

Research Paper

Jane Kinninmont

Middle East and North Africa Programme | July 2017

Vision 2030 and Saudi Arabia's Social Contract Austerity and Transformation



**CHATHAM
HOUSE**
The Royal Institute of
International Affairs

Contents

Summary	2
1. Introduction	3
2. Vision 2030	9
3. The Saudi Social Contract	17
4. Vision 2030: Disrupting the Social Contract?	26
5. Consulting the Public?	37
6. Conclusion	40
About the Author	43
Acknowledgments	44

Summary

- It is now generally accepted that the rulers and citizens of Saudi Arabia must come to terms with a future in which oil resources play a far less significant role in the economy than has historically been the case. This is bound to change the implicit social contract between the government and its key constituencies.
- Saudi Arabia has a long-term plan – as part of its wide-ranging Vision 2030 strategy – to reduce the economy's reliance on oil and the state by boosting investment in the private sector. Vision 2030 essentially continues, in amplified and expanded form, policies that the country has had in place for some decades. These have had some successes in generating non-oil growth and encouraging some Saudis to work in the private sector, but implementation has repeatedly fallen short of the ambitious targets that have been set, with the result that the Saudi economy remains overwhelmingly dependent on oil-fuelled government spending.
- Vision 2030 is prominently associated with King Salman's son Mohammed bin Salman – or 'MBS' – newly promoted to crown prince as of June 2017. The strategy has helped to brand MBS as a figure of considerable influence both within Saudi Arabia and internationally. But if it is seen as unsuccessful, existing criticisms of his individual leadership style are likely to deepen among those who resent his rapid rise. Personality politics within the royal family could thus end up being a distraction from the fundamental need to implement economic diversification.
- If the government's ability to distribute largesse to the population is curtailed for the long term, it will need to focus on alternative sources of legitimacy. This could mean greater consultation and public involvement in decision-making, or, perhaps more likely, emphasizing the importance of royal rule as a bulwark against insecurity, terrorism and chaos, while maintaining or intensifying an authoritarian model of rule.
- Vision 2030 implies a degree of social liberalization to enable the growth of the entertainment and tourism industries, as well as extensive reforms to the education system, traditionally a stronghold of Saudi Arabia's religious clerics. If followed through, this would transform relations between the state and its citizens, politically and socially as well as economically, and also the government's partnership with the clergy.
- An effective renegotiation of the social contract will be critical if the government is to institutionalize and secure buy-in for the dramatic economic changes it wants to make. This means not only more effective strategic communication and consultation with the population, but also a greater focus on inclusive growth and social safety nets.
- Currently, with multiple geopolitical threats afflicting the region, few people – at home or abroad – are calling on the new crown prince to adopt pursue political reforms. But just as economic diversification would have been more effective if more had been undertaken at an earlier stage, MBS has an opportunity to be ahead of the curve on political reform, rather than waiting for events to force it on to the policy agenda.

1. Introduction

In June 2017 Prince Mohammed bin Salman bin Abdel-Aziz Al Saud (often referred to as 'MBS'), was named by his father King Salman as Saudi Arabia's new crown prince. The 31-year-old prince had held no public office until 2015, when the new king had appointed him deputy crown prince, defence minister, and head of a 'super-committee' grouping together the ministries and agencies that direct Saudi economic policy. Since then, one of Prince Mohammed's key projects has been 'Vision 2030', a wide-ranging plan to diversify the kingdom's economy and reduce its dependence on oil.¹ If successful, 'Vision 2030' would transform the country's economic model, making the private sector the engine of growth and jobs. Although the published plan has little to say about politics, such economic changes would also dramatically alter the relationship between citizens and the state, which has historically been shaped by the Saudi ruling establishment's ability to disburse oil revenues to its people.

While few observers believe Vision 2030 will meet its ambitious targets, it has nonetheless defined the broad direction of economic travel, and makes a particularly ambitious statement of diversification policy. It has been accompanied by other transformational economic policy announcements, most notably the intention to privatize a small stake in Saudi Aramco – the world's largest oil company – and to use the proceeds to establish a major international sovereign wealth fund, which Saudi Arabia has hitherto lacked.

That Vision 2030 is closely associated with a particular figure within the Saudi ruling family has had some benefits, as the crown prince has invested his own political capital in it, but may also be one of its weaknesses, as perceptions of the plan are linked to perceptions of Prince Mohammed's own leadership style (discussed in more detail later in this paper). However, the need to diversify the economy away from its reliance on oil revenues and government spending has been acknowledged by Saudi officials and economists for decades. This fundamental need to change will not go away even if the oil price returns in future to levels above \$100 per barrel.

Diversification has been an economic policy priority since the 1970s, but the implementation of successive initiatives – from a series of five-year development plans first introduced in 1970 to a strategy to create six new 'economic cities' formulated in the 2000s – have usually fallen short of their targets. Government spending, almost exclusively underwritten by oil revenues, remains the engine of economic growth. Twice as many Saudis are employed in the public sector as in the private sector.

There have been some diversification successes, often overlooked: developing infrastructure and non-oil sectors (albeit largely energy-based industries such as petrochemicals and plastics); establishing new industrial cities at Jubail and Yanbu (centred around petrochemical production facilities); moving oil production further up the value chain from crude to refined; and increasing

¹ Kingdom of Saudi Arabia, Council of Economic and Development Affairs of Saudi Arabia (2016), 'Saudi Vision 2030', April 2016, <http://vision2030.gov.sa/en> (accessed 16 Nov. 2016).

the number of Saudi nationals – especially women, albeit from a low base – working in the private sector.

However, previous announcements of reform programmes have repeatedly lagged behind targets, especially when it comes to fiscal and labour-market policies. This is partly because such policies, intended to cut the structural fiscal burden and reduce reliance on government spending, could be seen as undermining the implicit social contract. The social contract is probably better understood as a series of informal pacts between the government and key constituencies including the wider royal family, business elites, influential clerics and the general public. Oil and welfare are not the sole basis of these relations, but they have played a major role – explored in more detail below.

The fear of upsetting this balance means such efforts are often diluted or deferred, or reversed when oil prices rise. The most dramatic example in recent years was seen in the response to the Arab uprisings of early 2011, when the government increased its spending by 25 per cent over the previous year, including around \$130 billion of announced social spending, higher pay and bonuses for public-sector workers.

A long-held assumption among researchers and analysts has been that a reduction in economic benefits would encourage citizens to press for more political benefits as a quid pro quo. However, the assumption may not be valid in the current context, which differs sharply from 2011. The early days of the Arab uprisings saw a series of calls for political reform in Saudi Arabia, notably including a series of online petitions to demand more checks on government, action against corruption, and judicial reforms. While these aspirations still exist, organized campaigns for reform have ebbed in the intervening years. One reason for this is the imprisonment of a number of prominent Saudi political and human rights activists, such as Mohammed Al Qahtani and Waleed Abu Khair. Another is the regional political climate, in particular the widely held perception that the Arab uprisings failed to deliver the protesters' goals of greater political inclusion, accountability and justice. Indeed, the repression, conflict, violence and sectarianism of the intervening years have meant that the regional environment is currently seen as more of a deterrent than an inspiration for movements seeking political change. As mainstream, peaceful movements for political change have been weakened, there have been more opportunities for violent militant groups – above all Islamic State of Iraq and Syria (ISIS) – to come to the fore. In turn, measures to combat terrorism and extremism have also been used by regional governments to deter peaceful opposition movements and discourage dissent in general.²

There have always been extensive restrictions on political activity in Saudi Arabia, but there have also been waves of political organization and opposition, involving, in the main, influential clerics (and, to a lesser extent, campaigners for constitutional monarchy). Currently, there appears to be very little organized opposition activity, except for the extreme dissent of violent militant movements. Opposition activity is risky, and for many Saudis the instability elsewhere in the region reinforces a sense that pushing for political change would be misguided. However, there is a risk of complacency over the lack of overt opposition. Notably, vociferous debate on social media indicates that young Saudis do want to have a voice on how their government is performing, especially when

² See for example Kinninmont, J. (2016), *Moving Target: UK–GCC Relations and the Politics of 'Extremism'*, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/publication/moving-target-uk-gcc-relations-and-politics-extremism>.

it comes to the delivery of services; and in a number of instances the authorities have been seen to respond to expressions of public opinion on social media.

Along with the fiscal constraints created by lower oil prices, this cyclical downturn in opposition activism has given the Saudi authorities a window of opportunity to push through unpopular economic policies. Since 2014 the government has imposed a number of austerity measures that have been dramatic by Saudi standards, including hikes to water prices. Above all, with effect from October 2016 take-home pay in the public-sector was effectively cut – in some cases by 25 per cent³ – by means of the cancellation of a range of allowances and benefits that had been used for years to top up salaries. This was done abruptly, with little advance communication or consultation, and unaccompanied by compensatory measures to address the expected impact on poverty or personal indebtedness. The government was at the time able to implement these fiscal cuts without encountering organized opposition or overt protest, except for expressions of frustration on social media.

None the less, in April 2017, King Salman revoked the public-sector pay cuts by royal decree – the first reversal in two years of austerity measures. This was widely seen as a response to public sentiment, and was welcomed by many Saudis. The decision came in a context of somewhat higher oil prices (following an OPEC agreement in late 2016 to reduce production quotas), and at a time when there had also been concern at the macroeconomic level that the rapid cuts in fiscal spending had undermined consumer spending and economic growth.⁴ Subsequently, it was announced in June 2017 – coinciding with the news of Mohammed bin Salman's promotion – that the restoration of public-sector pay would be backdated to October 2016, meaning that the impact of the cuts would be wiped out altogether. The reversal of cuts follows a classic pattern of pro-cyclical fiscal policy in Saudi Arabia (common to many commodity-exporting countries) whereby apparently 'structural' fiscal reforms are introduced when money is tight, but are then often cancelled when government revenues go up again. However, the episode underlined the need, in the interest of avoiding the old pattern of public pushback and policy reversal, for economic and fiscal reforms to be devised with an awareness of social and political impact built in from the very beginning.

It is entirely predictable that rapid fiscal cuts in the absence of compensatory social welfare mechanisms will damage the implicit social contract, even if dissatisfaction is largely unspoken or confined to social media. In particular, high unemployment, especially among young people, remains a critical and unresolved issue in Saudi Arabia. Even under a best-case scenario, it will be many years before the private sector is able to provide as many jobs as the public sector currently does, and there is a huge mismatch in skills and salary expectations among Saudis and potential private-sector employers. The risks of growing inequality and social exclusion are significant, and pose a number of political risks in a system where the rulers have traditionally been seen by their supporters as the providers of economic largesse. More effective social safety nets thus need to be established.

³ According to estimates from local bankers interviewed by the author in October 2016. The extent of the cuts varied from employee to employee depending on the range of allowances and perks they had previously enjoyed.

⁴ According to the author's conversations with local bankers and economists, in interviews in October 2016 and email discussions in April 2017.

To mitigate potential opposition and delegitimization, the ruling family will draw – indeed it is already drawing – on alternative, non-economic pillars of ‘legitimacy’. For example, it will place a growing emphasis on nationalism in official discourse and in the media, and on the state’s role as a provider of security against perceived regional and transnational threats. Other planned steps, to provide more entertainment and ease social restrictions, suggest the current leadership has identified a growing youth constituency with an appetite for greater social freedoms.

The country’s rulers, the Al Saud, will also seek to present themselves as an example of good governance without democracy – for instance, through the long-standing narrative around *shura*, or consultation, and the growing discourse about transparency. Vision 2030 and the National Transformation Program (NTP) contain a number of pledges to hold ministries more accountable through ‘key performance indicators’ (or KPIs). However, as one Saudi journalist interviewed as part of the research for this paper wryly pointed out, the push for transparency has not been matched by any broader growth in press freedom, freedom of speech or freedom of information.

