implementations of the new ruling elite in the Kingdom regarding the housing program, the creation of the Saudi Real Estate Refinance Company owned by the Public Investment Fund has been tasked with providing greater liquidity to lenders to support home financing.⁴⁹⁶ In addition to more liquidity provided by the Saudi Real Estate Refinance Company, the pre-existing institutions,

⁴⁹³ Mira Al-Hussein and Eman Al-Hussein, "The Social Contract and Post-Oil Dilemma in Saudi Arabia and the UAE," Carnegie Endowment, published 05 August 2021, <https://carnegieendowment.org/sada/85110>

⁴⁹⁴ Zainab Fattah, Vivian Nereim, and Sarah Algethami, "Saudi Arabia Drops Dress Code for Foreign Women in Tourism Push," Bloomberg, published September 26, 2019, <https://www.bloomberg.com/news/articles/2019-09-26/saudi-arabia-opens-to-foreign-tourists-and-their-foreign-ways>.

⁴⁹⁵ Karen E. Young, "A Home of One's Own: Subsidized Housing as a Key Lever of Gulf Domestic Policy," blog post, the Arab Gulf States Institute in Washington, June 15, 2018, <https://agsiw.org/a-home-of-ones-own-subsidized-housing-as-a-key-lever-of-gulf-domestic-policy/>.

⁴⁹⁶ Colon Foreman, "Providing Liquidity for the Saudi Housing Market," MEED, published April 16, 2019, <https://www.meed.com/providing-liquidity-saudihousing-market/>.

the Real Estate Development Fund has provided 81 percent of the total mortgage contracts in 2018 with subsidized financing options.⁴⁹⁷ The Housing Program has been an important part of GDP growth and job creation for the Saudi government as it created 39,000 direct jobs during the period between 2018-2020. Also, the private sector investment in the real estate sector has outweighed SAR 254 billion in 2020 according to Vision Realization Programs 2020 report conducted by the Saudi government.⁴⁹⁸ Between the establishment year of 2017 and 2020, this program offered more than 400,000 subsidized real estate loans. Thus, it is important to see that construction and real estate development sectors have been crucial for the development model of the Saudi government. Within the context of the Housing Program, according to the 2021 data based on the Housing Program Delivery Program (2021-2025), home ownership has reached 60 % in 2020.⁴⁹⁹

4.7. Conclusion

This chapter has firstly shown that the main tendency in the Gulf region has been the launching of long-term economic diversification strategies. Saudi Arabia has been the last country in the region launching such a long-term economic diversification strategy. This has been mainly explained through the power of its deeply established structures and the high political risk of changing those structures. As discussed in the previous chapter, King Abdullah had attempted to transform the country's long-standing structures. Although he had achieved some success in his implementations, he could not have transformed the very core structures of the country such as the importance of the religious elites in the cultural silhouette of the country and long-standing established segmented decision making mechanism. However, Mohammed bin Salman has been seen as more radical compared to King Abdullah in his strategy and implementations, even though he has been in the same opinion regarding the power of the monarchy and the perception of the red lines of the monarchy. Having

⁴⁹⁷ "REDF: 258% Growth in Mortgage Financing for January," PR Newswire, published March 7, 2019, <https://www.prnewswire.com/ae/news-releases/redf-258-growth-in-mortgage-financing-for-january-300808549.html>.

⁴⁹⁸ Vision 2030 Achievements Booklet (2016 - 2020), Vision 2030 Documents, <https://www.vision2030.gov.sa/v2030/achievements/>

⁴⁹⁹ "The Housing Program Delivery Program (2021-2025)," Vision 2030 Kingdom of Saudi Arabia, https://www.vision2030.gov.sa/media/ek5al1pw/housing_eng.pdf

confronted multiscalar challenges, the management under MbS has been attempting to consolidate the political power of the decision-making elite and the economic activity and role of this small elite. Although the Saudi Vision 2030 has had several contradictions in its implementation, it demonstrates the core political red line perception of the political elite as attempting to find a balance between finding solutions to the challenges and increasing the political and economic power of the political elite.

CHAPTER 5

CONCLUSION

5.1. Introduction

Saudi policy makers have identified several policy objectives for decades, as discussed broadly above including the generation of employment for the youth bulge, decreasing the fiscal burden of the state, increasing contribution of the private sector in the export rate, GDP and the diversification of the revenue streams of the state.⁵⁰⁰ Above-mentioned transformation process needs to deal with and tackle those major problems first in order to show its sustainability. Also, the success or sustainability of the trajectory of reform programs and transformation processes need to identify the problems of the daily-lives of the Saudi citizens. Thus, this chapter will deal with the question of whether the current process and its future implications will intimately correspond to the very solid problems and demands in political, economic and social landscapes of the country such as political governance, low living standards, inequality and poverty among Saudis. The chapter will attempt to understand the correspondence of the plans, strategies and implementations with those actual issues, through brief discussions of the literature of democratization, authoritarianism and neoliberalism.

Most fundamentally, Saudi Arabia's present and near future is destined to a dual process of deepening of neoliberal policies towards sectors such as health, education

⁵⁰⁰ See Chris Papageorgiou and Nikola Spatafora, "Economic Diversification in LICs: Stylized Facts and Macroeconomic Implications," International Monetary Fund, December 14, 2012 SDN/12/13 and MoEP (Ministry of Economy and Planning), 2010c. Ninth Development Plan (2010–2014). Riyadh: Ministry of Economy and Planning, Kingdom of Saudi Arabia.

and renewables and deepening state activism and entrepreneurship in the economy through major investment of Public Investment Fund. In all these processes, different methods of compensating for the loss of welfare of the citizen emerge. On the one hand, the Citizens Account program and unemployment benefits are introduced, on the other hand, it is desired to create a Saudi national consciousness embellished with neoliberal values towards individuality and hard working. In addition to all these, the issue of democratic demands and wider participation in decision-making processes is not taken into account at all. At this point, one thing that draws attention is that political decision-making mechanisms are under the control of even a smaller group than in the past, while municipal elections have been pushed out of the agenda, and cities based on new mega-projects are considered as useful tools to bypass potential political participation demands.

After discussing these debates in a wide range below, the main socio-economic indicators of the last six years in MBS management will be discussed in the light of statistical data in order to examine the achievements of Saudi Vision 2030. Finally, the main findings of the thesis will be briefly discussed and the thesis will be finalized.

5.2. King's Dilemma

To explain the current discussion of continuity and transformation in the Kingdom, the “King's Dilemma” conceptualization bears cruciality for the thesis. Samuel Huntington⁵⁰¹ attempted to demonstrate the dilemma that monarch confront with when they have an endeavour of modernizing their countries. He used the conceptualization of “The King's Dilemma”⁵⁰² in order to highlight this key problem of how to modernize the country without getting lost of political authority and control. According to him, monarch have harsh two options in front of them for the future trajectories of theie countries. In this regard, according to Hungtinton, the monarch has to choose one option among the intensification of the repression over the social groups in order for maintaining the political authority while opening up a

⁵⁰¹ Samuel Huntington, *Political Order in Changing Societies* (New Haven, CT: Yale University Press, 1968).

⁵⁰² Calvert W. Jones, “Social engineering in rentier states,” *The Politics of Rentier States in the Gulf*, POMEPS Studies, 33, (2019).

new liberalizing page for the country and the gradual acceptance of a symbolic authority in a constitutional monarchy.⁵⁰³

Marina Ottaway and Michele Dunne argue that despite the effective democratization movements all over the world in the 90s, the Arab world showed itself in the form of various reforms, but the fact that the power remained with the former owners, namely kings and presidents, did not change.⁵⁰⁴ According to them, the leaders in the Arab world did not see too much pressure from society in the name of democratization, and they were able to exhibit these processes in line with their own wishes. Therefore, instead of a sincere democratization, a modernization process was witnessed in the sense that the system looked more modern. In addition, one of the important points here is that the reformers establish a pure relationship with the concept of modernization in terms of neoliberal economic policies and administrative efficiency. This newly established relationship also reveals that the rejection made on the basis that modernization and westernization that prevailed in the second half of the 20th century are the same thing is no longer valid.

With reference to Huntington, the authors state that Arab leaders today face a more difficult situation than Huntington tries to explain in terms of the "Kings Dilemma". At this point, all leaders are aware that the process of the Iranian Shah for the purpose of White Revolution has ignited the fuse that will overthrow him. They also emphasize that the Arab leaders have a difficult task, emphasizing that Gorbachev's perestroika also led to a process that would destroy him and the Soviet Union. At this point, even though they are aware of the necessity of change, they try to control the keeping of the reform process in the way they want so as not to lose their grip. Therefore, it is necessary to read and try to understand the latest developments in Saudi Arabia from this perspective.

⁵⁰³ Adel Abdel Ghafar and Anna L. Jacobs, "Morocco: The King's Dilemma" Brookings Institute, published 2 March 2017, <https://www.brookings.edu/blog/markaz/2017/03/02/morocco-the-kings-dilemma/>

⁵⁰⁴ Marina Ottaway and Michele Dunne, "Incumbent Regimes and the "King's Dilemma" in the Arab World: Promise and Threat of Managed Reform," Carnegie Endowment for International Peace (2007).

They define the reform process in Saudi Arabia in the 2000s as a reform process based on social and individual issues. It is beyond being a political reform, so this process is for them. As we mentioned above, this understanding focused on administrative efficiency and economic development has an understanding that is directly compatible with neoliberal economic policies. According to them, new young leaders are aware of the change in the global economy and are worried about being left behind. When all these factors come together, in order to better understand the leaders who are trying to modernize in order to keep up with the global world economically in a controlled way, an understanding that includes the neoliberal economic policies, taking into account the difficulties in today's world, which Huntington explained with the concept of "King's Dilemma" from the modernization theory seems useful.

The conceptualization of "King's Dilemma" could be thought of and elaborated through the conceptualization of "late rentierism" by Matthew Gray. As Gray has highlighted in his analyses, challenges and necessities facing the Gulf countries in a more globalized world have pushed those countries and especially Saudi Arabia toward more adaptation to the global economic and political developments even though the Gulf countries have been integrated with the world already to some extent. As a more competitive global economy and increasing security and threat perceptions of individual countries have created a tendency towards more authoritarian political elites and increasing role of the state in economic activity, the current transformation process in the Kingdom of Saudi Arabia could be partly explained through those tensions and forces. Furthermore, although the succession problem from the first generation to the second generation has been an important factor for the political elite conflict within the Kingdom, multiscalar challenges and opportunities also has impacted the current transformation trajectory of the country.

