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January 2019

Red signal on the Saudi Vision 2030: Private sectors wary of the Crown Prince

1.Introduction:



Prince Muhammad bin Salman (MbS) of Saudi Arabia is struggling to realize the economic structural reform plan "Vision 2030" that he launched in 2016. It is an ambitious plan to diversify and modernize the Saudi which is heavily relied on oil nowadays. There is no doubt that the people, especially young generation, is highly expecting Vision 2030. The current oil-dependent economy means the dependence on public sectors. However, it is indispensable to utilize the capability of the private sector for diversification of economy. To that end, both cooperation of domestic private corporate owners and the capital investment and technology transfer from abroad are inevitable. But as far as the current situation is concerned, domestic corporate owners and overseas investors share a sense of caution against Prince Muhammad. This shows that the Vision 2030 is

uncertain to reach its goal at this moment.

2.Two incidents triggered off private sectors:

Vision 2030 was announced in April 2016, when MbS was then Deputy Crown Prince. He had been given full power from his father to elaborate the whole plan and executed it. When his father King Salman raised him to Crown Prince, Muhammad seized the mighty powers covering all political and economic issues. His attitude became arrogant and brutal.

The typical example was a case of impeachment of corruption in November 2017. In this case, about 200 peoples were arrested consisting royal family members like Prince Alwaleed bin Talal, famous billionaire, high-ranking officials like ex-Finance Minister and prominent businessmen including the owners of Saudi Binladen Group (SBG) were arrested. They were detained at Ritz-Carlton Hotel in Riyadh. There was no doubt that this impeachment was aimed at eliminating the political opponents. The target was the supporters of the late King Abdallah. Suspects were released after nearly two months of detention. They paid tremendous amount of money. It was

curious that a formal trial never took place afterwards. Some suspects were reported to have been forbidden to go abroad and forced to fetter with GPS to his foot.

Another case was the murder of journalist Mr. Khashoggi at Saudi Consulate in Istanbul. Prince Muhammad strongly denied his involvement in the case. However, the mastermind was the top executive of the intelligence organization and MbS controls directly the organization. Therefore, international public opinion is convinced that Crown Prince directly ordered the assassination of Mr. Khashoggi. The only one who presides for Crown Prince is President Trump of the United States.

The case of corruption impeachment has grown up the red signal and disgust for MbS within business executives in Saudi Arabia against MbS. And Khashoggi's case prevailed the distrust for executives abroad. The Crown Prince still put up a bluff, but his image is infinitely black.

3. Business executives in KSA disgust MbS

Three members of the Binladen family, the largest conglomerate of construction business, were bailed out in a corruption case. But they had to be confiscated the 36.2% of their company stock to the government¹. Since this incident, domestic business executives left or shunned away from Crown Prince MbS.

For example, in April 2018 the Crown Prince and his delegation visited major cities in the United States for investment promotion for three weeks. His delegation visited not only New York, Washington and Boston on East Coast but also Seattle, Los Angeles, San Francisco and Houston. They held seminars in these cities asking technology transfer and offered investment opportunities in Saudi Arabia. Many influential conglomerates in Saudi Arabia have close relationship with US companies. But there was no names of prominent business owners in the list of delegation. Although they should naturally accompany to the delegation, It looked like that they avoid participating.

Another example was the election of the chairman of Federation of Saudi Chambers of Commerce and Industry (SCCI) in July 2018. It has been customary to elect the chairman of SCCI from one of three main CCIs in Riyadh, Jeddah or Eastern Province (Dammam). However, the chairman of Taif CCI was elected as Chairman of SCCI and the vice chairman was the top of Madinah and Hail CCI respectively². They are obviously minor actors. Prominent businessmen in Saudi Arabia sent a letter of challenge to MbS.

It is obvious that if they confronted the crown prince what would happen to them. So they are maintaining the attitude of obedience. It cannot be expected to activate the Saudi economy at all

under such circumstances.

4. Fears about MbS shared by foreign investors

Intentional impeachment of corruption made Saudi businessmen to be disgusted with MbS. In case of foreign investors, the murder of Mr. Khashoggi made them fears about MbS. The world was surprised when Mr. Khashoggi was murdered lazily at the Saudi Consulate in Istanbul, Turkey. Although MbS denies involvement in the incident, no politicians in the world except US president Trump do not trust the claim of MbS. Foreign investors share the same opinion with politicians (It could be easily to suppose that President Trump awake himself the guilty of MbS as he heard the recording tape at the time of Mr. Khashoggi's death.)

At the Investment Initiative Conference held in Riyadh immediately after the Khashoggi incident, executives of international institute and foreign big companies who planned to participate continuing from the previous year stopped attending. If he or she participates in the conference, the image of institute or company would clearly be scratched. If absent, there would be another risk of missing business opportunity. But the former risk which would be resulted in bashing from the media and stakeholders was more serious for them. Among such circumstances it took notice that how Mr. Masayoshi Son, Chairman of SoftBank of Japan, dealt with MbS. Mr. Son stood in with MbS and has established the world's biggest investment fund, so-called SoftBank Vision Fund with the prince. He has to obey to MbS. He went to Riyadh and met MbS but did not show up on the investment conference. This was at his best.

According to the report of the United Nations Conference on Trade and Development (UNCTAD), Foreign Direct Investment (FDI) for Saudi Arabia in 2017 was \$ 1.4 billion. This is less than one-fifth of the previous year's \$ 7.5 billion, which is record-low compared to the past five years. Foreign investors may have begun to stop the investment in Saudi Arabia.

5. Struggling MbS

Being confronted with unfavorable wind, arrogant and irresponsible MbS was quite impatient. In July 2018, a picture was shown in a newspaper that MbS pleasantly chatted with Prince Alwaleed who has been caught in a corruption case. It showed as if they settled their differences³. It was impossible to invite executives in domestic and abroad for Vision 2030 without the business network of Alwaleed. Although the government confiscated the stocks of Saudi Binladen Group (SBG), government officials had no capability to manage construction business. They faced to carry out mega projects like NEOM. Therefore the government forced to reappoint the Binladen family as the board members⁴.

MbS raised the flag of populist policies such as license for women's driving, opening a movie theater and giving cost-of-living bonus. So far MbS have caught the heart of young generation. However, the economy is unable to turn into better condition only by populism. Needless to say, cooperation with private sectors is indispensable for raising the economy. But both of domestic and foreign business executives are keeping a distance from MbS. Saudi Arabian economy in 2019 will get slump.

End

Please send your comments and opinions on this subject.

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¹ 'Shareholding changes reported at Saudi Binladin' on MEED, 2018/7/8

<https://www.meed.com/shareholding-changes-reported-saudi-binladin/>

² 'Council of Saudi Chambers elects chairman, 2 deputies' on Saudi Gazette, 2018/7/10

<http://www.saudigazette.com.sa/article/538717/BUSINESS/Council-of-Saudi-Chambers-elects-chairman-2-deputies>

³ 'Crown Prince Mohammed bin Salman meets with Prince Alwaleed, discuss role of private sector under Vision 2030

<http://www.arabnews.com/node/1337916/saudi-arabia>

⁴ 'Saudi corruption settlements will net "not significantly less" than \$13 bln in 2019 – minister' on Arab News, 2018/12/19

<http://www.arabnews.com/node/1423116/saudi-arabia>