Those measures that are anticipated are unlikely to prevent pressure for political change from growing. Opposition activity tends to come in cycles, and reducing economic benefits is bound to lead to dissatisfaction in some form. Whether and how this translates into organized political opposition will depend in part on the degree to which changing the economic structures in effect creates ‘losers’ who are able to mobilize and agitate for political change. Demands for greater social and political inclusion, better government and stronger institutions will also be driven by less materialistic factors, including the massive investment in education made during the last oil boom, and a younger generation accustomed to a fairly high level of economic development and to expressing its opinions – in contrast to older generations who lived through the country’s transition from underdevelopment to wealth, and whose main source of information was state-controlled media.

The speed of social and economic change is also likely to accentuate existing concerns about preserving a local identity – whether Saudi, Arab, Islamic, tribal or sect-specific – in the face of globalization. The government is highly aware of this, and Vision 2030 paints a picture not only of a ‘thriving economy’, but also of a society with strong roots and traditions. However, there is bound to be significant debate over what local identity really means in a society in which views on culture, family, religion and faith are very varied – a diversity that tends to be masked by an often simplistic image of a conservative and pious society.

The current absence of even the limited political reform movements that existed in 2011 or in the 1990s enables radical militant groups such as ISIS and Al-Qaeda to lay claim to offering the only political alternative. A future backlash against economic reform may well draw on anti-Western identity narratives, as the planned reforms are, for many, associated with Western consultants (who have been advising the Saudi leadership extensively) and Western-educated Saudi elites. Most historical political opposition in Saudi Arabia has come from groups claiming to represent authentic Islamic values. For Western policymakers, it is worth considering the possibility that economic reforms could lead to a conservative fallout that empowers groups and ideologies they specifically hope to see weakened by reform efforts.

Meanwhile, the perception that Vision 2030 is closely associated with an individual leader presents another potential threat to its sustainability and implementation. Prince Mohammed is responsible

for a very broad range of policy areas as (since June 2017) crown prince and deputy prime minister, in addition to his roles as defence minister and the head of the overarching body for economic policy.

On the one hand, Prince Mohammed's elevation to the role of crown prince has given him new authority, and has thus also boosted the prospects of his economic initiatives. Previously, there had been frequent reports of tensions and rivalry between him and the previous crown prince, Mohammed bin Nayef ('MBN'). There was also speculation that MBS, as deputy crown prince, could potentially be removed from the line of succession after his father's death (just as King Salman had removed the deputy crown prince that his predecessor, King Abdullah, had appointed). The promotion of MBS has put paid to this speculation, and has led most observers to assume that he will be the next king of Saudi Arabia – and that, given his age, he could potentially rule the kingdom for five or so decades to come.

On the other hand, however, his very rapid rise to high office in Riyadh, and the unprecedented concentration of power in the hands of an unusually young Saudi leader, has not been without controversy. The Saudi monarchy has traditionally distributed power more widely among senior members of the ruling dynasty, and the ousting of Mohammed bin Nayef – who was removed from all his positions of power overnight – was particularly contentious. Some members of the royal family will be aggrieved – as will some of the staff at the interior ministry, where MBN commanded significant personal loyalty. He has been replaced there by his 33-year-old nephew, ensuring that the interior portfolio remains in the hands of the same branch of the royal family (descendants of Prince Nayef bin Abdel-Aziz Al Saud, who was minister of the interior from 1975 until his death in 2012), but the new minister is less experienced and is more likely to be beholden to MBS and the king for his authority.

The removal of MBN indicates that there are potential risks facing even senior royals if they are regarded as a political threat. Now that MBS is crown prince, the chance of a full-scale challenge to his eventual succession appears unlikely. But, as also seen in neighbouring Bahrain, for instance, such a standing can change. There, Crown Prince Salman Al Khalifa led the country's diversification efforts, based on a 'Vision 2030' programme designed more than a decade before Saudi Arabia's, but Bahrain's politics since 2011 have weakened his position within the ruling family, causing setbacks for his economic reform project. Bahrain's monarchy is structured somewhat differently – the crown prince's policies sometimes clash with those of his great uncle the prime minister, while MBS faces no equivalent rival – but the need to preserve unity within the ruling family is important in both cases.

Saudi Arabia's Vision 2030 has helped to brand MBS as a figure of considerable influence both within the kingdom and internationally. (In the Arab republics, too, rulers' sons have often associated themselves with economic development strategies, as well as youth and sports initiatives, which have served useful functions as personal branding projects as well as being national policies in their own right.) But if it is seen as unsuccessful, existing criticisms of his individual leadership style are likely to deepen. The personality politics of the royal family could thus end up being a distraction from the fundamental need to implement economic diversification.

This paper draws notably on 24 interviews and meetings conducted during a research trip to Saudi Arabia in October 2016, a workshop on the social contract in the GCC held in January 2016,⁵ and a series of interviews and meetings with Saudi and international business people, diplomats, economists and academics in Europe, mostly conducted over the course of 2016. It aims to shed some light on the debate on political and social change inside Saudi Arabia, and to underscore the need for an economic reform strategy to be accompanied by political as well as social reforms. Currently, political reform appears to be absent from the policy agenda, but this cannot last indefinitely. A government that wants to be ahead of the curve on all other aspects of national development should also be more forward-looking when it comes to politics.

⁵ Chatham House (2016), 'The Social Contract in the GCC', Chatham House Middle East and North Africa Programme Workshop Summary, 11–12 January 2016, <https://www.chathamhouse.org/sites/files/chathamhouse/events/110416-GCC-Social-Contract-Workshop-Summary.pdf> (accessed 16 Nov. 2016).

2. Vision 2030

Saudi Arabia's economy is overwhelmingly oil-based. Hydrocarbons account for 85 per cent of export earnings as well as the vast majority of government revenue. While oil typically accounts for only 30–40 per cent of real GDP, the near-total reliance of public finances on oil revenue means that a far larger proportion of the economy is indirectly dependent on oil.

The public sector – including the state-controlled oil sector – accounts for two-thirds of GDP, while the private sector is heavily dependent on government contracts. During the recent oil boom the private sector grew, as did spending on infrastructure and education, both crucial to underpinning growth. But these improvements were largely underwritten by continuous fiscal expansion, with government expenditure rising every year from 2003 until 2015. The share of oil revenue and public spending in the economy rose significantly during this decade. For instance, state-funded investment accounted for nearly half of all capital investment in 2009–14, compared with one-third of all investment over the previous five years, according to UNCTAD data.⁶

Even during this boom period, there was public frustration with the rate of youth unemployment, economic inequality and strains on public services, especially healthcare and education. Since oil prices tumbled in late 2014, the economic climate has become tougher, leading to major questions over the provision of jobs for the 4.5 million young Saudis expected to enter the labour market by 2030.⁷ That number is nearly twice the total number of Saudis in work today.

A period of sustained lower oil prices has given more urgency to economic reforms. Since reaching a high of \$114 per barrel in the summer of 2014, oil prices have sunk substantially lower; they even dipped below \$30/barrel in early 2016 before stabilizing within a \$45–52/barrel range. In 2015 the budget deficit was \$97 billion, equivalent to some 15 per cent of GDP;⁸ spending was cut by 15 per cent in 2016, and the deficit narrowed to 13 per cent of GDP.⁹ Foreign reserves fell from \$723 billion at the end of 2014 to \$545 billion in October 2016,¹⁰ prompting currency speculators to bet on the riyal being devalued. Saudi Arabia's foreign reserves have dropped by a third since August 2014, leading to a downgrading of credit ratings as well as pressure on the long-standing currency peg.

Prices subsequently strengthened somewhat following cautious signals by Saudi Arabia, OPEC and Russia that they would work together to coordinate oil policy. As has often happened in the past, this was the cue for a reversal by the Saudi authorities of some of the austerity measures. But even if

⁶ United Nations Conference on Trade and Development (2015), *World Investment Report 2015*, Table II.5, 'Share of public gross fixed capital formation in GDP', p.55, http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf (accessed 15 May 2017).

⁷ Al Kibsi, G. et al. (2015), *Saudi Arabia Beyond Oil*, McKinsey Global Institute, December 2015, p.5, <http://www.mckinsey.com/global-themes/employment-and-growth/moving-saudi-arabias-economy-beyond-oil> (accessed 11 Mar. 2016).

⁸ The convergence criteria for Gulf monetary union – a plan that has been shelved for now – stipulated that fiscal deficits should be no more than 3 per cent of GDP, or 5 per cent when oil prices were weak.

⁹ Data from Saudi Arabian Monetary Agency (2017), 'Yearly Statistics, 2016' (Table 5), <http://www.sama.gov.sa/en-US/EconomicReports/Pages/YearlyStatistics.aspx> (accessed 30 Jun. 2017).

¹⁰ Saudi Arabian Monetary Agency, 'Monthly Statistical Bulletin', October 2016, p. 17.

prices were over \$100/barrel for a sustained period, the pattern of ever-increasing government spending seen between 2003 and 2014 would still not be sustainable.¹¹

Diversifying the economy away from its dependence on government spending and oil revenue has been a stated policy goal since the 1970s. Actual implementation tends to be approached with more urgency when oil revenue is squeezed, and to become less of a priority when prices rise and windfall wealth is readily available – a pattern common to many oil-producing countries.

In 2015 the issue of economic diversification gained fresh impetus from the combination of sobering economic data and the ascendance of a new Saudi leadership under King Salman, and in particular Prince Mohammed's appointment not only as (initially) deputy crown prince but as head of the government's economic development body.

Vision 2030 sets out ambitious and specific targets for diversification and improving competitiveness. It is a relatively short document: more detailed aims are set out in the separate NTP for 2016–20.¹² As with previous development strategies, core priorities include developing alternative sources of government revenue (taxes, fees and income from a newly expanded sovereign wealth fund); reduced dependence on public spending (including by lowering spending on subsidies and salaries); and an expanded role for the private sector in the economy, both in driving GDP growth and in providing jobs for Saudis. Even the name is familiar: Qatar has a National Vision 2020, and Bahrain, Kuwait and Abu Dhabi each have a Vision 2030. Oman has a Vision 2020, and is working on its Vision 2040.

But there are some genuinely new policies for Saudi Arabia. First, Vision 2030 and a series of related policy announcements have indicated a willingness to break traditional policy taboos – most notably the announcement of a plan to privatize a minority stake in the national oil company, Saudi Aramco. Second, in championing the plan, Mohammed bin Salman has signalled an unprecedented investment of political capital in reform by a senior member of the royal family. He has adopted a new tone, criticizing the country's 'addiction' to oil, and has said that the kingdom will be able to live without oil by 2020. This is in contrast to the late King Abdullah's emphasis on the importance of oil for future generations. Third, Prince Mohammed has taken steps to concentrate responsibility for economic policymaking in the hands of a small, trusted circle of economic ministers and close advisers. This centralization of decision-making has marked a departure from a dynastic monarchy system in which power has traditionally been distributed among a variety of senior princes and ministries. This reorganization is one of the reasons why Vision 2030 has been seen by some observers not solely as a national development project, but also as part of the now crown prince's power play.

There is a long record of diversification plans being diluted, and/or being only partly implemented, because of wariness about possible political repercussions, because oil price cycles have usually enabled the government to return to old habits, or because a lack of joined-up government has made economic reform hard to implement.

¹¹ See Kinninmont, J. (2015), *Future Trends in the GCC*, Chatham House Report, London: Royal Institute of International Affairs.

¹² Kingdom of Saudi Arabia, *National Transformation Program 2020*, http://vision2030.gov.sa/sites/default/files/NTP_En.pdf (accessed 11 Mar. 2016).

To increase confidence in the credibility of implementation, therefore, much of the Vision 2030 statement has focused on how government decision-making processes will be streamlined and centralized, and how performance will be measured using key indicators. Policymakers and government advisers interviewed for this paper repeatedly emphasized that ‘ministers are now working 60 hours a week rather than 12’, or indeed that they are working ‘eight days a week’, and noted that ministers are now more liable to be sacked if they are seen as failing to perform. At a senior level, ministers and senior policymakers are working more closely together. But reforming and streamlining the civil service will be a far bigger challenge. In conversation with the author at an event in 2016, the long-time Saudi oil minister Ali Al Naimi noted, ‘you need more than a vision’, adding that the next essential step – which the government was of course now going to take – was to plan the implementation, the budgets and the division of labour.¹³

The NTP goes into much more detail on targets for improving the delivery of public services, not only in economic and social services, but also in areas such as the provision of justice (a concern for foreign investors as well as Saudi nationals).