5.3. Beyond Modernization Theory

In his study of *Social Origins of Dictatorship and Democracy*, Moore attempts to analyze different modernization and democratization frameworks.⁵⁰⁵ As discussed above, his focus for a successful democratization period was on the existence of a healthy bourgeoisie. The absence of it will lead to either totalitarianism or

⁵⁰⁵ Barrington Moore, *Social Origins of Dictatorship and Democracy* (Beacon Press, Boston, 1966).

communism. Like Moore, since the classical sociological theories of Durkheim, Marx and Weber and modernization theory of the 1940s and 1950s, social change has been primarily seen as the result of a change in the economic structure. And political modernization was seen as the next step in economic prosperity.

However, Huntington reversed the relation and argued that the political institutions are the primary factors for economic prosperity and development.⁵⁰⁶ Also, as Francis Fukuyama focused on the state capacity as a necessity for the development of a modernized economy, he is also not a believer to democracy since authoritarian governments can create necessary state capacity.

5.4. Democratization

Emma Murphy recalls that Luciani and Beblawi had asserted that since the rentier states have the distributive opportunities for the social groups, preventing pressures for political representation, the identity of a citizen in these states was formed by access to the distributive mechanisms and the refrainment from political demands. The legitimacy of the monarchies was perpetuated through the established rent relations which reinforce the socio-economic structure. Also, in contrast to the modernization theorists like Walt Rostow argue, rentier states could achieve economic development without going into the liberal democratic political structure.

The fiscal crisis of the 1980s had shaken the above perspective as a result of falling oil revenues with a focus on economic diversification and liberalization. Even with a policy orientation towards liberalization and economic diversification, the Gulf countries have proved to be resilient⁵⁰⁷ since they prevented the progress of economic liberalization from creating fundamental political outcomes even though political reforms have been undertaken since the 1990s. It was argued by several

⁵⁰⁶ Justin Kempf, "The Origins of Democracy in the Modern Era" Democracy Paradox, published 27 December 2020, <https://democracyparadox.com/2020/12/27/the-origins-of-democracy-in-the-modern-era/#:~:text=Modernization%20Theory&text=Barrington%20Moore%20published%20his%20consequential,and%20Democracy%20in%20the%201960s.&text=Samuel%20Huntington's%20thoughts%20on%20political,between%20economic%20and%20political%20modernization>.

⁵⁰⁷ See Joseph Kostiner (ed.), *Middle East Monarchies: The Challenge of Modernity* (Boulder: Lynne Rienner, 2000); Lisa Anderson, 'Dynasts and Nationalists: Why Middle Eastern Monarchies Survive'. Also Michael Herb, *All in the Family: Absolutism, Revolution and Democracy in the Middle Eastern Monarchies* (Albany: State University of New York Press, 1999).

authors that the Gulf states have evaded the third wave of democratization and a discourse of exceptionalism was used to define the Gulf states with various kinds of explanations ranging from historical, structural to cultural and even religious perspective.⁵⁰⁸

As Marsha Pripstein Posusney argues, just as mere economic growth or wealth is not sufficient to be equated with better chances for democratization, low or reduced availability of rent distribution as well can not be regarded as an adequate condition for democratization.⁵⁰⁹ As Hinnebusch and Waterbury demonstrated in their separate works, some states that have been liberalizing have much more access to rent than some of the most authoritarian states.⁵¹⁰ However, this does not invalidate the fact that an economic crisis or fiscal crisis of the state can undermine the regime's power base, legitimacy, and ability to contain opposition.

Also, Brumberg argues that autocratic presidents claiming ideological legitimacy inevitably almost will be tested by a potential rival or by the forces of democratization in a bid to gain have a say in terms of political authority.⁵¹¹ Faced by this constant challenge, a monarchy may take benefit from these political challenges in order to refresh himself and put himself above politics by using the cracks among challengers. Thus the monarch can survive losing political authority. Even, if the

⁵⁰⁸ Structural analysis has been provided by Mehran Kamrava, 'Non-democratic States and Political Liberalization in the Middle East: A Structural Analysis', *Third World Quarterly*, Vol. 19, No. 1, pp. 63–85, 1998. Explanations based on oil wealth precluding a necessity to liberalize are provided by Kiren Chaudhry in *The Price of Wealth* (Ithaca: Cornell University Press, 1997); and Dirk Vandewalle in *Libya Since Independence: Oil and State-Building* (Ithaca: Cornell University Press, 1998). Samuel Huntington argued that Islam was not compatible with democracy in 'Will More Countries become Democratic', *Political Science Quarterly*, Vol. 99, No. 2 (Summer 1984), pp. 193–218. Adam Garfinkle, meanwhile, claimed that Arab societies lacked in varying degrees three vital prerequisites for democracy; a belief that political authority lay with mankind rather than God, a concept of majority rule and the notion of universal equality. See A. Garfinkle, 'The New Missionaries', *Prospect* (April 2003), pp. 22–24.

⁵⁰⁹ Marsha Pripstein Posusney, 'The Middle East's Democracy Deficit in Comparative Perspective', in *Authoritarianism in the Middle East* ed. Pripstein Posusney and Michele Penner Angrist (2005), pp. 1–18.

⁵¹⁰ Raymond Hinnebusch, 'Democratization in the Middle East: The Evidence from Syria' in *Political and Economic Liberalization* ed. Gerd Nonneman (Lynne Rienner Pub, 1996), p.153–167; see also Ghassan Salamé, *Democracy without Democrats?*, (2001), p.29-30.

⁵¹¹ Daniel Brumberg, "Authoritarian Legacies and Reform Strategies in the Arab World," in *Political Liberalization and Democratization in the Arab World* ed. Rex Brynen, Bahgat Korany and Paul Noble, Vol. 1 (1995), p.229-260.

monarch is the only actor of change, he may increase the legitimacy base on his reserve.⁵¹² Regarding the democratization process of the Gulf countries in the 1990s, Nonneman argues the resilience which those regimes have proved for their adaptation capabilities towards the new challenges arising.⁵¹³ For example, in the case of Saudi Arabia municipal elections, several mechanisms have been put in place in order to assure not to give any real political authority to the elected members.⁵¹⁴

Following Brumberg's argument, the democratization process of the Gulf countries in general, National Dialogue initiative in 2003 in Saudi Arabia and the announcement of the first municipal elections in 2005 can be best identified as liberalized autocracy.⁵¹⁵ Liberalized autocracy refers the endeavour of the Gulf regimes' in order to secure the long-standing autocratic political configuration since the discourse and some implementations of the expansion of political representation could not have provided the expansion of the political authority towards the new political actors. The function of this process has been to divide the potential opposition into several pieces since the provided system of political participation has led to the escalating competition among the different social interest groups. The need for a monarchy in order to stand out among other rivals and to achieve their wishes faster also strengthens the absolute authority of the monarchy and that it is above the interest groups.⁵¹⁶ Concomitant with the democratization process through a

⁵¹² See Lisa Anderson, "Dynasts and Nationalists: Why Middle Eastern Monarchies Survive," in *Middle East Monarchies* ed. Kostiner; Abdulhadi Khalaf, "What do Gulf Ruling Families do when they Rule?," in *Orient*, Vol. 44 (20034), No. 4, p.537-554; and the review article by Russell Lucas, "Monarchical Authoritarianism: Survival and Political Liberalization in a Middle Eastern Regime Type," *International Journal of Middle East Studies*; Cambridge Vol. 36, Iss. 1, (Feb 2004): p.103-119.

⁵¹³ Gerd Nonneman, "Chp.1 Political Reform in the Gulf Monarchies: From Liberalization to Democratization? A Comparative Perspective Reform" in *the Middle East Oil Monarchies* ed. Anoushvaran Ehteshami and Steven Wright (Ithaca Press, 2012).

⁵¹⁴ Gerd Nonneman, "Chp.1 Political Reform in the Gulf Monarchies: From Liberalization to Democratization? A Comparative Perspective Reform" p.28.

⁵¹⁵ Daniel Brumberg, "The Trap of Liberalized Autocracy," in *Islam and Democracy in the Middle East* ed. Larry Diamond, Marc F. Plattner and Daniel Brumberg (Baltimore: Johns Hopkins University Press, 2003), p. 36-46; and Daniel Brumberg, 'Liberalization versus Democracy: Understanding Arab Political Reform' (Washington: Carnegie Endowment, May 2003).

⁵¹⁶ A powerful argument along these lines has also been made by Al Naqeeb in *How Likely is Democracy in the Gulf?*.

liberalized autocratic manner, reform plans and strategies of the 2000s under the Crown Prince Abdullah had a distinct neo-liberal flavor according to Hvidt, since the reform programmes under the management of Abdullah had an important emphasis on the improvement of the market economy and the development of the capacity of the private sector.⁵¹⁷

With the uncertainty over political legitimacy during the Arab Spring process, new modes of economic development and an end to the rentier bargain have become more pressing for the Saudi monarchy. Malik goes further to argue that the ruling elites are likely highly impacted by the implications of economic diversification process in terms of power relations. He argues that there is no certain correlation between good politics and good economic policies since the implications of a pontential economic diversification process is likely to create new power balance in which the ruling elite partially loses the long-standing power base. This is because the nature of the economic diversification process leads to the empowerment of some business constituencies vis-a-vis the ruling elite. Thus, according to Malih, the success of a diversification process is dependent upon offsetting the political costs of the progress for the ruling monarchy and creating new distributive mechanisms for the losers of the new process.⁵¹⁸

As Mogielnicki discussed, we have seen a consolidation of power and the centralization of economic policy-making in the Kingdom in the hands of Mohammad bin Salman. Furthermore, all of the initiatives announced over the five years since the announcement of the Vision 2030 has just started to be implemented in high magnitude since the impact of global pandemic, Covid-19, has just been in decreasing trend.⁵¹⁹ Also, Krane argues that the Kingdom of Saudi Arabia will likely to experience of the imposition of new policies in a top-down manner. These

⁵¹⁷ Interview by Hvidt, Saudi Arabian General Investment Authority (SAGIA), Riyadh, 22 November 2011.

⁵¹⁸ Adeel Malik, "The Gulf economies' coming meltdown? How to prevent it?," Foreign Affairs, published November 5 2015, <https://www.foreignaffairs.com/articles/persian-gulf/2015-11-05/gulf-economies-coming-meltdown>

⁵¹⁹ Robert Mogielnicki, "The Centralization of Economic Policymaking in the Kingdom," AGSIW, published 2021, <https://agsiw.org/the-centralization-of-economic-policymaking-in-the-kingdom/>

implementations will be likely to feature a heightened flexibility of the regime in the social policy realm.⁵²⁰ If the population can no longer count on the subsidized services that they have grown accustomed to, the government will need to find alternative sources of legitimacy. It could bring greater openness and public involvement in decision-making, or it could lead to an intensified authoritarian model of rule.⁵²¹ According to Ennis, the current neoliberal discourse in Saudi Arabia has a function to break the link between economic liberalization and the political participation since its primary concern is not the outcomes of improved democratic and liberal values. Rather, the main concern behind the neoliberal discourse is to maintain the authoritarian ruling coexisting with the economic development.⁵²²

5.5. Neoliberal Expansion

David Harvey has discussed neoliberalism as a management approach that mainly supports short government spending cuts and market-oriented policies.⁵²³ Neoliberal state attempts to infuse the market principles into the all aspects of live of a standard citizens. The state encourages citizens to regard themselves as entrepreneurs and investors and redefine their roles in the society as defined by the liberal market principles.⁵²⁴ Neoliberalism has been described by many scholars as being a system which exploits the large segments of society by increasing the inequality gap among the different segments. This is mainly reinforced through discourse and practice by governments, corporations, international organizations, schools, universities, prison

⁵²⁰ Jim Krane, "Subsidy reform and tax increases in the rentier Middle East," *The Politics of Rentier States in the Gulf*, POMEPS Studies, 33, (2019).

⁵²¹ Michael Bradshaw, Thijs Van de Graaf and Richard Connolly, "Preparing for the new oil order? Saudi Arabia and Russia," *Energy Strategy Reviews*, Volume 26, (2019).

⁵²² Crystal A. Ennis, "Dependence and autonomy in women's entrepreneurship in the Gulf," *The Politics of Rentier States in the Gulf*, POMEPS Studies, 33, (2019).

⁵²³ David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005).

⁵²⁴ Herrera, L., & Bayat, A. (Ed.). (2010). *Being Young and Muslim: New Cultural Politics in the Global South and North*. New York: Oxford University Press.

systems, NGOs, and civil society organizations.⁵²⁵ Thus, Harvey argues that neoliberal policies necessitate the authoritarian governments to be implemented since this process has entailed the dismantling of institutions and narratives that promoted more egalitarian distributive measures in the preceding era.⁵²⁶ He regards neoliberalism as a project to restore class dominance and channeling the wealth from subordinate classes to dominant ones and from poorer to richer countries.

Based on the neoliberalism conceptualization of David Harvey, Adam Hanieh⁵²⁷ described the ongoing process in Saudi Arabia as the expansion of the boundaries of the capitalist markets and the deepening of the capital accumulation processes into new sectors and spaces. According to Adam Hanieh, those who stand to lose within this framework are poorer citizens and, of course, the Gulf's large migrant workforce. The former are imperiled by an undermining of the type of state–citizen contract that has identified the Gulf for decades. Combined with the cuts to public welfare spending and the introduction of new taxes such as VAT, the erosion of benefits traditionally associated with citizenship might have volatile and serious consequences.

This is particularly true for Saudi Arabia and Oman, where large and youthful citizen populations face the prospect of a significant decline in living standards and a potentially historic change in their relationship to the state. Furthermore, Calvert Jones regards the Saudi Vision 2030 policy objectives as the expansion of neoliberalism in the social realm.⁵²⁸ According to him, social engineering and symbolism used in Saudi Arabia is aimed at creating a new national identity based on neoliberal values and the preparation of the youth for the post-oil globalized era of knowledge society.

⁵²⁵ See Linda Herrera, "It's Time to Talk about Youth in the Middle East as The Precariat," *Middle East: Topics & Arguments*, Vol 9 (2017).; Henry A. Giroux, *Youth in a suspect society: Democracy or disposability?* (Palgrave Macmillan.2010); and Jennifer M. Silva, *Coming up short: Working-class adulthood in an age of uncertainty* (Oxford University Press, 2013).

⁵²⁶ David Harvey, "Neoliberalism as Creative Destruction," *The Annals of the American Academy of Political and Social Science*, 610, (2007), p.22-44. <http://www.jstor.org/stable/25097888>

⁵²⁷ Adam Hanieh, *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East*, p.265.

⁵²⁸ Calvert W. Jones, "Social engineering in rentier states," *The Politics of Rentier States in the Gulf*, POMEPS Studies, 33, (2019).

Based on the above-mentioned discussions across all chapters, the current process under the MBS has several transformative socio-spatial implications for every aspect of relations in the Kingdom. While the capital accumulation process is accompanied by a centralization of the state-owned investments and activities in the economic realm in contrast to the official discourse of the Vision 2030 to increase the contribution of private sector activities, the decades-long relationship of the Saudi monarchy with Saudis through a rentier mechanism of segmented clientelism of the ministries⁵²⁹ has been institutionally bypassed by the new ruling elite. As it is seen in the Citizens Account Program announced in 2017, the consolidation of political power has been accompanied with the consolidation of power relations with citizens as well, as the poor people in the Kingdom have been now directly connected to the centralized power relations bypassing the segmented clientelistic networks of bureaucracies for the redistribution of the wealth. Also, as cases of the Hariri family and the Ritz-Carlton hotel detentions have displayed, the current ruling elite has launched a reorientation and reconfiguration of power relations and power blocs.

The authoritarian character of neoliberal policies with the increase of globalization for the centralization of power have been discussed since even early the 1970s.⁵³⁰ According to Altınors and Akçay, the internalization of the rules of the global political economy by the state to deal with the adaptation to the new spatio-temporal relations of the global political economy have affected the role of the state and the configuration of the state institutions leading to a more technocratic bureaucratism.⁵³¹ For the case of Saudi Arabia, socio-spatial transformations in the materiality of state-society relations have been both aimed at achieving the maintenance of capital accumulation processes and the political power of the ruling elite. Thus, alongside the global and regional scales, the power relations in the national scale have been highly important for the transformation of the spatio-

⁵²⁹ Steffen Hertog, *Princes, Brokers, and Bureaucrats: Oil and the State in Saudi Arabia* (Ithaca: Cornell University Press, 2010).

⁵³⁰ Ümit Akçay and Ali Rıza Güngen, *Finansallaşma, Borç Krizi ve Çöküş: Küresel Kapitalizmin Geleceği* (Nota Bene, 2014).

⁵³¹ Görkem Altınors and Ümit Akçay, "Authoritarian neoliberalism, crisis, and consolidation: the political economy of regime change in Turkey," *Globalizations* (2022), DOI: 10.1080/14747731.2021.2025290 p.27

temporal determinations of the Kingdom. Furthermore, the phenomena of urban development has always been at the center of power relations and the production of spaces in order to achieve more power. Although Harvey criticizes this kind of urban development as not producing efficient solutions to the real problems of the people such as poverty and equality, the urban development through mega-projects has been seen by the decision-makers as providing the efficient solutions to the problems with which the ruling elite has been facing for decades and increasingly in the current times in different scales and spaces.

5.6. Major Findings

* The most remarkable transformation in Saudi Arabia has been the centralization of economic and political decision-making and the consolidation of power in the hands of MBS. Prior to the succession of King Salman, Saudi Arabia had experienced a more consensual decision-making process including the princes of the dynasty. The King Salman era has seen the removal of the top family members from crucial positions, for example, the elimination of the National Security Council and the bypassing of the Allegiance Council. As the most important showcase of the centralization of the decision-making process and the consolidation of power is the establishment of the Council of Economic and Developmental Affairs, Mohammad bin Salman has risen with broad authority over the country's security, economic, and intelligence apparatus.⁵³² Also, crackdown on the dissent people and the detention of wealthy businessmen and princes at the Ritz-Carlton in November 2017 have served as sidelining the potential opponents of the Crown Prince with an excuse to finish the

⁵³² "Will Khashoggi's Killing Force Mohammed bin Salman to Cede Some Control?," Stratfor, published November 15, 2018, <https://worldview.stratfor.com/article/willkhashoggis-killing-force-mohammed-bin-salman-cede-some-contro>

corruption in the country.⁵³³ The repurposing of the Public Investment Fund has also risen up as a vehicle for consolidating economic and political power.⁵³⁴

* The role of the PIF has largened the economic activity of the government, which has the effect to crowd out the private sector because of the huge role and scope of activities it has been tasked with.⁵³⁵ With a key role with the purpose of attracting foreign capital, the PIF not only attempts help foreign companies to develop key sectors of the economy in Saudi Arabia, but also it spearheads the efforts creating joint ventures and bringing technology know-how into the Kingdom, which in turn will provide growth opportunities for the private sector and spur employment. This approach bears similarity to the decision taken by the government in the mid-1970s for developing SABIC, the petrochemical conglomerate.⁵³⁶ According to the Atlantic Council report, while Saudi Arabia has a comparative advantage in petrochemicals and mining sectors, it is unlikely that it will have a comparative advantage in new targeted sectors such as tourism, logistics, financial technology, robotics, clean energy, or defense manufacturing.

* It needs also to remember that the government has conflicting views about the trajectory of reform. While there is a camp advocating the economic liberalization process as it has been suggested by the international institutions, the dominant-camp prefers more state-driven development. It has a vision of a state-led private sector in which the state primarily affects the trajectory of change and keeps its power. This approach has more inclination in terms of role model towards China, Singapore, and Dubai rather than the United States, Great Britain, or Germany. Furthermore,

⁵³³ “Saudi Arabia Ends Major Anti-corruption Campaign,” BBC, published 31 January 2013, www.bbc.com/news/world-middle-east-47065285; and Faucon, Said, and Fitch, “ ‘A Saudi Luxury Prison’: How the Kingdom Squeezed Billions from Billionaires,” Wall Street Journal, published 11 February 2018, <https://www.wsj.com/articles/a-saudi-luxury-prison-how-the-kingdom-squeezed-billions-from-billionaires-1518350401>

⁵³⁴ Andrew England and Simeon Kerr, “Saudi Arabia: How the Khashoggi Killing Threatens the Prince’s Project,” Financial Times, published October 22, 2018, www.ft.com/content/227c99dc-d2b5-11e8-a9f2-7574db66bcd5.

⁵³⁵ “Saudi Arabia: Staff Report for the 2018 Article IV Consultation,” IMF, accessed 13 July 2022, <https://www.imf.org/~media/Files/Publications/CR/2018/cr18263-SA.ashx>.

⁵³⁶ Insight of Ellen Wald, Atlantic Council nonresident senior fellow.

structural challenges that the country has seem to continue as important obstacles for the Saudi ruling elite.

* The current process in the Kingdom is well integrated with the multiscalar sets of relations through geopolitical and geoeconomic concerns.

* It is also crucial to emphasize that Saudi Arabia's transition away from oil and making the private sector an engine for employment and GDP growth comes at a seriously difficult time of growing at a globally competitive private sector. Thus, getting a successful result requires a wholesale transformation of the role of the state and market.