Box 1: Vision 2030 – key targets

- Move from being the 19th largest economy in the world into the top 15.
- Increase the private sector’s contribution from 40 per cent to 65 per cent of GDP.
- Increase foreign direct investment from 3.8 per cent to the international level of 5.7 per cent of GDP.
- Raise the share of non-oil exports in non-oil GDP from 16 per cent to 50 per cent.
- Increase non-oil government revenue from SAR 163 billion to SAR 1 trillion.
- Increase the number of pilgrimage visitors from 8 million to 30 million annually.
- Localize over 50 per cent of military equipment spending by 2030.
- Increase Saudi-ization in the oil and gas sectors from 40 per cent to 75 per cent.
- Increase the Public Investment Fund’s assets from SAR 600 billion to more than SAR 7 trillion.

The targets set in Vision 2030 should not be taken literally. There is a long tradition of optimism bias in Gulf diversification plans, which typically set ambitious ‘stretch targets’, partly for what economists call signalling (and what others might call grabbing attention). They indicate a direction of travel rather than a forecast.

Indeed, in terms of generating confidence, a large volume of interviews and articles, across Arab and Western media, with and about Mohammed bin Salman and Vision 2030 have focused substantial international attention on Saudi Arabia’s ambitions to develop and modernize. International public relations efforts are important as vehicles to attract international investment, especially at a time when Saudi officials perceive their international image as having hit a low point while smaller Gulf states, notably the United Arab Emirates (UAE), have benefited from more successful international marketing and branding efforts. Vision 2030 has generated some positive

¹³ In conversation with the author at an on-the-record Chatham House event, 4 November 2016. An audio recording of the event is available at <https://www.chathamhouse.org/event/discussion-ali-al-naimi>.

coverage abroad¹⁴ even as the Yemen war has been widely criticized (as discussed later in this paper).

The announcement, in January 2016, that the government intended to float a small (likely 5 per cent) stake in Saudi Aramco has also been seen by some as a signalling device, intended to convey that the new government is open to considering economic policy options that were previously deemed to be taboo. Aramco was created in the 1970s by nationalizing four US oil companies that had previously operated in the kingdom, and for decades 'resource nationalism' has been a powerful sentiment in the Arab world, which has meant there has been resistance to opening oil and gas sectors up to foreign private investment (notably in Kuwait, where the parliament has repeatedly quashed such plans). However, Mohammed bin Salman has announced that the funds raised through the initial public offering (IPO) will be used to finance a large sovereign wealth fund, as part of the country's diversification efforts, thereby framing the divestment as a new stage in national economic development.

Meanwhile, the main question currently coming from potential investors, both at home and abroad, is how much of Vision 2030 (and the NTP) will actually be implemented, given a track record of non-delivery in the past. Policymakers and economists alike are already trying to manage expectations by saying in interviews and conversations that if Saudi Arabia meets 70 per cent, or even 50 per cent, of Vision 2030's goals, this will be excellent progress.

The experience of other Gulf countries also suggests that Saudi Arabia will be faced with internal questions about how far Vision 2030 is a national project aimed at a Saudi constituency rather than a product for international consumption. Gulf economists have for some time expressed scepticism about economic 'Vision' documents written with heavy input from the major international management consultancies, especially in countries where public consultation and debate on these issues is limited.¹⁵ Such concerns have surfaced again over the Saudi Vision 2030.¹⁶

Importantly, the plan is not limited to the economy. It also contains elements that refer to relations between citizens and the state, chiefly:

- Promises of transparency, communications and consultation with the public;
- Moves implying more social freedoms, from entertainment to exercise;
- A narrative about an authentic society rooted in local traditions;
- A narrative about a 'vibrant society', including a very cautious opening of space for civil society.

¹⁴ See for example Ross, D. (2017), 'Embrace A New Saudi Arabia', US News & World Report, 29 June 2017, <https://www.usnews.com/opinion/articles/2017-06-29/the-us-should-work-with-saudi-arabias-new-crown-prince-for-change> (accessed 29 June 2017).

¹⁵ See for instance Chatham House (2013), 'Kuwait Study Group, Citizenship and the Economy in the Gulf', Chatham House Middle East and North Africa Programme and the Gulf University of Science and Technology Workshop Summary, 24–25 May 2013, https://www.chathamhouse.org/sites/files/chathamhouse/field/field_document/20130524KuwaitStudyGroup.pdf (accessed 11 Mar. 2016): 'A recurring theme was the desire for Gulf citizens to have more opportunity to participate in planning and designing the economic and political future of their countries. The question of precisely who development is for surfaced as a key concern. The extensive use of foreign consultants has become particularly contentious because of the lack of local public participation in economic debates.'

¹⁶ Saif, S. (2016), 'When Consultants Reign', *Jacobin*, 9 May 2016.

Vision 2030 is thus presented not just as a programme of economic development and investment promotion, but as a broader national modernization project. But there is no explicit reference to politics, whether in terms of political reform, security or foreign policy. Indeed, in the run-up to the release of Vision 2030, Prince Mohammed was asked in a high-profile, five-hour interview with *The Economist* what impact he thought Vision 2030 would have on the social contract. He responded that the two matters were unrelated: since the Saudi government already represented its people, it was not an issue to be considered.¹⁷

In contrast to the 1990s (when several different opposition currents were active in Saudi Arabia), or even the wave of online petitions seen in 2011, there are very few voices actively calling for political reforms to accompany the envisaged economic changes. But the strategy set out in Vision 2030 and the NTP will have significant political implications over the medium to long term.

Box 2: Priority sectors for investment

The Saudi Arabian General Investment Authority has identified the following sectors as priorities for investment:

- Agriculture
- Building materials
- Car manufacturing
- Education
- Engineering
- Healthcare
- Housing
- ICT
- Industrial equipment
- Military spare parts
- Mining
- Oil and gas
- Power, water and electricity
- Renewable energy
- Tourism
- Transport

Source: Saudi Arabian General Investment Authority website

¹⁷ *The Economist* (2016), 'Transcript: Interview With Muhammed Bin Salman', 6 January 2016, http://www.economist.com/saudi_interview (accessed 12 Jul. 2016).

Where is Vision 2030 likely to succeed?

While much analysis of Vision 2030 has adopted a sceptical tone, citing the kingdom's past struggles to diversify, there are grounds for cautious optimism that some of its aims can be achieved. Saudi Arabia will be able to reap benefits from the large-scale investments in education and infrastructure made during the recent oil boom; better quality education and infrastructure tends to strengthen a country's long-term growth prospects. Prospects for reform implementation should also benefit from the sense of urgency created by the still relatively low oil price, although this could change. Unemployment remains a key, and complex, issue, but there has been some progress in increasing Saudi participation in the private-sector labour force – albeit from a very low base. According to official data, the proportion of Saudis working in this sector rose from 11 per cent in 2011 to 16 per cent in 2016.¹⁸ Most visibly, Saudi nationals can now be seen working as taxi drivers, and as hotel and gym receptionists; this represents a notable shift in employment trends in the kingdom, and contrasts strikingly with Kuwait or the UAE. Particularly significant has been the growth in the number of Saudi women employed in the private sector, from 30,000 in 2005 to just under 500,000 in 2015.¹⁹ Companies operating in Saudi Arabia generally regard the growing pool of female graduate jobseekers as a valuable domestic resource to be tapped.

Structural disadvantages include relatively weak institutions (which are another key determinant of long-term economic growth prospects), an inefficient bureaucracy, and significant mismatches between education system outcomes and labour-market needs. In addition, oil wealth and the large public sector have contributed to a Gulf-specific form of 'Dutch disease', whereby a country rich in a particular commodity struggles to compete in other export areas.²⁰

In terms of opportunities for investment, the key challenge is improving competitiveness in the non-oil sectors. Saudi Arabia has the largest consumer market in the Arab world, and relatively high population growth, which has underpinned FDI inflows averaging \$20 billion per year for the past decade.²¹ However, rather than stimulating investment in domestic production, the consumer market is largely supplied by imported goods. To date, the main areas for foreign investment into the kingdom have been in oil-based industries (including petrochemicals and metals), property and sectors such as infrastructure, power and water that are underpinned by government contracts. The retail sector has also been a priority, as Saudi Arabia has the largest consumer market in the MENA region, although consumer spending tends to depend on government spending and thus indirectly on oil prices.

The most successful tradable sectors are those underpinned by cheap energy and cheap labour, such as petrochemicals and plastics; the country has notably become a world leader in petrochemicals production. Energy-based industries enable it to move its production up the value chain, but they also maintain a basic dependence on oil and gas as a source of comparative

¹⁸ Author's calculation based on Saudi Arabian Monetary Authority (SAMA) data.

¹⁹ SAMA data.

²⁰ In its original formulation, by *The Economist* in the 1970s, Dutch disease means that the high price of the dominant commodity pushes up the exchange rate to the point where other exports become uncompetitive. In the GCC countries, the transmission mechanism is largely through average incomes and public-sector wages: oil wealth has enabled nationals to enjoy a high-to-middle-income standard of living, typically through public-sector employment, so the countries of the region cannot compete on low-wage industrial production; but limited investment in technology and quality education means they are not yet able to compete as knowledge economies either.

²¹ Based on data on FDI inflows from UNCTAD, *World Investment Report 2016*, Annex Tables, Annex Table 01.

advantage. Again, sectors oriented around domestic consumption, public services and government capital investment contracts are ultimately dependent on oil-fuelled government spending.

To maintain growth beyond the oil era, investment will need to be directed into non-oil-driven sectors. The development of renewable energy is now being ramped up. Tourism, primarily religious tourism, is one of the main non-oil industries where Saudi Arabia has a clear competitive advantage as custodian of the holy sites of Mecca and Medina. The development of more competitive tradable sectors is likely to depend on efforts to improve the quality of education and human capital, technology, institutions and governance.

Another key challenge is rebalancing a job market that is heavily segmented between a private sector largely staffed by expatriates, who are usually lower paid and easier to hire and fire, and a public sector largely staffed by Saudi nationals. As noted above, currently almost twice as many Saudis work in the public sector – 3.2 million including the military and security services – as in the private sector (1.7 million). Changing this balance will require a combination of Saudis accepting some lower-paid jobs with longer working hours, and moving the private-sector model away from business activities that are based on very low-cost labour. But since these areas are traditionally the most competitive, there will be tensions and trade-offs between the incompatible priorities of attracting overall investment and creating private-sector jobs for Saudi nationals. For instance, international investors attracted to privatization opportunities generally envisage making job cuts at former state companies.

Some of the more promising areas for nationalization within the labour force include healthcare, retail, tourism, mining and local services. In some cases, the government has set quotas for companies to employ nationals, and has ruled that certain jobs are reserved solely for them. Businesses have consistently complained about these 'Saudi-ization' policies, and often in the past they were not fully implemented – mainly because insufficient Saudis were available and willing to do the jobs. There has also been a phenomenon of 'ghost workers', with businesses putting Saudis on the payroll in order to meet quotas but essentially treating these salaries as an indirect form of tax.

Since 2011 an updated labour-market localization policy, Nitaqat, has adopted more flexible quotas for private-sector employment, based on the numbers of Saudis that the most localized companies in each sector actually manage to employ, and has set up somewhat better linkages between training and Saudi-ization quotas. With unemployment regarded as contributing to the risks of insecurity and extremism in Saudi Arabia, Mohammed bin Nayef, recently ousted as interior minister and crown prince, had been seen as a driving force behind these efforts. The aim has been to make the quota system more efficient and easier to implement. For instance, in early 2016 the labour ministry announced that mobile phone shops were to be staffed only by Saudis, estimating that this would provide 20,000 jobs, and the government's technical and vocational training arm said it had trained 19,000 Saudis to take up these jobs.²²

²² Al Omran, A. and Spindle, B. (2016), 'Oil Change: Affluent Saudi Arabia Goes To Work', *Wall Street Journal*, 31 May 2016, <http://www.wsj.com/articles/oil-change-affluent-saudi-arabia-goes-to-work-1464716895> (accessed 10 Mar. 2017).