* The Saudi government has achieved crucial progress in tasks which are directly performed by the state itself, such as macroeconomic management, the development of capital markets and the banking system, improving the regulatory environment and the ease of doing business, and digitization, as well as social reforms.⁵³⁷

* However, policy fields such as the creation of jobs, providing a entrepreneurial climate, the attraction of FDI and the development of the scope and depth of the private sector showed less performance compared to the tasks directly performed by the state.⁵³⁸

* The Saudi government has been decisive in pushing forward the social reforms so far. The government stability achieved so far has also shown that the strategy of sidelining the politically religious establishment and silencing dissent from religious figures, activists, and intellectuals strengthen the ruling elite politically.⁵³⁹

⁵³⁷ Stephen Grand and Katherine Wolff, "Assessing Saudi Vision 2030: A 2020 review,"

⁵³⁸ Ibid.

⁵³⁹ Eman Alhussein, "Saudi First: How Hyper-nationalism Is Transforming Saudi Arabia," policy brief, European Council on Foreign Relations, published 19 June 2019, https://www.ecfr.eu/publications/summary/saudi_first_how_hyper_nationalism_is_transforming_saudi_arabia.

* For now when we consider the four headline goals⁵⁴⁰ of the government to attain by 2030;

- Private sector as a percentage of GDP has reached to 44,1 percent in Q1 2022⁵⁴¹ while the 2030 target was 65 percent.
- Foreign direct investment as a percentage of GDP has been 0,77 percent in 2020⁵⁴² while the 2030 target was 5,7 percent.
- Nonoil exports as a percentage of overall exports has been 21,7 in Q1 2022⁵⁴³, while the 2030 target was 50 percent.
- Unemployment rate of Saudi nationals has been 11 percent in 2022⁵⁴⁴, while the 2030 target was 7 percent.

It can be claimed that Saudi Arabia achieved a little progress with its reforms in order to bring dramatic change towards a rapid transformation of the economy of the country. Furthermore, based on the statistical calculations of Steffen Hertog⁵⁴⁵ regarding the years required to achieve the targeted numbers in employment creation of the private sector and revenue streams from the private sector to public budget, even with the assumption of a stable annual private sector growth of 3 percent per year, it is seen that Vision 2030 would necessitate more fundamental and deep-seated reforms to meet these objectives.

⁵⁴⁰ These are the baseline numbers and goals set by Saudi Arabia's Vision 2030 plan, not necessarily as reported by international organizations. "Vision 2030," 39, 53, 61, https://vision2030.gov.sa/sites/default/files/report/Saudi_Vision2030_EN_2017.pdf.

⁵⁴¹ "Quarterly GDP at Constant Prices for 2010-2021", General Authority for Statistics (Saudi Arabia), accessed May 6, 2022, <https://www.stats.gov.sa/en/823>.

⁵⁴² "Foreign Direct Investment, Net Inflows (percent of GDP), Saudi Arabia, from 2007 to 2018," <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=SA>

⁵⁴³ Based on the data from March 2019 to February 2020. "Merchandise Imports and Exports of the Kingdom of Saudi Arabia," February 2020, General Authority for Statistics (Saudi Arabia), <https://www.stats.gov.sa/en/325>.

⁵⁴⁴ "Labour Market, First Quarter 2022," <https://stats.gov.sa/en/814>.

⁵⁴⁵ Steffen Hertog, "What Would the Saudi Economy Have to Look Like to Be 'Post-rentier'?" in POMEPS Studies 33: The Politics of Rentier States in the Gulf (2019): p.29-33.

* As emphasized by the Atlantic Council report⁵⁴⁶, key figures in the Saudi government have recognized the necessity of a widespread change for Saudi Arabia. However, they feel less urgency regarding the pace of this change. This could be seen in the reiteration of former Saudi Energy Minister Khalid al-Falih at a clean energy conference in Abu Dhabi in early 2019, that oil demand “will continue to grow for the foreseeable future.”⁵⁴⁷

* It seems still early in order to make a judgment on the tasks of the state in meeting strengthening human capital through education, workforce training, healthcare, and social safety nets.

* In order to attract foreign capital, the Saudi leadership has devoted a notable attention to the further improvement of capital markets and the banking system. However, this could not change the caution of foreign investors to make investments to Saudi Arabia by considering the risk in the Kingdom and the necessity of the improvement for better conditions for private-sector business activity and a far more developed rule of law.

⁵⁴⁶ Stephen Grand and Katherine Wolff, “Assessing Saudi Vision 2030: A 2020 review,”

⁵⁴⁷ “Falih Urges ‘Fair’ Energy Transition,” Daily Star, accessed 13 July 2022, <http://www.dailystar.com.lb/Default.aspx/Opinion/Sports/Life/Opinion/Arts-and-Ent/News/Business/Regional/2019/Jan-16/474153-falih-urges-fair-energy-transition.ashx>.

BIBLIOGRAPHY

- Acemoglu, Daron and James Robinson. "Paths of Economic and Political Development." In *Oxford Handbook of Political Economy*, edited by Barry R. Weingast and Donald Wittman, Oxford: Oxford University Press, 2009.
- Akinci, Gokhan and James Crittle. "Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development." Washington DC: The World Bank Group, 2008.
- Alami Ilias and Adam D. Dixon. "The Strange Geographies of 'New State Capitalism.'" *Political Geography*, 82 (2020).
- Alavi, Jafar and Henry Thompson. "Toward a Theory of Free Trade Zones." *The International Trade Journal* 3.2 (1988): 203–216. Al-Gurg, Easa Saleh. *The Wells of Memory: An Autobiography*. London: Albemarle Street, 1998.
- Almezaini, Khalid. "Private Sector Actors in the UAE and Their Role in the Process of Economic and Political Reform." In *Business Politics in the Middle East*, edited by Steffen Hertog, Luciani Giacomo and Marc Valeri, London: Hurst & Company, 2013.
- Al-Rasheed, Madawi. *The Son King: Reform and Repression in Saudi Arabia*. Oxford University Press, 2021.
- Al-Rasheed, Madawi. *A History of Saudi Arabia*. Cambridge University Press, 2010.
- Al-Rasheed, Madawi. *Salman's Legacy: The Dilemmas of a New Era in Saudi Arabia*. Oxford University Press, 2018.
- Ayres, Clarence Edwin. *The Theory of Economic Progress: A Study of Fundamentals of Economic Development and Cultural Change*. Chapel Hill, NC: University of North Carolina Press, 1996.

- Badia-Miro, Marc Vincente Pinilla, and Henry Willebald. *Natural Resources and Economic Growth: Learning from History*. New York: Routledge, 2015.
- Beblawi, Hazem and Giacomo Luciani, eds. *The Rentier State*. London, New York and Sydney: Croom Helm, 1987.
- Bowen, Wayne H. *The History of Saudi Arabia. The Greenwood Histories of the Modern Nations*, Greenwood, 2007.
- Bremmer, Ian. *The End Of The Free Market*. New York: Portfolio, 2010.
- Bremmer, Ian. *The New Rules of Globalization*. *Harvard Business Review*, 2014.
- Bsheer, Rosie. *Archive Wars: The Politics of History in Saudi Arabia*. Stanford University Press, 2020.
- Buchanan, James. "Rent Seeking and Profit Seeking." In *Toward a Theory of the Rent- Seeking Society*, edited by Buchanan, James M., Robert D. Tollison and Gordon Tullock, pp.3-15. Texas: Texas A&M University Press, 1980.
- Burchill, Scott, Matthew Paterson, Christian Reus-Smit, Andrew Linklater, Richard Devetak, Jacqui True, Jack Donnelly. *Theories of International Relations* Palgrave Macmillan, 2005.
- Calhoun, Craig. *Dictionary of the Social Sciences*. Oxford: Oxford University Press, 2002.
- Castles, Stephene. "Studying Social Transformation," *International Political Science Review*, 22(1) (2002): pp.13–32.
- Castles, Stephene. "Understanding Global Migration: A Social Transformation Perspective," *Journal of Ethnic and Migration Studies*, 36(10) (2010): pp.1565–1586.
- Castles, Stephene, Magdalena Arias Cubas, Chulhyo Kim, Elsa Koleth, Derya Ozkul and Rebecca Williamson. "Karl Polanyi's Great Transformation as a Framework for Understanding Neo-Liberal Globalization," *Social*

Transformation and International Migration in the 21st Century, Working Paper No. 1. Sydney: University of Sydney, 2011.

Crystal, Jill. *Oil and Politics in the Gulf: Rulers and Merchants in Kuwait and Qatar*. New York: Cambridge University Press, 1995.

Davidson, Christopher. *The United Arab Emirates: A Study in Survival*. Boulder: Lynne Rienner Publishers, 2005.

De Graaff, Naná and Bastiaan Van Apeldoorn. "US–China relations and the liberal world order: Contending elites, colliding visions?," *International Affairs*, 94,1 (2018): pp.113-131.

Diwan, Isaac. *Understanding the Political Economy of the Arab Uprisings*. World Scientific Publishing Company, 2014.

Ehteshami Anoushiravan, Steven M. Wright (ed.). *Reform in the Middle East Oil Monarchies*. Berkshire: Ithaca, 2008.

Ehteshami, Anoushiravan and Yukiko Miyagi (ed.). *The Emerging Middle East-East Asia Nexus*. Routledge, 2018.

Ehteshami, Anoushiravan. *Globalization and Geopolitics in the Middle East: Old Games, New Rules*. Durham Modern Middle East and Islamic World, Routledge, 2007.

Escobar, Arturo. *Encountering Development: The Making and Unmaking of the Third World*. Princeton, NJ: Princeton University Press, 1995.

Evans, Peter B. and Patrick Heller. "Human Development, State Transformation, and the Politics of the Developmental State." In *The Oxford Handbook of Transformations of the State*, edited by S. Leibfried, E. Huber, M. Lange, J. D. Levy and J. D. Stephens, pp.691-713. Oxford: Oxford University Press, 2015.

Fain, W. Taylor. *American Ascendance and British Retreat in the Persian Gulf Region*. New York: Palgrave Macmillan, 2008.

- Fawcett, Louise. *International Relations of the Middle East*. Oxford University Press, 2016.
- Fine, Ben and Alfredo Saad-Filho. *Marx's "Capital" - Sixth Edition (6th ed.)*. Pluto Press, 2016. <https://doi.org/10.2307/j.ctt1ddr6c7>
- Florida, Richard. "Cities and the Creative Class," *City & Community* 2,1 (2003): pp.3-19.
- Fox, Sean. "Urbanization as a Global Historical Process: Theory and Evidence from Sub-Saharan Africa," *Population and Development Review* 38,2 (2012): pp.285-310.
- Frank, Andre Gunder. "The Development of Underdevelopment," *Monthly Review* 18,4 (1966): pp.17-31.
- Freer, Courtney. *Rentier Islamism: The Influence of the Muslim Brotherhood in Gulf Monarchies*. New York: Oxford University Press, 2018.
- Fuccaro, Nelida. *Histories of City and State in the Persian Gulf: Manama Since 1800*. Cambridge, Cambridge University Press, 2009.
- Fuccaro, Nelida. *Violence and the city in the modern Middle East* Stanford University Press, 2016.
- Fukuyama, Francis. *The End of History and the Last Man*. New York/Toronto: The Free Press, 1992.
- Fulton, Jonathan (ed.). *Routledge Handbook on China-Middle East Relations*. Routledge, 2021.
- Gause, Gregory F. *The International Relations of the Persian Gulf*. Cambridge University Press, 2014.
- Gray, Matthew. "A Theory of 'Late Rentierism' in the Arab States of the Gulf." Georgetown University Center for International and Regional Studies. Working Paper No. 7 (2011).

- Hakimian, Hassan. *The Routledge Handbook on the Middle East Economy* Routledge, 2021.
- Halliday, Fred. *The Middle East in International Relations: Power, Politics and Ideology, The Contemporary Middle East*, 2005.
- Hall, Peter A. and David Soskice (Eds.). *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press, 2001.
- Hanieh, Adam. *Capitalism and Class in the Gulf Arab States*. New York: Palgrave Macmillan, 2011.
- Hanieh, Adam. *Lineages of Revolt: Issues of Contemporary Capitalism in the Middle East*. Chicago: Haymarket Books, 2013.
- Hanieh, Adam. *Money, Markets, and Monarchies: The Gulf Cooperation Council and the Political Economy of the Contemporary Middle East*. London: Cambridge University Press, 2018.
- Harvey, David. *A Brief History of Neoliberalism*. Oxford University Press, 2007.
- Harvey, David. *The Urban Experience*. The John Hopkins University Press, 1989.
- Harvey, David. *Rebel Cities: From the Right to the City to the Urban Revolution*. London ; New York: Verso, 2013.
- Henry, Clement Moore and Robert Springborg. *Globalization and the Politics of Development in the Middle East* (2nd ed., *The Contemporary Middle East*). Cambridge: Cambridge University Press, 2010.
- Herb, Michael. *The Wages of Oil: Parliaments and Economic Development in Kuwait and the UAE*. Ithaca: Cornell University Press, 2014.
- Hertog, Steffen. "Defying the Resource Curse: Explaining Successful State- Owned Enterprises in Rentier States." *World Politics* 62:2 (2010a): 261–301.

- Hertog, Steffen. *Princes, Brokers, and Bureaucrats: Oil and the State in Saudi Arabia*. Ithaca: Cornell University Press, 2010b.
- Hetherington, Martin, Tom Pierre Najem (ed.). *Good Governance in the Middle East Oil Monarchies*. Routledge, 2018.
- Hobden, Stephen and John M. Hobson. *Historical Sociology of International Relations*. Cambridge University Press, 2002.
- Hope, Bradley and Justin Scheck. *Blood and Oil: Mohammed bin Salman's Ruthless Quest for Global Power*. Hachette Books, 2020.
- House, Karen Elliott. *On Saudi Arabia: Its People, Past, Religion, Fault Lines and Future*. Knopf, 2012.
- Hubbard, Ben. *MBS: The Rise to Power of Mohammed bin Salman*. Tim Duggan Books, 2020.
- Huntington, Samuel. *The Third Wave: Democratization in the Late Twentieth Century*. Norman: University of Oklahoma Press, 1991.
- Inglehart, Ronald. "Modernization and Postmodernization: Cultural, Economic, and Political Change," in *43 Societies*. Princeton, NJ: Princeton University Press, 1997.
- Issawi, Charles. *An Economic History of the Middle East and North Africa* (1st Edition). Routledge, 2006.
- Jia, Nan, Kenneth G. Huang and Cyndi Man Zhang. "Public governance, corporate governance, and firm innovation: An examination of state-owned enterprises." *The Academy of Management Journal*, 62, 1 (2019): pp.220-247.
- Karl, Terry Lynn. *The Paradox of Plenty: Oil Booms and Petro States*. Berkeley: University of California Press, 1997.

- Kennedy, Paul. *The Rise and Fall of the Great Powers*. New York: Random House, 1987.
- Keshavarzian, Arang. "Geopolitics and the Genealogy of Free Trade Zones in the Persian Gulf." *Geopolitics* 15.2 (2010): 263–289.
- Khalili, Laleh. *Sinews of War and Trade: Shipping and Capitalism in the Arabian Peninsula*. London: Verso, 2020.
- Kurlantzick, Joshua. *State capitalism: How the Return of Statism is Transforming the World*. Oxford University Press, 2016.
https://www.jstor.org/stable/48537581?seq=1#metadata_info_tab_contents
- Lacroix, Stéphane and George Holoch. *Awakening Islam: The Politics of Religious Dissent in Contemporary Saudi Arabia*. Harvard University Press, 2011.
- Lazzarini, Sergio G. "Strategizing by the government: Can industrial policy create firm-level competitive advantage?," *Strategic Management Journal*, 36 (2015): pp.97-112.
- Lazzarini, Sergio G. and Aldo Musacchio. "State ownership reinvented? Explaining performance differences between state-owned and private firms," *Corporate Governance an International Review*, 26,4 (2018): pp.255-272.
- Lazzarini, Sergio G. and Aldo Musacchio. "Leviathan as a partial cure? Opportunities and pitfalls of using the state-owned apparatus to respond to the COVID-19 crisis," *SSRN Electronic Journal* (2020). Available at SSRN: <https://ssrn.com/abstract=3562406>.
- Lazzarini, Sergio G., Luiz F. Mesquita, Felipe Monteiro and Aldo Musacchio. "Leviathan as an inventor: An extended agency model of state-owned vs. Private firm invention in emerging and developed economies," *Journal of International Business Studies* (2020) <https://doi.org/10.1057/s41267-020-00327-9>.
- Looney, Robert E. (ed.). *Handbook of US-Middle East Relations: Formative Factors and Regional Perspectives*. Routledge International Books, 2009.

- Luciani, Giacomo and Tom Moerenhout (Eds.). *When Can Oil Economies Be Deemed Sustainable? (The Political Economy of the Middle East)* 1st ed. Cham: Palgrave Macmillan, 2021.
- McNally, Christopher A. "The Challenge of Refurbished State Capitalism: Implications for the Global Political Economic Order." *Dms–der Moderne Staat-Zeitschrift für Public Policy, Recht und Management*, 6,1 (2013): pp.33-48.
- Marx, Karl. "Karl Marx on Society and Social Change: With Selections by Friedrich Engels," Chicago, Ill: University of Chicago Press, 1973.
- Menoret, Pascal. *Graveyard of Clerics: Everyday Activism in Saudi Arabia*. Stanford Studies in Middle Eastern and Islamic Societies and Cultures, Stanford University Press, 2020.
- Migdal, Joel S. *Strong Societies and Weak States: State–Society Relations and State Capabilities in the Third World*. Princeton, NJ: Princeton University Press, 1988.
- Migdal, Joel S. "The State-in-Society Approach." In *State in Society: Studying How States and Societies Transform and Constitute One Another*, 3–40. New York: Cambridge University Press, 2001..
- Migdal, Joel. S. and Klaus Schlichte. "Rethinking the State." In *The Dynamics of States: The Formation and Crises of State Domination*, edited by K. Schlichte, pp.1-40. Aldershot: Ashgate, 2005.
- Mogielnicki, Robert. *A Political Economy of Free Zones in Gulf Arab States*. Cham: Palgrave Macmillan, 2021.
- Musacchio, Aldo, Sergio G. Lazzarini and Ruth V. Aguilera. "New Varieties of State Capitalism: Strategic and Governance Implications." *Academy of Management Perspectives*, 29,1 (2015): pp.115-131. <https://journals.aom.org/doi/abs/10.5465/amp.2013.0094>
- Musacchio, Aldo, Sergio G. Lazzarini, Pedro Makhoul and Emily Simmons. "The Role and Impact of Development Banks," *World Bank Working Paper* (2017).

- Musacchio, Aldo and Sergio G. Lazzarini. *Reinventing State Capitalism*. London: Harvard University Press, 2014.
- Niblock, Tim and Monica Malik. *The Political Economy of Saudi Arabia*. Routledge, 2007.
- Noland, Marcus and Howard Pack. "The Arab Economies in a Changing World." Peterson Institute for International Economics (2007).
- Nölke, Andreas (Ed.). *Multinational Corporations from Emerging Markets: State Capitalism 3.0* Palgrave Macmillan, 2014.
- O'Brien, Robert and Marc Williams. *Global Political Economy: Evolution and Dynamics*. Palgrave Macmillan, 2016.
- Owen, Roger. *State, Power and Politics in the Making of the Modern Middle East* (3rd edition). Routledge, 2004.
- Piketty, Thomas. *Capital in the Twenty-First Century*. Harvard: Harvard University Press, 2013 (translated by A. Goldhammer).
- Polanyi, Karl. *The Great Transformation*. Boston: Beacon Press, 1944.
- Pollock, Friedrich. "State capitalism: Its Possibilities and Limitations." In *The Essential Frankfurt School Reader*, edited by A. Arato and E. Gebhardt. New York: Continuum Publishing Company, 1982 [1941]: pp.71-94.
- Portes, Alejandro. "Migration and Social Change: Some Conceptual Reflections." *Journal of Ethnic and Migration Studies* 36,10 (2010): pp.1537-1563.
- Ramady, Mohamed A. *The Saudi Arabian Economy: Policies, Achievements, and Challenges*. Springer US, 2010.
- Rostow, Walt. W. *The Stages of Economic Growth*. Cambridge: Cambridge University Press, 1960.

- Rundell, David H. *Vision or Mirage: Saudi Arabia at the Crossroads*. I.B. Tauris, Bloomsbury, 2021.
- Saad Filho, Alfredo. "Value and Crisis: Essays on Labour, Money and Contemporary Capitalism." *Studies in Critical Social Sciences*, Volume: 134 (2019).
- Seznec, Jean-Francois and Mimi Kirk (eds.). *Industrialization in the Gulf: A Socioeconomic Revolution* Routledge, 2010.
- Stiglitz, Joseph E. "Foreword." In *The Great Transformation: The Political and Economic Origins of Our Time*, edited by Karl Polanyi, vii–xvii. Boston: Beacon Press, 2001.
- Stiglitz, Joseph E. *Globalization and its Discontents*. New York, NY: WW Norton & Company, 2002.
- Tilly, Charles. *Big Structures, Large Processes, Huge Comparisons*. New York: Russell Sage Foundation, 1984.
- Tilly, Charles. *Coercion, Capital, and European States, AD 990–1992*. Oxford: Blackwell, 1994.
- Vassiliev, Alexei. *The History of Saudi Arabia*. Saqi, 2013.
- Wallerstein, Immanuel. *The Modern World System II, Mercantilism and the Consolidation of the European World-Economy, 1600-1750*. New York: Academic Press, 1980.
- Waterbury, John, Alan Richards, Melani Cammett and Ishac Diwan. *A Political Economy of the Middle East (3rd Edition)*. Westview Press, 2008.
- Wilson, Rodney. *Economic Development in the Middle East*. Routledge, 2021.
- Wynbrandt, James. *A Brief History of Saudi Arabia, 2nd Edition*. Checkmark Publishing, 2010.