Young Saudis are willing to do a wider range of jobs than in the past. Taxis are increasingly driven by nationals, as in lower-income Bahrain and Oman. Notably, according to Uber, its fleet in Saudi Arabia currently includes some 9,000 Saudi taxi drivers,²³ and in 2016, after receiving \$3.5 billion from the Saudi Public Investment Fund, the company stated its intention to create jobs for more than 100,000 Saudi drivers over five years.²⁴ By contrast, in 2012 it was announced that cleaning companies would be exempt from Nitaqat requirements because it was not possible to find Saudis to work as cleaners; and in 2016 the hiring of 12 Saudis as cleaners by one municipality made headlines.²⁵

But the overall strategy as set out in Vision 2030 and the NTP entails a number of risks. Economists, bankers and local companies have expressed concerns (laid out in more detail below) about the speed at which fiscal austerity measures are being implemented. Several economists note with some resignation that Vision 2030's aims are laudable, but would have been far easier to achieve at an earlier stage – i.e. if more investments in diversification had been made when the price of oil was high, as higher oil prices give the government more room for manoeuvre and also make the Saudi market more attractive to investors. Wide-ranging fiscal cuts are biting into education spending, with tighter conditions introduced for the scholarship programme set up by King Abdullah to support Saudis studying abroad, though an attempt to link scholarships more closely with labour-market needs may be beneficial. Payment risk is also a prominent concern: the government has repeatedly been late in paying its contractors, with knock-on effects on subcontractors and on banks (which have sometimes been quietly rescheduling loans rather than allowing them to show up in non-performing loan data). More broadly, the late payments have had a negative impact on the credibility of contracts and hence on the country's attractiveness to investors, just when the kingdom is hoping to increase its appeal. In this context, in January 2017 the finance minister, Mohammed Al Jadaan, gave an undertaking that all payments would be made within 60 days.²⁶

²³ Only Saudi nationals are permitted to drive their own cars for Uber. Expatriates can work as Uber drivers but need to be sponsored by a local taxi company.

²⁴ Uber, 'Being Uber in Saudi Arabia', Press Release, 24 April 2016, <https://newsroom.uber.com/saudi-arabia/beinguber/>.

²⁵ Al Khotani, S. (2016), '12 Saudis Employed As Cleaners In Baha', *Arab News*, 23 March 2016, <http://www.arabnews.com/saudi-arabia/news/899446> (accessed 29 Jun. 2017).

²⁶ 'Facing criticism, Saudi Arabia to pay private sector bills on time: Finance minister', CNBC, 18 January 2017.

<http://www.cnbc.com/2017/01/18/facing-criticism-saudi-arabia-to-pay-private-sector-bills-on-time.html> (accessed 15 May 2017).

3. The Saudi Social Contract

The concept of the social contract was devised to explain how states legitimize their authority beyond coercion, through implicit consent to, or at least a basic acceptance of, its authority. Its origins are in European Enlightenment philosophy,²⁷ particularly in a context of citizens seeking to place limits on the power of monarchy and to protect the private sphere from excessive or arbitrary government influence. The idea has been used at times as a normative basis for demanding rights, or simply as a description of implicit assumptions about the relationship between society and state.

In Saudi Arabia the social contract may be seen more as a set of multiple, implicit pacts made by the Al Saud with various constituencies – with the rest of the royal family, religious clerics, business elites, tribal leaders and different social groups (discussed in more detail below) – rather than as a single deal that the state makes with citizens. The implicit bargain with each group is contested and subject to change, and trade-offs arise as the diverse constituencies compete with one another.

As a result, any conversation or debate with Saudi thinkers about ‘the social contract’ is likely to be about one strand of the overall bargain, depending on the speaker, rather than about the bargain in its totality. Some will focus more on economic aspects, others on religion, and yet others on security; while there are also those who make the case that there is no social contract, because the relationship with government is seen as imposed rather than contractual. The relevance of Western political theories to non-Western concepts is a matter of considerable debate, including in Saudi Arabia. However, the notion of a social contract appears to have some broad parallels with local debates about the obligations of government, a topic that is actively discussed in Saudi Arabia, and some thinkers have argued that the Islamic notion of *bayaa*, sometimes translated as ‘allegiance’, is a form of social contract.²⁸

One Saudi academic, who preferred not to be named, held a different view:

Until now I don't see any indication the policymakers are serious about moving to a social contract ... The heads of the family feel everything is theirs. But the society is going to face increasing problems with the weakening welfare system. The wars in Syria and Yemen are draining revenue. So the regime needs to think seriously about it.²⁹

Oil, dissent and the question of the ‘rentier state’

The Saudi state's control of massive oil wealth, and its consequent ability to provide extensive economic benefits, jobs, infrastructure and public services, has helped to shape the nature of the modern state and its relations with its citizens.

²⁷ Locke, Hobbes, Rousseau and Montesquieu were among the key thinkers who wrote about the social contract.

²⁸ See for instance Nazer, F. (2005), ‘Time for a Saudi ‘New Deal’’, YaleGlobal Online, 27 September 2005, <http://yaleglobal.yale.edu/content/time-saudi-new-deal>.

²⁹ Author interview, October 2016.

Saudi Arabia, like the other Gulf countries, is often described as a 'rentier state',³⁰ where governments are in effect able to buy loyalty, or at least political acquiescence, by operating a political economy model in which they distribute unearned wealth to their populations. This stands in contrast with traditional Western models requiring citizens to work productively and pay taxes which are then redistributed at the state's discretion. The 'rentier state' model is rather mechanistic, but the core argument about the relationship between a state that is a net provider of economic benefits and citizens who do not pay taxes has resonance in the Gulf.

Oil wealth and public spending are not the only factors, however. Citizens also judge the state on how the oil revenue and public spending are used, and whether this is regarded as competent and fair; the provision of basic security and stability; the perception of possible alternatives; and the agency and perceived competence of opposition actors.

For the ruling establishment, the distribution of economic resources represents an important political tool, which can be used to manage and incentivize different constituencies. Rents are not simply disbursed to citizens through public-sector jobs and benefits; they are also distributed in a more complex and competitive fashion, through government contracts to key business elites (typically long-established merchant families, though sometimes relative newcomers who have established strong relationships with key princes), and to members of the ruling family through an opaque system of direct payments as well as business interests.

Government spending on infrastructure and services also varies substantially between different regions, and between urban and rural areas. Thus while the distribution of oil revenues can be used to incentivize political behaviour, it is also a source of competition and resentment.

Another limitation of the 'rentier state' model is that it implies a mechanistic relationship between public spending and political quiescence. But in practice this does not exist, as political dynamics are affected by a wider range of factors than the political economy – including people's beliefs about what political alternatives are possible. For instance, the model implies that there would be even less dissent in Kuwait than in Saudi Arabia, as Kuwait is much wealthier and provides more benefits to its citizens. But organized political opposition there has been much more pronounced because of a very different political, social and cultural context. Kuwait has a relatively strong constitution, elected parliament and free press, as well as a royal family with a traditionally more equal relationship with merchants and no equivalent partnership with religious clerics. It also has a smaller population with more integrated minorities and a longer history of urbanization. Kuwait, it should be noted, had to reinvent its social contract after surviving the near-existential threat of Iraqi occupation. It has seen much more organized opposition activity but far less political violence than has Saudi Arabia.

³⁰ Beblawi, H. and Luciano, G. (eds) (1987), *The Rentier State: Nation, State and the Integration of the Arab World*, London: Croom Helm.

Like a number of Gulf sociologists who have examined 'divide and rule' strategies, the Saudi academic cited anonymously above also argued that the weakness of the opposition in the kingdom was a matter of design rather than a natural by-product of the rentier state model:

There is opposition here and there, but it is small. The regime wants to maintain the fragmentation of society, so each group needs it, rather than the emergence of a real nation state in a modern form ... Everybody relies on the state, and its financial power is converted into hegemony over society.

Periods of opposition or protest in Saudi Arabia have tended to reflect a mix of economic and political factors. The growth of Arab nationalist and leftist currents in the 1950s and 1960s had much to do with the expansion of education and an influx of academics and teachers from Egypt, the Palestinian territories, Syria and other parts of the Arab world. The 1979 siege of the Grand Mosque probably had more to do with the revolution in neighbouring Iran than with domestic economic pressures.

During the 1990s, several different opposition currents – constitutional monarchists, Islamist *sahwa* clerics (see below) and Shia opposition-in-exile – were boosted by a combination of economic dissatisfaction, the external shock of the Gulf war and a new generation of organized activists. In 2011 a wave of petitions for reform was catalysed by the Arab uprisings, even though the country had been enjoying an oil boom for the best part of a decade. However, activists calling for a constitutional monarchy, or a rights-based approach, have come under pressure from different directions. They have been both repressed by the authorities – notably with the imprisonment of several founders of the Saudi Association for Civil and Political Rights, as well as their lawyer, Waleed Abu Khair – and criticized by religious conservatives.

On the face of it, sustained low oil prices and substantial cuts to salaries are factors that might seem to favour opposition and unrest. But in stark contrast to the time of the 'Arab spring', when King Abdullah had judged it important to increase public-sector pay and bonuses, the current austerity period coincides with a moment when the regional environment is remarkably discouraging to political opposition. Since 2011, opposition and reform activists in Saudi Arabia and the wider Gulf region have become quieter and more demoralized, faced with not only violent repression by states, but also regional conflict, sectarianism, extremism and the visceral fear of potential state collapse. This has been reinforced by the perceived failure of opposition movements to improve living standards in most places, with perhaps partial exceptions in post-revolution Tunisia and relatively reformist Morocco.

In particular, there is a shortage of regional models for reform. In the 1990s and early 2000s, ruling establishments in Saudi Arabia and the wider Gulf region suggested there would be processes of gradual political opening through the strengthening of partly elected institutions. This included the gradual empowerment of local councils and parliaments to contribute to local governance, budget scrutiny and legislative development, although usually these bodies could not place significant constraints on the powers of the executive parts of government. Saudi Arabia gradually expanded its appointed shura council, and introduced elections for half the seats on municipal councils. But the process of gradual empowerment of semi-elected bodies appears to have largely halted. The political crisis in Bahrain and the frequent dysfunctionality of decision-making in Kuwait have indicated to rulers that giving some powers to elected bodies often leads to demands for more

power-sharing, and may well have made the parliamentary model less attractive to others in the Gulf states.

There is a deliberate scarcity of data on Saudi public opinion on political issues. But it is likely that between those who staunchly support the Al Saud and those who firmly oppose them, there are many – perhaps most – Saudis who have their complaints about the regime and may not much like the system but do not believe there are any viable alternatives. There is currently no mainstream national reform or opposition movement to challenge the economic reforms or to use them as a basis for demanding the kind of political reforms that were discussed in public petitions as recently as 2011.

In interviews, a former constitutional monarchy campaigner said that ‘now is not the time’ to focus on domestic reform issues. A young businessman added: ‘The bar of legitimacy is lower across the region. That applies here, just as reforms have slowed down in Jordan too.’ Nonetheless, the current period of austerity may have an impact on perceived loyalty and legitimacy in ways that do not generate many ripples on the surface in the short term.

The religious compact

Clerics have been seen as partners in governing Saudi Arabia since the pact between the founder of the first Saudi kingdom, Mohammed bin Saud, and the influential cleric Mohammed Abdelwahab, after whom ‘Wahhabism’ is named.

Traditionally the clerisy's influence has been concentrated in the judiciary and education system, and on social and family issues. Security, foreign affairs and most aspects of the economy are under the purview of the Al Saud. Saudi Arabia's traditional clerical elite includes the state-sponsored grand mufti and a council of senior ulema (scholars), appointed by the king, while the Al Sheikh family, descended from Mohammed Abdelwahab, have held a particularly privileged position in the education system. In December 2016 King Salman slightly expanded the council of senior ulema to include two clerics seen as more moderate, in a step seen as likely to support the gradual social liberalization associated with Vision 2030.