Yalman, Galip. "Devlet." In *Siyaset Bilimi: Kavramlar, İdeolojiler, Disiplinler Arası İlişkiler*, edited by E. Attila Aytekin and Gökhan Atılgan, pp.69-85. Yordam Kitap, 2014.

Zhou, Kevin Zheng, Gerald Yong Gao and Hongxin Zhao. "State ownership and firm innovation in China: An integrated view of institutional and efficiency logics," *Administrative Science Quarterly*, 62,2 (2017): pp.375-404.

APPENDICES

A. TURKISH SUMMARY / TÜRKE ÖZET

Körfez ülkeleri ve Suudi Arabistan'da mali problemler her zaman etkili olagelmıştır. Bunun temel nedenleri olarak petrol fiyatlarındaki yüksek oynaklıklar ve ülkelerin bunlara yüksek bağımlılığı gösterilmektedir. Suudi Arabistan bu problemleri aşmak adına 1970'li yıllardan itibaren orta vadeli kalkınma planlarıyla ekonomik çeşitlendirme çabasının içinde olmuşsa da ortaya koyduğu hedefleri gerçekleştirme konusunda istenildiği kadar başarılı olunamamıştır. Bu süregelen problem iklim krizinin yarattığı çevre kriziyle ve iklim krizine karşı küresel işbirliği ve reaksiyonla birlikte daha da derinleşecek gibi gözükmektedir. Tüm bu faktörlerden dolayı körfez ülkeleri de bu durumu aşmak adına önceki beş yıllık kalkınma planlarının vizyonundan daha uzun vadeli ekonomik çeşitlendirme ve kalkınma programları açıklamışlardır. Suudi Arabistan Körfez ülkelerinin 2000'li yılların başından itibaren açıkladıkları uzun dönemli ekonomik çeşitlendirme ve kalkınma planlarının sonuncusu olarak 2016 yılında "Vizyon 2030" programını açıklamıştır. Bu programın temel uygulayıcısı olarak Muhammed bin Salman'ın Ekonomik ve Kalkınma İşleri Konseyi vasıtasıyla hem bu programı ve bu programın alt kırılımlarını hayata geçirmeye çalışmaktadır. Bu programın akabinde ülkede bir takım değişimler yaşanmaya başlamıştır. Bu değişimler ülkenin kültürel silüetinden bürokrasi yapısının yeniden şekillenmesine varacak derecede geniş bir çerçeveyi kapsamaktadır.

Bu tezin amacı bu değişimleri bir dönüşüm çabası olarak nitelendirip Rantiyer Devlet Teorisi literatürünün ve Ekonomik Çeşitlendirme literatürünün sağladığı imkânlardan yararlanarak çok katmanlı ve ilişkisel bir şekilde açıklama çalışmaktır. Tezde nitel araştırmayı destekleyecek şekilde güncel istatistikler ve verilerden yararlanılıp iddia edilen "dönüşüm"ün gerçekliği, boyutları, derinliği ve Suudi toplumuna yansımaları tartışılmaktadır. Bu tartışma temel olarak yerel, bölgesel ve küresel çaptaki jeopolitik ve jeoekonomik gelişmelerin ve değişimlerin Suudi karar

alıcılar üzerinde yarattığı gerekliliklerin ve tehdit algılamalarının karar alıcıların siyasal kapasiteleri, pozisyonları ve Suudi socio-ekonomik yapısının doğasıyla nasıl bir etkileşime girdiği ve bu faktörlerin birlikte nasıl dolayım lanıp süreci şekillendirdiği temel olarak hedeflenmektedir.

Tüm bu sürecin nedenine, gidişatına, hedeflerine ve potansiyel çıktılarını açıklamakla ilgili farklı görüşler vardır. Bu görüşler ekonomik çeşitlendirme hedefleri bağlamında ve Rantiyer Devlet Kuramı (RDK) literatürü çerçevesinde gelişen değerlendirmelerdir. İlk olarak, bu programlarla birlikte planlanan ekonomik çeşitlenmenin içeriğinin ne olduğu, bu çeşitlenmenin sağlanıp sağlanamayacağı veya ne derecede başarılı olabileceği konusu gündeme gelmektedir. Ayrıca, bu süreçte karşılaşılabilecek zorluklar ve aşılması gereken zorlukların ve ne takım fırsatların olduğunun saptanması da süreci analiz etmek açısından önem arz etmektedir. İkinci olarak ise, süreci açıklamak için başvurulan açıklamalar RDK literatürü çerçevesinde gelişmektedir. RDK literatürü körfez bölgelerinin sosyo ekonomik yapısını anlayabilmek adına geliştirilmiş onlarca yıldır yapılan çalışmaların birikimi olarak görülebilir. Bu literatüre süreç içerisinde evrimleşmiştir ve zenginleşmiştir.

Bir dönüşüm sürecini analiz etmek için, hâlihazırda mevcut olan sosyo-politik yapılar açısından netleştirmek çok önemlidir. Bir dönüşümün net bir şekilde anlaşılması, zeminde gerçekte nelerin değiştiği sorusunu netleştirdiği için özellikle 1970'lerden bu yana süregelen yapının ve unsurlarının analizini gerektirmektedir. İlk olarak, neyin değişmesi gerektiğini anlamak için on yıllar boyunca sosyo-ekonomik ve politik yapılar açısından neyin kurulduğunu incelemek önemlidir. Ayrıca, bu gerçekten dönüşümün asli unsurlarını verdiği için önemlidir. Suudi Arabistan'da, RDK literatürünün on yıllardır açıkladığı gibi, esas olarak RDK literatürü tartışmaları yoluyla tanımlanan belirli bir tür sosyo-ekonomik ve politik yapı vardır. Ayrıca Suudi Arabistan'ı bölgesel ve küresel jeo-ekonomik ve jeopolitik güçlerle olan ilişkisi içinde görmek, onu daha geniş bir mekânsal-zamansal coğrafya içerisine yerleştirmek açısından önemlidir.

Bu bağlamda Suudi Arabistan'daki süreklilik ve dönüşüm, temel olarak iki literatür üzerinden incelenebilir. Sürekliliği analiz etmek için, Rentier Devlet Teorisi literatürü ve Körfez ülkeleri ve özellikle Suudi Arabistan ile ilgili güncel tartışmaları,

geniş bir kavram ve perspektif zemini sunmaktadır. Ayrıca Krallık'taki dönüşümü analiz etmek için ekonomik çeşitlendirme literatürü iyi bir tartışma alanı açmaktadır. Burada sadece ekonomik çeşitlendirme literatürüne odaklanmanın Suudi Arabistan Krallığı'ndaki mevcut dönüşüm sürecini analiz etmek için yeterli olmadığını vurgulamak çok önemlidir. Aksine, bu tez, karar vericilerin karşı karşıya olduğu zorlukları ve fırsatları anlamak için ekonomik kalkınma teorilerinden ve mevcut devlet kapitalizmi tartışmalarından kısaca faydalanacaktır.

Krallıktaki mevcut süreklilik ve dönüşüm tartışmasını açıklamak için “Kralın İkilemi” kavramsallaştırması tez için hayati önem taşımaktadır. Samuel Huntington, 1968 tarihli “Değişen Toplumlarda Politik Düzen” adlı kitabında, hükümdarların karşılaştığı kilit bir sorunu vurgulamak için “Kralın İkilemi” terimini kullandı: kontrolü kaybetmeden nasıl liberalleşecekleri. Huntington'a göre, seçimler oldukça sert görüldü. Hükümdar, ya modernleşmeye devam ederek otoritesini korumaya çalışabilir, ancak kontrolü elinde tutmak için gerekli olan baskıyı yoğunlaştırabilir ya da monarşisini, kralın hüküm sürdüğü ancak yönetmediği bir anayasal monarşiye dönüştürebilir. Suudi Arabistan örneğine yönelik “Kral İkilemi” kavramsallaştırması, yalnızca Suudi karar vericilerin karşı karşıya olduğu ikilemin anlaşılmasına yardımcı olmakla kalmıyor, aynı zamanda hâlihazırda kurulmuş yapıların sürekliliği ile dönüşüm girişimleri arasındaki gerilimleri analiz etmek için net bir bakış açısı sağlıyor. Daha da ötesi, Matthew Gray'in “geç rantiyecilik” kavramsallaştırmasına dayalı olarak, küresel sosyo-ekonomik rekabetin tek bir ülkenin dünyanın jeoekonomik ve jeopolitik dinamiklerine uyum sağlama gerekliliğini yoğunlaştırması nedeniyle Suudi monarşisinin şu anda karşı karşıya olduğu ikilem yoğunlaşmıştır. Ayrıca, “devlet kapitalizmi”nin alternatif kalkınma ve siyasal yönetim modeli tartışmalarının artmasıyla birlikte dünya ekonomisine uyum sağlama zorunluluğu da yoğunlaşmıştır.

Bu çalışmada araştırılacak ve cevap aranacak temel soru ise bahsettiğimiz dönüşüm sürecinin hangi dinamik ve faktörler üzerinden gittiğidir. Yani dönüşümün özellikleri nelerdir ve nasıl bir ilişki ağı oluşturmaktadır sorularına cevap aramaktadır?

Çalışmanın amacı ise Suudi Arabistan'da bahsedilen dönüşüm sürecinin dinamiklerini ve etkileyen faktörleri tespit etmek ve analiz etmektir. Bu genel amaç çerçevesinde aşağıdaki sorulara cevap verilmeye çalışılmaktadır;

1. Dönüşüm sürecini etkileyen küresel, bölgesel ve yerel gelişmeler nelerdir?
2. Bu gelişmeler dönüşüm sürecini ne ölçüde etkiliyor?
3. Tarihsel süreçte Suudi Arabistan Krallığı'ndaki (KSA) güncel gelişmelerin daha önceki kalkınma planlarına benzediği ve ayrıldığı noktalar nelerdir?
4. Bu süreç siyasi karar alma mekanizmalarını nasıl etkiliyor?
5. Bu süreç toplumsal eşitsizliği ve yoksulluğu nasıl etkileyecek?
6. Ve genel olarak, bu süreçlerin iklim eylemi, yoksulluk ve sürdürülebilir şehirler ve topluluklar gibi sürdürülebilir kalkınma hedefleriyle ilgilenmesi nasıl olasıdır?
7. Devam eden bu sürecin erken dönem başarılarından ve zorluklarından bazıları nelerdir?

Tezde temel olarak 2016 sonrası süreçte Suudi Arabistan'da siyasi karar alma mekanizmalarının küçük bir ekibin elinde konsolide olduğu ve ekonomik kalkınma stratejisinin özel sektörü daha ön plana çıkartmayı hedeflerken çelişkili bir şekilde devletin ekonomi üzerindeki ağırlığının Varlık Fonu üzerinden arttırıldığı ve eş zamanlı olarak neoliberal politikaların kontrollü bir şekilde derinleştirilmeye çalışıldığı iddia edilmektedir.

Bahsedilen soruları cevaplamak ve dinamik ve faktörleri göstermek için üç farklı bölüm ayrılmıştır. İkinci bölümde, bu çalışmada kullanılan genel kuramsal ve kavramsal çerçeveye ilgili genel bir literatür taraması yapmaya çalışılmıştır. Bu bağlamda iki önemli literatür tartışması üzerinde durulmuştur; ekonomik çeşitlendirme ve Rantiyer Devlet Kuramı (RDK) literatürü. Körfez İşbirliği Teşkilatı (KİT) üye ülkeleri ve özellikle Suudi Arabistan ile ilgili ekonomik çeşitlendirme literatüründeki başlıca varsayımları ve yaklaşımları kısaca tartıştıktan sonra, Suudi Arabistan Krallığı'ndaki mevcut süreci daha tarihsel olarak incelemek için toplumsal dönüşüm literatürü inelenmiştir. Dönüşüm kavramını daha geniş bir eğilim ve gelişmeler içinde konumlandırmak ve genel bir çerçevede daha iyi anlamak amacıyla kalkınma teorilerinin genel bir literatür taraması yapılmıştır. Ardından, RDK literatürü tartışıldıktan sonra, Krallık'taki mevcut durumu incelemek için daha uygun bir yaklaşıma sahip olmak için RDK literatürünün mevcut kabulleri ve ona yönelik

güncel eleştirilerden yararlanılmıştır. Bu bağlamda, Matthew Gray'in vurguladığı “geç rantiyericilik” kavramsallaştırılması detaylı olarak incelenmiştir. Tezin geri kalan kısmındaki genel perspektif bu kavramsallaştırma üzerinden geliştirilmiştir çünkü bu kavramsallaştırma ülkenin ve karar alıcıların karşı karşıya olduğu zorlukların ve tehdit algılamalarının varlığını çok katmanlı bir şekilde gösterebilme gücüne sahip olup siyasal stratejiye ve kapasiteye imkân tanımakla birlikte de karar alıcıları ve diğer toplumsal aktörlerin süreç üzerine olan etkilerini analiz etme açısından da faydalı olmaktadır.

Üçüncü bölümde, 1970'lerden bu yana kalkınma planlarını göstererek KSA'nın kısa vadeli ekonomik kalkınma stratejilerini ortaya koyulmuştur. 2000 yılına kadarki ilk altı kalkınma planı ve 2000-2014 yılları arasında Kral Abdullah yönetimindeki kalkınma planları tartışılarak tarihsel ve analitik bir ayrım yapılmıştır. Ayrıca üçüncü bölümde Suudi Arabistan'da şimdiki dönüşümün gerekliliği analiz edilmiştir. Aynı konunun farklı boyutlarını daha iyi tespit edebilmek için bu ihtiyaçları küresel, bölgesel ve yerel gibi farklı ölçeklerde gösterilmiştir. Bu bölümde çok ölçekli bir şekilde bu süreci etkileyen faktörler küresel, bölgesel ve yerel boyutta tartışılmıştır. Bu tartışmada jeopolitik, siyasal ekonomi ve toplumsal bağlamlardaki etkilerine odaklanılmış ve tüm bu faktörlerin Suudi Arabistan'daki süreci ne derecede etkilediğini göstermeye çalışılmıştır.

Bu bölümde bölümler halinde küresel ekonomik yapının ve siyasal yapının çerçevesinin kısaca çizilmesi üzerinden Suudi Arabistan'ın içerisinde bulunduğu çevrenin ana hatları çizilmiştir. Buradaki temel tez küresel ekonomi politik düzenin ülkeler üzerinde etkili olduğu noktaların altını çizmek ve bahsedilecek tüm reformların bu çerçeveye uyumlu bir şekilde gelişme zorunluluğunun altını çizmektir. Uzun vadeli “Vizyon” planları bu düşüncüyü göstermekle birlikte küresel danışmanlık firmaları da bireysel ülkeleri bu noktada yönlendirmektedir. İlk olarak, küresel petrol fiyatlarında oynaklığa dikkat çekilmiştir ve bu oynaklığın talep ve arz yanlı etkileyen faktörlerden bahsedip gelecekte talep yönlü yaşanacak azalmaların nedenlerini iklim kriziyle küresel mücadele süreci bağlamında değerlendirilmiştir. Ayrıca bu noktada, Suudi Arabistan için yenilenebilir enerji kaynaklarının alternatifliğinin güçlenmesini vurgulanmıştır. İkinci olarak, bu bölümdeki temel tezden hareketle her ne kadar son dönemde siyasal ekonomi yapının küreselleşmeden

bölgeselleşmeye kayması tartışılrsa da hâlihazırdaki küreselleşme sürecinin temel yapı taşlarından bahsedilmiş ve küreselleşmenin küresel ticaret, finans, yatırım ve bilgi teknolojileri gibi alanlarının bireysel ülkelerin üzerindeki kaçınılmaz etkilerinden bahsedilmiştir.

Ayrıca, siyasal veya ekonomik krizlerin küresel çapta olan etkisini vurgulanmıştır. Suudi Arabistan'daki "dönüşüm" süreci, ülkenin petrol ihracatına yoğun bağımlılığından ötürü Covid-19 pandemi sürecindeki küresel ekonomik daralmadan yüksek derecede etkilenmiştir. Ayrıca bireysel ülkelerin krizlerle başa çıkma yöntemleri için şeffaflık, açıklık ve rasyonalite gibi kavramların öne çıkmasından bahsedilmiştir. Küreselleşme bağlamında, küresel ticaretin içerisinde yer almak ve bunun hem ithal hem de ihracat bakımında çeşitlendirilmesi gerekliliği fikrini baz alıp bunun hem ekonomik hem de güvenlik açısından ne kadar gerekli olduğunu vurgulanmıştır. Bu noktada, küresel ticaretin yapıldığı rotalar üzerinde söz hakkına sahip olmanın bireysel devlet açısından hem kendisinin ticari mallara ulaşma güvenliği açısından hem de küresel çapta kaldıraç gücü elde etmek açısından ne kadar önemli olduğunu vurgulanmıştır.

İklim kriziyle ilgili riskler bağlamında siyasal ekonomi kapsamının her noktasıyla temaslı bir şekilde, su ve enerji güvenliğinin sağlanmasının bireysel devletler giderek artan bir öneme sahip olduğu vurgulanmıştır. Bununla doğru orantılı olarak Suudi Arabistan için de bu sürecin planlamasının ne kadar zorunlu bir hal aldığını vurgulanmaktadır. Su ve enerji güvenliğinin sağlanması Suudi Arabistan için ayrıca rejim güvenliğinin sağlanması ve devam ettirilmesi açısından da hayati öneme sahiptir. Küresel bazda üretilen ürünlere düzenli bir şekilde erişebilmeni artan önemini vurguladıktan sonra, finansal açıdan ise küresel finans piyasalarına entegre ve açık olmanın yatırım için gerekli olan finansal kaynağın sağlanması açısından önemine vurgu yapılmıştır. Ayrıca bu entegrasyon ve açıklık riskler barındırmakla birlikte, bu küresel ağlara erişimin istikrarlı bir şekilde tesis edilmesi ve devam ettirilmesi hem devletin borçlanma maliyeti hem de özel sektördeki firmaların borçlanma maliyetinin azaltılması açısından önem arz etmektedir. Ayrıca, finansal entegrasyonun ve yabancı yatırımcının ülkeye çekilmesinin Suudi Arabistan'ın kendi vatandaşı için yaratmak zorunda olduğu iş sahalarının sağlanması için de kilit rol oynamaktadır.

İkinci bölümde ise tarihsel süreçte Suudi Arabistan'daki dönüşüm stratejilerini incelenmiştir. Bu noktada, 1970'lerden itibaren süregelen 11 tane kalkınma planı incelenmiş ve bunların amaçları ve ne derecede başarılı oldukları tartışılmıştır. En sonda ise “Vizyon 2030” ve Ulusal Dönüşüm Programı'nın (UDP) amaçları tartışılmış ve eski kalkınma planlarıyla karşılaştırılmıştır. Bu karşılaştırma, kalkınma planlarının amaçlarında bir süreklilik olduğunu göstermiş, ancak mevcut süreçte bu strateji ve planların uygulanmasında köklü bir kopuş olduğunu da iddia etmiştir. Bu kopuş, bir önceki bölümde gösterilen zorunlulukların ve fırsatların bir bileşimi olarak anlaşılabilir. Daha sonra yukarıda belirtilen ölçümler kullanılarak zorluklar gösterilecek ve hedeflenen noktaya yakınlıkları analitik olarak tartışılmıştır. Burada süreçteki aktör-yapı ilişkisini analiz etmek amacıyla Martin Hvidt'ten alınan yapısal ve politik zorluklar gibi kategorizasyon modeli kullanılmıştır. Yapısal zorluklara bakmanın, Krallığın içinde oynamak zorunda olduğu çok ölçekli yapıyı değerlendirmek için analitik bir temel sağlayacağını ve siyasi engellere bakarken bize kurumsal ve devlet kapasitesi gibi yukarıda bahsedilen yapı içinde bir faillik duygusu vereceği düşünülmektedir. Swartz tarafından da iyi tanımlandığı gibi, fail-yapı meselesi bir ikilik olarak görülmeyecek, daha ziyade birincil kaygının aralarındaki ilişkiselliğe odaklanacağı bir Mobius şeridi olarak düşünülecektir. Ayrıca, zorlukların çokluğuna rağmen, iklim politikalarının küresel ekonomi politığının rejim meşruiyeti ve meşruiyeti açısından giderek daha önemli hale gelmesi nedeniyle vurgulanan potansiyellerin ve güçlü liderliğin bir araya gelmesiyle dönüşüm sürecinin olumlu bir şekilde devam edebileceği iddia edilecektir. Suudi monarşisinin sahip olduğu rant mekanizmalarının sürdürülmesi ve hatta derinleştirilmesi açısından iklim kriziyle birlikte gelen problemler bir fırsat olarak düşünülebilir.