Saudi clerics have tended to preach political quiescence and obedience, arguing that religion should keep itself purer than the more worldly area of politics, and that obedience to the rulers is paramount to avoid the risks of chaos, conflict and social division. This has of course been politically useful for the Al Saud, helping to legitimize the monarchy and delegitimize political opposition. During the Arab uprisings, for instance, key clerics reiterated the view that protests were un-Islamic.

While there is a state-sanctioned clerical hierarchy, Sunni Islam itself does not have a universally recognized religious hierarchy. The influence of different clerics over society depends in part on their ability to attract support and influence from the grass roots. (It often helps, for example, if they have state support to host TV shows or access popular mosques.)

The public does not necessarily see the official religious establishment as the most credible. Indeed, in a 2015 survey of Muslim millennials by the Tabah Foundation,³¹ a religious foundation based in the UAE, only one in three of these young Saudi respondents said that they regarded the grand mufti of their country as having the right to determine what is permissible and forbidden in Islam, compared with 70 per cent in Morocco and 61 per cent in Egypt.

Tensions have also arisen over the relative weakness of key institutions overseen by the religious establishment. The education ministry has typically been a stronghold of clerical influence, and schools place a heavy emphasis on religious study and rote learning, often to the exclusion of much scientific education and critical thinking. Saudi Arabia performs badly in international education rankings despite its relatively high levels of spending on education, and parents have become increasingly critical of a system that is not translating into better employment opportunities for their children. This criticism is likely to intensify in the future if fewer public-sector jobs are available and Saudis face tougher competition at work.

A variety of education reforms were announced under King Abdullah, but often this meant creating a few centres of excellence – notably the King Abdullah University of Science and Technology, a research-focused, mixed-gender university managed by Saudi Aramco with a \$20 billion royal endowment to keep it independent of the education ministry and wider government. In addition, over 100,000 Saudis were sent abroad on scholarships each year. After 9/11, concerns also emerged about Saudi textbooks fostering intolerance and extremism, prompting some reforms to the curriculum, although reports of implementation are mixed.

Since the 1990s, with the emergence of a younger generation of more critical and politicized religious scholars, the *sahwa*, as a politically influential constituency, the state has sought ways of informally co-opting clerics who are not part of the official religious establishment. This has in effect helped create an alternative religious establishment that has somewhat more distance from the Al Saud. Although it ultimately supports their rule, this constituency, influenced by the ideas of the Muslim Brotherhood, does see more of an overtly political role for clerics than do traditional quietist clerics. The *sahwa* played an important role in criticizing Al-Qaeda after 9/11, and when the extremist group led a wave of domestic attacks in 2000–04. They represent a source of potential political challenge to the government, but so far have had little to say about Vision 2030 and the related austerity measures.

King Abdullah took measures to discreetly curb the powers of the salafist establishment in the justice system. He also expanded the council of senior ulema, which had traditionally included only representatives of the Hanbali school, to include the four main schools of Sunni Islam. Clerics from the kingdom's Shia minority are still excluded, and the Shia, estimated at 10–15 per cent of the population, tend to feel they are treated as second-class citizens because their interpretation of Islam is viewed by many of the clerical establishment as illegitimate.

³¹ Futures Initiative at Tabah Foundation (2016), *Muslim Millennial Attitudes on Religion and Religious Leadership*, Arab World, Abu Dhabi: Tabah Foundation, http://mmgsurvey.tabahfoundation.org/downloads/mmgsurvey_full_En_web.pdf.

Beyond direct relations with influential clerics, preserving religious tradition and piety is regarded as important for the Al Saud's legitimacy. This is reflected in the king's formal title of Custodian of the Two Holy Mosques. Certainly Saudi society has strong religious traditions. But it is more complex than its usual portrayal as highly conservative. Views on religious and social norms are diverse and contested.

For instance, contrary to the view of the government that the society is opposed to women driving, a survey by the Al-Sayeda Khadija bint Khuwailid Businesswomen Centre at the Jeddah Chamber of Commerce and Industry suggested the society was evenly divided over the issue – irrespective of gender.³² Similarly, a 2011 online poll by the Gulf broadcaster Al Arabiya found that 57 per cent of the 1,500 respondents were in favour of removing the driving ban.³³ In 2014 several senior ulema and the grand mufti said a banking-sector IPO was un-Islamic, yet 1.23 million Saudis bought into it.³⁴

There are also significant regional differences in cultural and religious norms. In various areas of the country, it is commonplace to hear the view that what are often seen as Saudi religious traditions are really social and cultural traditions from the central Najdi region where the Al Saud originate. For instance, in Jeddah the religious police are barely present, since the local society is less willing to tolerate them than in Riyadh. Traditional dress from the different Saudi regions previously existed in a wide variety of colours, whereas now the black *abaya* is the standard dress code for women.³⁵

The government consistently presents its social and religious policies as a reflection of the society's desires, but it may well be responding to the priorities of influential clerics rather than general public opinion in a country where many of these issues continue to be debated; the perception of a clear, conservative social consensus may be exaggerated, in the absence of clear data. Indeed, MBS's willingness to introduce concerts to the country suggests the now crown prince has identified a youth constituency that has an appetite for some social liberalization. This is explored in more detail below.

Security, stability and nation-building

Another pillar of the regime's authority is security: Saudi Arabia is generally a safe place to live, and state stability is often perceived as depending on the Al Saud, who founded the state (and, uniquely in today's world, gave their name to it). Faisal bin Farhan, the head of an investment company and a member of the ruling family, argues: 'King Abdel-Aziz [the kingdom's founder] delivered the

³² As commented to the author during a visit to London.

³³ 'Facebook and Twitter give way to women driving in Saudi Arabia, in the first social media referendum', Al Arabiya, 20 April 2011 [Arabic], <http://www.alarabiya.net/articles/2011/04/20/146139.html>.

³⁴ Rashad, M. (2014), 'Saudi bank's \$6 billion IPO ignites religious controversy', Reuters, 14 October 2014, <http://uk.reuters.com/article/us-national-comm-l-bk-ipo-islam-idUSKCN0131QG20141014> (accessed 16 Nov. 2016). As well as criticisms of the IPO, the article cites a former imam of Mecca's Holy Mosque as saying: 'Poor citizens, they don't know what to do – if they subscribe, they are told they don't have faith, and if they do not, they are not patriotic' – a comment that reflects the competing identity pressures in Saudi Arabia.

³⁵ Even with the *abaya*, the variety of patterns and cuts seen in Jeddah tends to be more varied than in Riyadh.

security that allowed the big merchant families to trade and prosper. There were fair courts, you could deliver your goods from Asir to Medina without being repeatedly robbed.’³⁶

Political turmoil elsewhere in the Arab world in the past few years has reinforced arguments in favour of stability, as chaos is often depicted as the only alternative. For instance, in the 2016 Asdaa Burson-Marsteller Arab Youth Survey, 62 per cent of respondents from the GCC region agreed with the statement that in the current regional circumstances, it is more important to promote stability than democracy.³⁷ Nonetheless, 74 per cent of GCC respondents also said Arab leaders should do more to improve the personal freedom and human rights of their people. Strikingly, 90 per cent of Saudi respondents also agreed with the statement that Arab leaders should do more to improve the personal freedom and human rights of women – a higher proportion than anywhere else in the region.

Some Saudi thinkers have argued that the social contract had already shifted under King Abdullah, as less emphasis was placed on the traditional compact with the clerics and more on the Al Saud's ability to unite and protect the country. This is all relative: clerics have been vital allies in the Saudi government's ideological efforts to counter Al-Qaeda and ISIS, which have focused heavily on making religious arguments against the 'deviant' theology espoused by each group. But given that the challenges to state authority in recent years have typically come from religious groups, the rulers may quite sensibly want to curb the influence of clerics who might otherwise be independent or threatening political actors. This contrasts with the situation in the mid-20th century, when Arab governments' primary domestic security concerns usually related to the military and to secular groups.

An increasingly prominent part of the 'security and stability' contract is the ruling establishment's increasing emphasis on nationalism, and the emergence of what the Saudi academic Madawi Al Rasheed refers to as 'hypernationalism'³⁸ in the Gulf region. State-sponsored nationalist discourse, such as increasingly elaborate celebrations of the recently instituted 'National Day', has become more prominent, and the 2016 National Day celebrations emphasized the importance of Vision 2030 for the future development of the nation. Celebrating National Day is relatively new to Saudi Arabia; the previous grand mufti, Abdel-Aziz bin Baz, had ruled that it was religiously prohibited as it was an imitation of Christians and infidels.³⁹ The day was made an official holiday in 2005, the year King Abdullah came to the throne, in order to strengthen national identity against the competing forces of transnational Islamism and subnational tribal identities.

³⁶ Author interview, October 2016.

³⁷ *Inside The Hearts and Minds of Arab Youth* (2016), Asdaa Burson-Marsteller White Paper, 2016. These data are illustrated at http://arabyouthsurvey.com/media-center/wp-content/uploads/2016/04/AYS16_Infographics_Findings-6-B.jpg; http://arabyouthsurvey.com/media-center/wp-content/uploads/2016/04/AYS16_Infographics_Findings-7-A.jpg; and http://arabyouthsurvey.com/media-center/wp-content/uploads/2016/04/AYS16_Infographics_Findings-7-C.jpg (all accessed 19 Jul 2017).

³⁸ Al Rasheed, M. (2015), *Is it Always Good to be King? Saudi Regime Resilience after the 2011 Arab Popular Uprisings*, LSE Middle East Centre Paper Series 12, http://eprints.lse.ac.uk/64749/1/Al_Rasheed%20Is%20It%20always%20to%20be%20a%20king%20SaudiResilience.pdf (accessed 11 Mar. 2017); Al Rasheed, M. (2016), 'How United Is the GCC?', *Al-Monitor*, 1 April 2016, <http://www.al-monitor.com/pulse/originals/2016/04/gulf-nationalism-regime-survival-saudi-qatar-uae.html> (accessed 11 Mar. 2017).

³⁹ Kingdom of Saudi Arabia, Portal of the General Presidency of Scholarly Research and Ifta', *Fatwas of the Permanent Committee, Group 1, Volume 3: 'Aqidah (3) > Bid'ahs during the 'Eid > Comparison between celebrating the Mawlid and performing Da'wah programs for weeks and the National Day*, <http://www.alifta.net/Fatawa/FatawaChapters.aspx?language=en&View=Page&PageID=801&PageNo=1&BookID=7> (accessed 12 Jul. 2017).

There remain criticisms of the limits of nation-building in a country where the ruling family tends to strike deals with various constituencies and segments of society rather than on the basis of equal citizenship. One of the questions some Saudi thinkers have asked about Vision 2030 is: 'Is it a national project or an individual's project?' This question stems from the close association of the plan with Prince Mohammed bin Salman, and the perception that related bureaucratic reforms have in part been used to centralize power around him and his advisers to a degree unprecedented in modern Saudi Arabia.

Especially if, as the aphorism puts it, a nation is united by a shared misunderstanding of history and hatred of its neighbours, Saudi Arabia's recent focus on nationalism has had some troubling repercussions. At a time of geopolitical confrontation with Iran, war in Yemen and increased scepticism about the reliability of the US as a security partner, Saudi nationalism is being reinforced by narratives focusing on Saudi Arab and Sunni Muslim identity, often reinforcing sectarianism. It is thus an open question whether economic policy trends will favour moves towards greater regional cooperation, as proxy conflicts with Iran become relatively more costly, or further confrontation.

Since March 2015 Riyadh has been leading a coalition of Arab states in a military campaign in Yemen, supporting the efforts of the ousted president, Abd Rabbu Mansour Hadi, to restore control over the capital, Sana'a. Saudi officials initially believed that the intervention – which began with a massive aerial bombardment of military facilities and weapons stockpiles in Yemen – would last a few weeks, or a few months at most. Instead, the conflict is now in its third year, having reached an effective stalemate in mid-2015. Estimates of the cost of the war to Saudi Arabia vary, but run into the tens of billions of dollars in direct expenditure on munitions and military operations. Since the beginning of the war, the Houthi rebels who occupy Sana'a have also launched a military campaign over the border in Saudi Arabia's southeastern provinces, and have targeted nearby cities with ballistic missile strikes. This campaign is likely to lead to considerable economic losses.

The Yemen war is also closely associated with the personal rise to power of Mohammed bin Salman, who was appointed defence minister just before the Saudi-led intervention began. Saudi Arabia generally depicts its role in the conflict as a war of necessity against a perceived threat from Iran, in the context of a virtual vacuum of regional security and a disengaged US. The intervention has also often been portrayed by the domestic media as a source of nationalistic pride, in terms of standing up proudly for an 'Arab' cause against an Iranian threat. As the conflict is now in its third year, however, initially strong support among the Saudi population may be ebbing as the financial costs become more apparent and as the exit strategy remains unclear. If the war in Yemen is seen as unsuccessful, this could have negative implications for the standing of the now crown prince – and by extension for the economic reform project that is so closely associated with him.

A new style of foreign policy was also signalled in June 2017 by the severing of all diplomatic and transport ties with Qatar. Saudi Arabia, together with the UAE, Bahrain and Egypt, demanded that Qatar end its relations with various Islamist groups that they deem to be 'terrorist', cut diplomatic relations with Iran, cease any foreign policy moves that are out of line with their own, and close

down the state-funded broadcaster Al Jazeera.⁴⁰ As Qatar rejected the demands as excessive, concerns rose about the potential negative impact that the crisis could have on a host of conflicts in the wider Middle East, where the various Gulf states back different factions. Saudi Arabia meanwhile also expelled Qatari nationals from its territory. This came in contrast to years of Saudi promotion of 'Gulf unity', and raised questions about the future of the GCC as a regional organization, as even intra-GCC economic cooperation was thrown into question. In terms of identity politics, it also raised questions about the compatibility of a nascent Saudi nationalism with the sense of a wider 'Khaleeji' (Gulf) identity⁴¹ as cited by many of the region's youth population in conversations. Over the previous 15 years, Saudi efforts to promote this wider regional identity had included making it easier for Saudis to marry other GCC nationals than to marry any other non-Saudis.⁴² (In mid-June, in response to concerns about the break-up of families, Saudi Arabia decreed that Qataris married to Saudis would be exempted from the expulsion order.)

⁴⁰ Wintour, P. (2017), 'Qatar given 10 days to meet 13 sweeping demands by Saudi Arabia', *Guardian*, 23 June 2017, <https://www.theguardian.com/world/2017/jun/23/close-al-jazeera-saudi-arabia-issues-qatar-with-13-demands-to-end-blockade> (accessed 12 Jul. 2017). The full list of 13 demands is given at the end of the article.

⁴¹ Abdullah, G. (2016), 'Khaleeji identity in contemporary Gulf politics', *Gulf Affairs*, Oxford Gulf and Arabian Peninsula Forum, http://www.oxgaps.org/files/analysis_abdulla.pdf (accessed 12 Jul. 2017).

⁴² By law, Saudis seeking to marry non-Saudis should seek approval from the interior ministry, unless marrying a GCC national, in which case they need only the approval of a Saudi embassy.

4. Vision 2030: Disrupting the Social Contract?

Vision 2030 would significantly alter the various elements of the social contract(s) in Saudi Arabia. If implemented as planned, it would change economic relations between citizen and state, disrupt some traditional patronage structures and probably also ultimately lead to expanded social freedoms.

The implicit economic bargain with citizens is changing

Balancing between different constituencies

The first round of austerity measures, starting in 2015, affected the business elite more than the general public. This situation was familiar from previous oil price downturns: the government usually cuts capital spending budgets (such as infrastructure projects) before touching current spending (such as wages and salaries).

Following these cuts, the problem of non-payment emerged in relation to two major Saudi companies, the Binladin Group and Saudi Oger,⁴³ which had fallen out of favour with the government. Initially there was little public sympathy with these wealthy and historically powerful organizations. The issue began to move up the news agenda when it emerged that the Binladin Group had not paid its employees as a consequence of its own late receipt of payments. At one point, the Indian government sent an aircraft to bring rice to Indian employees of the Binladin Group who had been living without incomes for months. The image of India sending food aid to Saudi Arabia shocked many Saudis.

On state-business relations more generally, one young Saudi entrepreneur, Faris Al Sulayman, commented:

There are different constituencies, the public, the business elite and the ruling family. The business elite is probably the weakest of these, so the government is choosing to squeeze them first, but it's always a balancing act.⁴⁴

Public-sector pay cuts

The pain of reform became more widespread when the government took the decision to cut subsidies; and then also with the reduction of public-sector pay in October 2016. From interviews conducted in Riyadh around that time, primarily with business figures and economists, the sense

⁴³ Saudi Oger is owned by the Lebanese prime minister, Saad Hariri. Although his father, Rafiq Hariri, had been a long-standing Saudi ally, and regarded as a bulwark against Syrian influence in Lebanon, since the death of King Abdullah these traditionally close relations appear to have cooled. From 2015 Saad Hariri's allies in Lebanon were telling local diplomats that cuts in Saudi aid were weakening his Future Movement politically; and in 2016 Hariri made a deal to enter a power-sharing government headed by a pro-Syrian president, Michel Aoun.

⁴⁴ Author interview.

was that the initial excitement about the reforms had dissipated, but there was little manifestation of this in terms of any organized dissent.

Faisal bin Farhan noted:

The austerity measures are a readjustment of the social contract, but the acceptability really depends on what they deliver for the society. What is important is for the populace to see that this is done for good reason, and with a plan – that it's not just that we have run out of money.

A Saudi journalist added:

It will take years to tell. For now, people are feeling the things that hurt their pocket, which has given them a bad taste. The government needs to convince people this is for their long-term good, but they lack channels and representatives to do this, and they're still involved in the costly war in Yemen.

Economists interviewed in Riyadh in October 2016 frequently noted that the newly implemented cuts in public-sector pay had been made without notice. The cuts were effected by stripping out a complex system of allowances and benefits that had been used for years as a means of boosting pay packets without increasing base pay, and which had come to be regarded as permanent fixtures. According to one senior banker, the complexity of the system meant that few people would understand exactly what the cuts would mean for them personally until they saw their pay packet at the end of that first month.

The implications of these cuts for disposable incomes was underlined by the fact that, in the first month of implementation, the central bank asked local banks to temporarily stop collecting repayments on personal loans, and to consider rescheduling loans where necessary. Banking regulations prevent banks from lending to consumers if the total monthly repayment would exceed one-third of the borrower's monthly income, and the loss of allowances and benefits would mean that any public-sector employee who had borrowed at the upper end of the affordability ratio would now see their repayments go above this limit.

One local economist pointed out that despite official statements suggesting that social support programmes would compensate for the subsidy cuts, these had not been put in place in time:

They could make the transition period less painful. There has to be some pain, but you have to manage the impact on certain segments of society that are more vulnerable than others. I don't know if that was really considered carefully or deeply.

The general absence of organized opposition in Saudi Arabia meant there were no protests or coordinated public campaigns to demand that the reversal of the pay cuts. Demonstrations are banned (and, as already noted, senior clerics say they are un-Islamic). Moreover, there is little tradition of protest outside the Eastern Province, where there is a history of dissent and unrest in some Shia population centres, but few linkages have been forged between activists and dissidents there and in other parts of the country. Instead, the main response played out via social media. Even before the pay cuts, 'our salaries are not enough' had since 2013 become a popular hashtag

among Saudi Twitter users.⁴⁵ In response to the pay cuts, new hashtags included ‘stop allocations to [Al] Saud’,⁴⁶ with users drawing contrasts between the lavish lifestyles of members of the ruling family and the austerity, inequality and poverty facing some Saudi citizens. Meanwhile, a much-discussed story in the *New York Times* in October 2016 reported that Mohammed bin Salman had bought himself a yacht costing \$550 million.⁴⁷

That the public-sector pay cuts were reversed by royal decree in April 2017, with the reinstatement of the various benefits and allowances that had been withdrawn, was largely seen as a response to public criticism over the previous months. There had, moreover, been rumours that older members of the ruling family regarded the pay cuts as excessive. Some observers noted that the cuts had eaten into consumer spending, and argued the reversal was simply a quick way to inject a fiscal stimulus into the economy. On one hand, this was a confirmation of the traditional ability of the Saudi authorities to adjust their course in response to public sentiment, and thus potentially as a factor for preserving stability. On the other hand, it left the fundamental issue of public-sector pay reform unresolved, and gave the impression of a reactive approach to policymaking: the public outcry had been entirely predictable, and could have been mitigated by a more gradual and nuanced approach, as well as more advance consultation. There were strong parallels with a 2014 episode in Oman, where subsidy cuts prompted an outcry on social media, and Sultan Qaboos eventually intervened to reverse the cuts.

Another debate revolves around how the Saudi government anticipates meeting its target of increasing non-oil revenue more than fivefold by 2030. VAT is already on the agenda, but the question of income tax remains unclear and far more sensitive. According to one academic:

If they're going to increase taxes, people will want more transparency and more of a say. The debate inside now is not about elections, but about transparency, fighting corruption, good policies and accountability.

According to one Western diplomat, Riyadh is eyeing a Dubai-style model of extensive levies and fees, mainly charged to expatriates. Dubai now earns more from these revenues than from oil.⁴⁸ But Western expatriates living in Saudi Arabia note that Dubai has more to offer foreign residents in terms of lifestyle and social freedoms, and can therefore afford to charge them more.

The compact with religious clerics

Over the years, Saudi Arabia's economic technocrats have tended to favour changes that have been resisted by influential clerics. These include reforms that would constitute greater social liberalization: becoming more open to foreign visitors, and encouraging women to work. They also include changes that are not necessarily more liberal but are driven by a desire for greater

⁴⁵ Al-Tuwaijri, N. (2013), ‘“Salaries not enough.” Saudis shout on social media’, *Al Arabiya*, 13 August 2013, <https://english.alarabiya.net/en/variety/2013/08/13/Millions-of-Saudis-complain-on-Twitter-about-salaries.html> (accessed 19 Jul. 2017).

⁴⁶ See Staton, B. (2016), ‘Saudi Twitter demands the royal family take a pay cut’, *Al Bawaba*, 1 September 2016, <https://www.albawaba.com/loop/saudi-twitter-demands-royal-family-take-pay-cut-879294> (accessed 19 Jul. 2017).

⁴⁷ Mazzetti, M. and Hubbard, B. (2016), ‘Rise of Saudi Prince Shatters Decades of Tradition’, *New York Times*, 15 October 2016, https://www.nytimes.com/2016/10/16/world/rise-of-saudi-prince-shatters-decades-of-royal-tradition.html?_r=0 (accessed 19 Jul. 2017).

⁴⁸ Allawati, A. (2015), ‘Expatriates in the Gulf: Temporary but Permanent’, in Kinninmont, J. (2015), *Future Trends in the GCC*, Chatham House Report, London: Royal Institute of International Affairs.

efficiency: developing a more effective and transparent judicial system, especially for commercial disputes, and – most difficult of all – linking the country's education system more closely to economic development and labour-market needs.

Vision 2030 includes all of these, and more, addressing education, entertainment and even exercise, as well as the issues of women working, and attracting international talent. The emphasis on entertainment (see below) suggests that the new Saudi leadership sees a significant youth constituency that wants greater social freedoms, and that, at least in some areas, it is willing to meet their aspirations despite the objections of the traditionally powerful religious constituencies.

Education reform is mentioned in cautious, polite terms in Vision 2030, with references to 'refining' the curriculum and 'redoubling efforts to ensure that the outcomes ... are in line with market needs', rather than to 'reform' or 'change'. Elsewhere, the education minister, Ahmed Al Issa, appointed in December 2015, has spoken of 'comprehensive modernization' of the curriculum. Dr Issa was previously head of the private Al Yamamah University in Riyadh, which focuses on management and business subjects, and a member of the quality assurance body for higher education in Dubai's free zones. His ministry has emphasized that it will encourage private investment in education, and the NTP aims to increase the percentage of students in private universities from 6 per cent of the total at present to 15 per cent by 2020.