Ayrıca bu bölümde, bu dönüşüm sürecinin aşması gereken zorlukları ve sahip olduğu imkânlar gösterildikten sonra, Vizyonu 2030'un 2022 yılına kadar ortaya koyduğu performansı incelemek için MBS yönetiminde son altı yılın temel sosyo-ekonomik göstergeleri istatistiksel veriler ışığında tartışılmıştır.

Son bölümde ise dönüşüm süreci demokratikleşme süreci ve bu dönüşümün Suudi halkının refahı ile ilişkisi üzerinden değerlendirilmiştir. Ayrıca bu bölüm, “King's Dilemma” söyleminde kendini gösteren gelişmekte olan ülkelere ilişkin

Hungtington'un kalkınma anlayışı ve neoliberal politika tartışmalarıyla güncel ilişkisini tartışılmıştır. Bu tartışma, yapılan veya yapılmayan seçimleri ve bunların Krallık'taki yoksulluk ve eşitsizlik sorunları üzerindeki potansiyel etkilerinin daha iyi anlaşılmasına katkı sağlayacaktır. Ayrıca, kentsel kalkınma tartışması, neoliberal politikalar, demokratikleşme ve Krallık'taki vatandaşların refahı konusundaki geniş tartışmalara dayanmaktadır. Bu sürecin demokratikleşme, eşitsizlik ve yoksulluk açısından Suudi halkı için ne ifade ettiği ve nasıl bir konfigürasyon getirebileceğine odaklanılmıştır.

Suudi politika yapıcılar, genç nüfus için istihdam yaratılması, devletin mali yükünün azaltılması, özel sektörün ihracat oranına, GSYİH'ya katkısının artırılması ve dış ticaretin çeşitlendirilmesi dâhil olmak üzere, yukarıda geniş bir şekilde tartışıldığı gibi, onlarca yıldır çeşitli politika hedefleri belirlediler. Ayrıca, reform programlarının yörüngesinin ve dönüşüm süreçlerinin başarısı veya sürdürülebilirliği, Suudi vatandaşlarının günlük yaşamlarındaki sorunları tanımlamalıdır. Bu nedenle, son bölüm, mevcut sürecin ve gelecekteki sonuçlarının, siyasi yönetim, düşük yaşam standartları, eşitsizlik ve yoksulluk gibi ülkenin siyasi, ekonomik ve sosyal alanlarındaki çok sağlam sorun ve taleplerle yakından örtüşüp örtüşmeyeceği sorusunu ele almıştır.. Bu bölüm, demokratikleşme, otoriterlik ve neoliberalizm literatürünün kısa tartışmaları yoluyla planların, stratejilerin ve uygulamaların bu güncel meselelerle olan uyumunu anlamaya çalışacaktır.

En temel olarak, Suudi Arabistan'ın bugünü ve yakın geleceği, sağlık, eğitim ve yenilenebilir enerji gibi sektörlere yönelik neoliberal politikaların derinleştirilmesi ve Kamu Yatırım Fonu'nun büyük yatırımlarıyla ekonomide devlet aktivizmi ve girişimciliğin derinleştirilmesi şeklinde ikili bir sürece mahkûmdur. Tüm bu süreçlerde vatandaşın refah kaybını telafi etmenin farklı yöntemleri ortaya çıkıyor. Bir yandan Vatandaş Hesabı programı ve işsizlik ödeneği tanıtılırken, diğer yandan bireysellik ve çalışkanlığa yönelik neoliberal değerlerle bezenmiş bir Suudi milli bilinci oluşturulmak isteniyor. Tüm bunlara ek olarak, demokratik talepler ve karar alma süreçlerine daha geniş katılım konusu hiç dikkate alınmamaktadır. Bu noktada dikkati çeken bir husus, siyasi karar alma mekanizmalarının geçmişe göre daha küçük bir grubun bile kontrolünde olması, belediye seçimlerinin gündemden düşmesi ve yeni mega projelere dayalı şehirlerin ortadan kaldırılmasıdır. Bu mega projelere

dayalı şehir projeleri de potansiyel siyasi katılım taleplerini ortadan kaldırmak noktasında da Suudi karar alıcıları imkânlar sunan araçlar olarak görülebilmektedir.

Tüm yukarıdaki tartışmalar ve çerçeve ışığında, Suudi Arabistan'ın güncel durumuna bakıldığında temel olarak aşağıdaki birkaç husus göze çarpmaktadır;

MBS yönetimindeki Suudi Arabistan 2016'dan beri bir değişim içerisindedir fakat bu değişim hedeflerinin (bürokratik işlemlerin dijitalleşmesi ve finansal piyasaların genişletilmesi gibi) bazılarını yerine getirmekte yol katettiyse de asıl hedeflerine (özel sektörün gelişimi, özel sektör üzerinden Suudileri iş alanı yaratılması, FDI attraction, export diversification gibi) ulaşmada şimdilik yetersiz kaldığı gözükmektedir.

Hükümet düzenleyici kurumların kurulması ve yasal mevzuatların çıkartılması konusunda başarılı olduğu söylenebilir. Ayrıca hükümetin vergi çeşitlendirmesi VAT sayesinde başarılı olduğu söylenebilir.

Suudi Arabistan, ekonomik ve siyasi olarak bir konsolidasyon süreci yaşamakta ve siyasi muhalif her ses ağır bir darbe indirilmektedir. Ayrıca Suudi Arabistan'ın on yıllardır devam edegelen güç dengesi siyasi olarak değiştirilmektedir. Varlık Fonu (Public Investment Fund, PIF) üzerinden kalkınma MBS'in siyasi gücünü ekonomik olarak da pekiştirmek istediğinin bir göstergesi olarak görülebilir.

Varlık Fonu (PIF) üzerinden devlet kontrolünde bir ekonomik gelişim modeli ağır basıyor gibi gözükmektedir. 1970'lerde Yanbu ve Jubail'de tecrübe edildiği gibi yönetici elit Varlık Fonu (PIF) üzerinden uluslararası yatırımcılarla ilişki kurup tüm alanlarda egemen olmak istemekte fakat Atlantic Council raporunun da vurguladığı gibi petrol ve petrol türevi ürünler hariç avantaja sahip olmadığı alanlarda bu stratejinin ne kadar başarılı olabilir olduğu büyük bir soru işareti olarak ortada durmaktadır.

Suudi İş gücünün özel sektöre devretme amacı ve uluslararası rekabetçi bir ekonomik ortam yaratma amacının Suudi Arabistan'daki çelişkisi hala devam ediyor gözükmektedir.

Kültürel açılma anlamında konserler, tiyatrolar, bianeller, festivaller sinemalar açılıyor ve eğlence ve hizmet sektörü genişlemektedir ve bu durum dönüşüm sürecine dair siyasi olarak devam eden kararlılığı göstermektedir.

Kültürel açılım üzerinden bakıldığında devlet toplum ilişkisi kültürel alana sıkıştırılmak istenmekte ve herhangi bir siyasi ve demokratik talep ağır bir baskıyla cevaplanmaktadır. Bu noktadaki temel yaklaşım gelebilecek her türlü reformun MBS kontrolünde ve isteğinde olması isteğidir çünkü herhangi bir reform talebi kabulü diğerlerini de cesaretlendirmesinde endişe edilmektedir. Bu noktada insan hakları savunucuları, kadın hakları savunucuları, İslami gruplar baskı altındadır. Ayrıca, resmi din kurumu da söylemlerinde baskı altındadır.

Siyasal açıdan bakıldığında 2005, 2011 ve 2015 sonrasında belediye seçimleri yapılmadı ve şu an itibariyle yapılacak gibi gözükmemektedir.

Suudi Arabistan'daki ekonomik ve toplumsal dönüşüm MBS'in siyasi konsolidasyonu ile doğrudan alakalı olsa da, gösterildiği üzere Suudi Arabistan'da uzun zamandır bulunan yönetici elitler arasındaki rekabet ve dönüşüm konusundaki görüş ayrılığı dönüşüm gerekliliğinin bir devlet politikası olarak yaygın bir şekilde benimsenmesini ortadan kaldıramaz. Yani bu süreci sadece MBS'in güç konsolidasyonu şeklinde değil de daha geniş bir çerçeveden okunması gerekmektedir. Bu geniş çerçeve bu tezde olduğu gibi sürece etki eden tüm dinamikleri gösterme kabiliyetini haiz olmalıdır.

B. THESIS PERMISSION FORM / TEZ İZİN FORMU

(Please fill out this form on computer. Double click on the boxes to fill them)

ENSTİTÜ / INSTITUTE

- Fen Bilimleri Enstitüsü / Graduate School of Natural and Applied Sciences**
- Sosyal Bilimler Enstitüsü / Graduate School of Social Sciences**
- Uygulamalı Matematik Enstitüsü / Graduate School of Applied Mathematics**
- Enformatik Enstitüsü / Graduate School of Informatics**
- Deniz Bilimleri Enstitüsü / Graduate School of Marine Sciences**

YAZARIN / AUTHOR

Soyadı / Surname : AKGÜN
Adı / Name : OĞUZHAN
Bölümü / Department : Uluslararası İlişkiler / International Relations

TEZİN ADI / TITLE OF THE THESIS (İngilizce / English):

POLITICAL ECONOMY OF TRANSFORMATION IN SAUDI ARABIA

SUUDU ARABİSTAN'DA DÖNÜŞÜMÜN SİYASAL EKONOMİSİ

TEZİN TÜRÜ / DEGREE: **Yüksek Lisans / Master** **Doktora / PhD**

- 1. Tezin tamamı dünya çapında erişime açılacaktır. / Release the entire work immediately for access worldwide.**
- 2. Tez iki yıl süreyle erişime kapalı olacaktır. / Secure the entire work for patent and/or proprietary purposes for a period of two years. ***
- 3. Tez altı ay süreyle erişime kapalı olacaktır. / Secure the entire work for period of six months. ***

** Enstitü Yönetim Kurulu kararının basılı kopyası tezle birlikte kütüphaneye teslim edilecektir. / A copy of the decision of the Institute Administrative Committee will be delivered to the library together with the printed thesis.*

Yazarın imzası / Signature

Tarih / Date

*(Kütüphaneye teslim ettiğiniz tarih. Elle doldurulacaktır.)
(Library submission date. Please fill out by hand.)*

Tezin son sayfasıdır. / This is the last page of the thesis/dissertation.