Increasing the role of the private sector in education may be another technocratic 'workaround' approach to reform, allowing more space for new institutions to bypass – rather than seriously changing – the model administered by the large, powerful and heavily centralized education ministry. This could, however, compound the existing inequalities in education, with the best students tending to study overseas or at a handful of elite universities at home, while the majority of graduates find that university education makes virtually no difference to their employability.

Significantly, Vision 2030 calls for an entertainment economy to be developed in the kingdom – where cinemas and live music have been prohibited for decades – with the target of doubling household spending on entertainment and culture, and creating 100,000 jobs. The government has established a General Entertainment Authority (GEA) to organize and license more entertainment and cultural events. Vision 2030 promises support for Saudi film directors, a handful of whom, including *Wadjda* director Haifaa Al Mansour, have received international acclaim.

The late grand mufti Sheikh Abdel-Aziz bin Baz had issued a fatwa banning Muslims from operating cinemas, on the grounds that these promoted immorality. However, this has become less meaningful with the massive expansion of broadband internet and home entertainment options in recent years. Saudis are able to download virtually anything they want to watch in the privacy of their own homes. The growth of travel and entertainment opportunities within the immediate region in recent years, with the development of low-cost airlines and a growing hotel and entertainment sector, has also meant that more Saudis have had access to cinemas and concerts – and indeed to nightlife and alcohol – in other Gulf states. Moreover, official Saudi tourism data show that since the Arab uprisings Saudis have predominantly taken their holidays in other GCC

states, whereas previously they were more likely to visit non-GCC Arab countries.⁴⁹ Around 1.6 million Saudis visited Dubai in 2016,⁵⁰ and Saudis typically account for at least 75 per cent of all arrivals to Bahrain. The CEO of Arabian Centers, Saudi Arabia's largest mall operator, said in February 2017 that his company was allocating floor space for cinemas in 10 new developments across the country.⁵¹ And in April Mohammed bin Salman announced plans to build an 'entertainment city' south of Riyadh by 2022, to include a safari park and a theme park developed by US brand Six Flags, as a 'centre for meeting the future generation's recreational, cultural and social needs in the kingdom'.⁵²

Vision 2030's emphasis on exercise is also pushing boundaries in the Saudi context: conservative clerics have in the past opposed physical exercise for women, and in the 2000s a number of unofficial women's gyms – most of which had opened as spas, as licences for women's gyms were not granted – were forced to close.

The aim of attracting more tourists and talent also implies an easing of social restrictions. Riyadh is probably the only capital in the region where hotels typically cut their prices at weekends, as residents and expatriates alike head out of the city to other Gulf countries and beyond. Vision 2030's target is a threefold increase in foreign visitors, primarily from Muslim countries, but Saudi Arabia has more social restrictions than most of these. While this may not affect demand for the hajj, it does have an impact on the extent to which pilgrims, or other foreign visitors, want to stay on to see more of the country.

Some restrictions are already being eased. In April 2016 a royal decree removed the powers of the religious police to arrest or pursue people, and according to several Saudi interviewees this force has also retreated from its very overt presence on the streets of the capital. Most surprisingly, perhaps, in October 2016 the GEA organized a high-profile tour of the country by the US act iLuminate, who rose to fame via the TV show *America's Got Talent*. They performed at venues notably including the world's largest university for women, Princess Noura University in Riyadh, where a mixed crowd was seen dancing. Such a show, which would have been unremarkable almost anywhere else in the world, is an extremely rare event in Saudi Arabia. One of the officials involved told *Arab News*: 'Change is happening in Saudi Arabia. A new face of Saudi Arabia is emerging – one that is modern, young and open-minded.'⁵³

There has been some opposition from conservative clerics to such easing of social strictures, but less than might have been expected. Sheikh Abdelaziz Al Tarifi, a former legal scholar with the ministry of Islamic affairs and a popular commentator on Twitter, criticized the decree on the religious police as kowtowing to Western infidels, and was reportedly arrested (though subsequently released without charge). In February 2017 the grand mufti, Abdelaziz Al Sheikh,

⁴⁹ Saudi Arabian Monetary Agency (2017), 'Yearly Statistics, 2016', Table 61, <http://www.sama.gov.sa/en-US/EconomicReports/Pages/YearlyStatistics.aspx> (accessed 12 Jul. 2017).

⁵⁰ TravelWireNews (2017), 'Dubai welcomes over 1.6m Saudi travelers in 2016', 29 April 2017, <http://travelwirenews.com/dubai-tourism-over-1-6-million-tourists-from-saudi-arabia-in-2016-73420/> (accessed 12 Jul. 2017).

⁵¹ Halligan, N. (2017), 'New malls will be ready for cinemas, says Arabian Centres CEO', *Arabian Business*, 13 February 2017, <http://www.arabianbusiness.com/new-malls-will-be-ready-for-cinemas-says-arabian-centres-ceo-663107.html> (accessed 11 Mar. 2017).

⁵² Reuters (2017), 'Sovereign fund to invest in new Saudi entertainment city', 8 April 2017, <http://www.reuters.com/article/saudi-entertainment-six-flags-entmt-idUSL8N1HG04I> (accessed 12 Jul. 2017).

⁵³ Hazaimah, H. (2016), 'Let the show begin: World-class entertainment comes to Saudi Arabia', *Arab News*, 3 October 2016, <http://www.arabnews.com/node/993086/offbeat> (accessed 15 May 2017).

issued a statement warning of the moral dangers of cinemas and concerts, but did not say explicitly that they should be banned. The head of the GEA, Ahmed Al Khateeb, was reported to have visited him shortly afterwards to emphasize that sharia law was being respected.⁵⁴ Another member of the council of senior ulema, Abdullah Al Mutlaq, reportedly told a local radio station that the GEA should hold a referendum to determine whether concerts should be allowed.⁵⁵ In an interview with Reuters in April, Al Khateeb said that while some Saudis were conservative and some were liberal, he estimated that 80 per cent of them were 'in the middle', and that this segment enjoyed travelling and going to cinemas and concerts.⁵⁶ He also stated that GEA's activities had created 20,000 jobs in the course of just seven months.

Other GEA-organized events have been restricted to men, but have continued to bring major US entertainment brands to the country, including WWE wrestling and Monster Jam trucks. In early 2017 a private company, Rotana, owned by Prince Waleed bin Talal bin Abdel-aziz Al Saud, organized a concert by Arabic singer Mohammed Abdo in Jeddah, but was not given a licence for women to attend. The most high-profile of the new events, held in Jeddah in February, was Comic Con, a convention of pop culture, comics and gaming, which attracted thousands of people – as well as international media coverage. Ahmed Al Khateeb stated that Comic Con had attracted 10,000 more people than could be accommodated, and that every event organized by the GEA had been sold out. Separately, the GEA expressed its regrets for an unspecified 'violation' – widely interpreted as referring to video footage showing men and women dancing together – at the event.⁵⁷ Meanwhile, a private company planned to bring the US rapper and comedian Mike Epps to Princess Noura University in December 2016, but cancelled the event after a Twitter campaign against this perceived 'Hollywood-ization'.⁵⁸

According to a local journalist interviewed in Riyadh:

If the government wants to make something happen, it can. With the decree on the religious police, clerics were saying, let's tell the government what we think – but not threatening anything, unlike with Hamza Kashgari [a young Twitter user imprisoned for blasphemy in 2012 who faced widespread calls for his execution]. We're not hearing that tone any more. Of course, many clerics are on the government payroll.⁵⁹

Even less has been said by clerics on the government's broader economic policy direction. In general, clerics have little to say on economic policy, but they have at times in the past intervened on issues of social justice (as for instance in 2007, when a group of clerics including the popular conservative Sheikh Nasser Al Omar called on the kingdom's rulers to address the suffering resulting from rising inflation). Should budget cuts start to have a broader social impact, the clerics may adopt a similar approach.

⁵⁴ Al Hatlani, I. (2016), 'Saudi clerics keep mum about concerts in the Kingdom', *Al-Monitor*, 20 February 2017, <http://www.al-monitor.com/pulse/en/originals/2017/02/saudi-arabia-religious-gender-mixing-music-concerts.html>, accessed 19 Jul. 2017.

⁵⁵ *Ibid.*

⁵⁶ Paul, K. and Maclean, W. (2017), 'Saudi entertainment chief sees cinemas returning, eventually', 28 April 2017, <http://uk.reuters.com/article/us-saudi-entertainment-idUKKBN17T2WP> (accessed 15 May 2017).

⁵⁷ Paul, K. (2017), 'Comics and music shows in Saudi Arabia draw rebuke from clerics', Reuters, 26 February 2017, <http://www.reuters.com/article/uk-saudi-entertainment-comic-con-idUSKBN16228T> (accessed 12 Jul. 2017).

⁵⁸ Fareed, A. (2016), 'Cancellation of Riyadh show leaves some Saudis jubilant, many others upset', *Arab News*, 12 December 2016, <http://www.arabnews.com/node/1022761/saudi-arabia> (accessed 12 Jul 2017).

⁵⁹ Author interview, October 2016.

Traditionally, many critical or dissident clerics have also focused heavily on Saudi Arabia's foreign policy, especially the view that the rulers were too close to the US. It may be that the new leadership's more confrontational position towards Iran, including the framing (by the government and wider Saudi media) of the conflict in Yemen as pushback against an Iranian regional threat – as well as signs of a more assertive approach towards Western countries – are making for a foreign policy that is somewhat more popular with the more politicized clerics than in the past.

One argument that has sometimes been made for Saudi Arabia's involvement in Yemen, and support for the Syrian opposition, is that the country needed to act as a leader of the Sunni world – or else ISIS would be able to occupy this ground in a more destructive way. Nonetheless, these two conflicts may be a double-edged sword for Saudi Arabia if victory remains elusive and if ISIS and other jihadi groups continue to gain in both territories.

Some of the technocrats – often Western-educated – involved with Vision 2030 describe the project as a potential force for social change. Typically they emphasize the need to pursue it in a gradual, sometimes roundabout, and non-confrontational manner – for instance by making economic arguments for women's employment.

In one discussion about youth policy (at a workshop held under the Chatham House Rule in 2016), one participant said:

A lot can be done if it is done wisely; some things are better not mentioned. Religion cuts across everything, and you don't necessarily want to put this issue at the forefront. You find a way to zigzag.

Another noted:

Quantifying the costs of problems helps in the current climate. Budget efficiency opens doors.⁶⁰

International benchmarks are also seen by many technocrats as a way of de-politicizing calls for change, especially given the scepticism and downright opposition expressed by many conservatives with regard to specifically Western models; examples from other successful Muslim or Asian economies, such as legal reforms in Malaysia or Indonesia, are often regarded as less contentious.

At the same time, it is unlikely that change will be only in one direction. Social and identity issues are hotly contested in Saudi Arabia, and Western or liberal ideas are seen as a cultural threat by some who are searching for a more authentic local or Islamic identity. Indeed, while only a minority of Saudis openly support ISIS, it has been able to recruit them in larger numbers than in virtually any other Arab country (apart from Tunisia), as well as raising funds from private Saudi donors, and a larger constituency has expressed partial support for at least some of ISIS's views, if not its methods.

In this contentious context, a number of women's rights activists have criticized the current leadership for paying less attention to gender issues than did King Abdullah, who oversaw a massive expansion of education for women and appointed the first female members of the shura

⁶⁰ Saudi youth policy workshop, Chatham House, September 2016.

council and even at cabinet level (a deputy minister for women's education, Nora Al Fayezi, who was removed by King Salman). Some of the changes now under way with regard to the position of women in society and the economy are continuations of policies announced under King Abdullah, such as a labour law to allow women to work in more sectors, and increased spending on education and scholarships for female students. The current leadership's steps to improve the status of women have not yet been on such a significant scale – although in May 2017 the king issued a list of government services that women could access without the permission of a male guardian, and ordered employers to provide transportation for their female employees (since they are not permitted to drive).⁶¹ The latter is a policy option that had previously been highlighted by a civil society organization, the Al-Sayeda Khadija bint Khuwailid Businesswomen Centre at the Jeddah Chamber of Commerce and Industry. So far, however, the Saudi leadership's willingness to address taboos in economic policy has notably not extended to the prohibition on women driving.

One Saudi researcher contended to the author that women's interests are being neglected by a leadership that sees this as a low-cost way to placate clerics while pushing through other, revenue-generating social changes (such as entertainment and tourism). Similarly, a Saudi journalist argued that the government finds it useful to maintain the ban on women driving because it has such totemic importance that it distracts attention from the many other social changes that run contrary to clerics' wishes.⁶²

A possible backlash: the interface of economics and identity politics

Overall, there remains a medium-term risk of a backlash against economic and social liberalization. Reform efforts may be criticized as excessive Westernization, especially by the segment of the population most likely to lose out from the economic changes: young men who are not able to make the transition into private-sector employment, typically not educated overseas, struggling to afford to marry and envisaging a future in which they have a lower living standard than their parents.

If Saudis increasingly depend on the private sector for jobs in the future, the educational disparities that already exist are likely to translate even more strongly into economic inequalities. Such a massive economic shift bears some comparison to the long-term structural changes in developed countries that have de-industrialized after opening up to international competition, where unemployment in former industrial areas has often become intergenerational. Saudi Arabia, by contrast, is already highly open to international trade but has been able to shield nationals from the effects of competition, thanks to its oil revenues, and the consequent ability to provide public-sector jobs. These have functioned as the equivalent of a social safety net. If the public sector no longer plays this role, it is unclear, given the current austerity drive, what social security provision will replace it.

⁶¹ Wald, E. (2017), 'Is Driving Next? Saudi Arabia Relaxes Rules For Women', 5 May 2017, <https://www.forbes.com/sites/ellenwald/2017/05/05/is-driving-next-saudi-arabia-relaxes-rules-for-women/#6dd2b7962d6a> (accessed 12 Jul. 2017).

⁶² Interview, Riyadh, October 2016.

Those who are most likely to be unemployed will tend to have studied at the non-elite local universities, gaining enough education to have reasonably high expectations that they are entitled to a career, without acquiring the skills that are valued by the private sector. They are also less likely to be well travelled and exposed to the diversity of Western cultures, or to be able to afford to enjoy the new entertainment options that are being opened up.

One of the key battlegrounds may be the role of women in the workplace. Young men who are struggling to find jobs for themselves will have economic incentives to resist the general trend of expanding the areas where women are allowed to work. Women now make up the majority of university graduates and obtain the best degrees, but there remains a gender pay gap in favour of men, and social norms still restrict women from taking up a number of job opportunities. However, this is changing very rapidly, to the extent that some teachers and policymakers are now becoming concerned about male underachievement.

That said, Vision 2030 contains many elements intended to appeal to Saudi youth, and has been championed from the outset by a prince – now of course elevated to the role of crown prince – who is unusually young for someone holding high office in Saudi Arabia. As a policy project, it should represent a vehicle to engage the young Saudis in whose education the country has been investing revenues from the oil boom years: for the past decade, it has been sending hundreds of thousands of students abroad on scholarships, with the US and the UK consistently among the top destinations. Official statistics show that some 134,500 Saudi students studied overseas in the 2014/15 academic year, of whom 85 per cent were on the government scholarship programme.⁶³

Many more job opportunities exist for those who have graduated from top international universities or from the few elite universities in Saudi Arabia itself. A number of multinational companies operating in Saudi Arabia already choose to recruit Saudi students directly from Western universities, in order to cherry-pick graduates from world-class institutions. They also consider those with experience of living overseas as easier to integrate into a multicultural working environment. The scholarship programme has been a major social experiment as well as an economic investment. As Hamad Al Bluwaie of the Saudi Arabian General Investment Authority (SAGIA) remarked: 'The mandate of the scholarships was for these students to see the world, and the world to see them.'⁶⁴

A growing trend of youth engagement

Vision 2030 potentially provides an avenue for the country's educated young people to contribute to national development in terms of economic and social development, even if there is no obvious opportunity for political reform. Notably, Vision 2030 promises a greater role for civil society, with the aim of having more than 450 'amateur, social and cultural clubs' across the kingdom by 2030. While some observers see Saudi Arabia as lacking civil society because of state restrictions and cultural mindsets, there is significant civil society activity taking place at an informal level, in terms

⁶³ Saudi Arabian Monetary Agency (2016), *Fifty Second Annual Report*, p. 38, <http://www.sama.gov.sa/en-US/EconomicReports/AnnualReport/Fifty%20Second%20Annual%20Report.pdf> (accessed 12 Jul. 2017).

⁶⁴ Speaking on a panel chaired by the author at 'Opportunity Arabia 2016', a Middle East Association conference held in London in September 2016.

of associational life, cultural and charitable activity, and a growing public debate on policy issues in social media.⁶⁵ A new NGO law finally came into effect in March 2016, a decade after the ministry of social development first proposed having a unified legal framework for civil society. This has widened the range of permissible activities and made it easier to register an NGO, although political and advocacy NGOs are still prohibited. The government's motivation may be partly to encourage NGOs to help provide services in a context of a gradually shrinking role for the state, as 'gap fillers' rather than 'change makers'.⁶⁶ Many young Saudis who are currently engaged in informal civil society initiatives prefer a low-profile approach, worried that civil society activism may be regarded with suspicion by the authorities, even if it is not an expression of dissent. A variety of reports indicate that youth volunteering has been growing over the past decade, while a number of youth-led social enterprises have emerged since 2011 – both trends suggesting that there are young Saudis keen to play a more active role in their society. Mark Thompson, assistant professor of Middle East studies at the King Fahd University of Petroleum and Minerals in Dammam, noted that growing numbers of Saudi youth are setting up SMEs, such as food trucks, organizing cultural activities, such as a recent Dammam theatre festival, and volunteering – partly for the opportunities to socialize beyond the family and 'break the boredom'. Furthermore, according to the professor, Vision 2030 has sparked a discussion among youth about the meaning of citizenship.⁶⁷

Whereas frustrated graduates played a major role in the Kuwaiti and Bahraini protests around the time of the Arab uprisings, in Saudi Arabia surveys and interviews alike suggest that many of the kingdom's well-educated youth now say that rapid democratization in their country is either unfeasible or would empower extremely conservative religious groups. They are more likely to seek to find ways to work with the system – or simply to move abroad. Saudi authorities may thus be able to find alternative ways to channel their ideas and high expectations into policy, which would be a departure from traditional norms of generational deference, but which would help improve governance and ensure policies are relevant to the country's young majority. Many of this younger generation were excited by the announcement of Vision 2030, especially the focus on entertainment and entrepreneurship, and impressed by Mohammed bin Salman's communication style. One Saudi think-tank reported that it received more than 3,000 applications for each post when it advertised for researchers.

Even among this young elite constituency, however, scepticism has been growing as austerity measures have begun to bite and as communications about policy steps have slowed down. Job opportunities have become scarcer, compounded by the problem of contract non-payment. For instance, in discussions in Riyadh in October 2016, one young Saudi who had recently moved back from the US with his wife to take up a consultancy job said his employer had not given him a contract because the company in question did not know when it would receive back payments from the government. Another said she had spent six months repeatedly being offered jobs, only to be told hiring was frozen because of government non-payment. Saudis considering starting small businesses complain of the rising costs of running them. Companies in general expressed concern

⁶⁵ Montagu, C. (2015), *Civil Society In Saudi Arabia: The Power and Challenges of Association*, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/publication/civil-society-saudi-arabia-power-and-challenges-association>.

⁶⁶ This terminology is used in the context of Jordan by Heba Al Nasser in Al Nasser, H. (2016), *New Social Enterprises In Jordan: Redefining The Meaning Of Civil Society*, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/publication/new-social-enterprises-jordan-redefining-meaning-civil-society>.

⁶⁷ Author interview, May 2017.

about the reduction in disposable incomes, and its impact on consumption, as well as the rising cost of borrowing as liquidity tightens.

In interviews, some expressed a sense that their government did not listen to them or trust them, seeking advice from international management consultants instead. One young Saudi described this as 'the foreigner complex', saying that his work as an adviser to a ministry was just a glorified variant of the traditional public-sector 'non-job'. Some asked why they needed to read Bloomberg or *The Economist* to find out about their government's economic policy, rather than receiving more direct communication at home. While it is still early days for the plan, concerns will intensify if there are no real shifts in the prospects for young people several years down the line.

5. Consulting the Public?

Vision 2030 may not directly mention political reform, and certainly does not mention democracy or constitutional monarchy, but it does prominently feature promises of accountability, transparency and consultation. In a section on 'An Ambitious Nation, Effectively Governed', it declares:

We will deepen communication channels between government agencies on one hand and citizens and the private sector on the other. We shall facilitate interactive, online and smart engagement methods and ways to listen to citizens' views, and to hear all insights and perspectives ... We want to give everyone the opportunity to have their say so that the government can serve them better and meet their aspirations.

For the past few years there has been growing governmental interest in consultation and citizen engagement. The official line from ministers is usually that the government is already closely in touch with the needs of citizens through traditional methods of consultation, particularly the system of diwans and majalis (meetings in people's homes which provide a venue to discuss issues of public concern as well as to socialize, and which are hosted both by royals and by other Saudi families). Additionally, however, government ministries have recently been investing time and money in commissioning social media analyses, unpublished surveys and focus group consultations, recognizing a need for new means of understanding the concerns of some of the social groups that may not be represented in the traditional structures (which tend to be dominated by older men). Moreover, Mohammed bin Salman's own foundation, MISK, has held large-scale rallies and forums for youth as he has sought to build up his own youth support base, including a 2016 MISK Global Forum – 'to empower the youth of the region to become global citizens' – and a Tweeps Forum, launched in 2013, which aims to connect young people with social media pioneers; the 2017 Tweeps Forum, held in May focused on social media and counterterrorism.⁶⁸

There has been significant investment in e- (electronic) and m- (mobile) government, including online surveys and requests by ministries for evaluation and feedback. While these initiatives are now often associated with MBS and Vision 2030, they have deeper roots; the Arab uprisings seem to have given an impetus to these softer forms of citizen engagement in both Saudi Arabia and the UAE. The generational change in key leadership positions also brought in a greater understanding of the possibilities associated with digital technology.

The interior ministry, which was extensively modernized under the auspices of the now-ousted Mohammed bin Nayef, has been one of the most prominent champions of e-government; it has cut red tape and sought to send a message to the public that it understands their need for more efficient and effective government. In one campaign, with the slogan 'Your Time is Precious, and We Value It', it sent mobile units around the country, encouraging people to book sessions to talk directly with officials in Riyadh.

⁶⁸ For further details, see <https://misk.org.sa/en/services/tweeps-2017-en/>.

The introduction of detailed KPIs in Vision 2030 and the NTP is in line with this thinking, providing transparent measures by which the government is supposed to be accountable to the public. Staff at SAGIA noted in October 2016 that the government was holding extensive consultations and workshops about a new bankruptcy law. SAGIA was pushing for a royal decree to ensure that any ministry changing a regulation that affected the business climate should publish the draft law and seek feedback from investors. According to Prince Saud bin Khalid Al Faisal Al Saud, then acting governor of SAGIA:

We need to have a workflow that incorporates feedback based on how valuable it is. There is no point asking for feedback if you don't take it into account. A good example would be the bankruptcy consultations, or the new law governing the Communications and Information Technology Commission, where they are getting people's feedback.⁶⁹

SAGIA staff cited the Saudi Capital Market Authority as a good example of a government agency that took feedback on board. The NTP itself was based in part on workshops that engaged private-sector representatives, though these were also criticized for apparently being too focused on Riyadh.

The Vision 2030 plan and the NTP could also see the appointed, consultative shura council, the remit of which includes monitoring and evaluating ministries, play a greater role in government oversight. One shura council member noted:

The KPIs will make the process more efficient for the shura, so in terms of supervision and control, I think the shura will have more power now and put more pressure on different government entities. There will be less discussion of what are [currently] very descriptive annual performance reports [from ministries], where you can't quantify the achievements.⁷⁰

However, the shura council was not involved in setting the KPIs or defining the objectives of either Vision 2030 or the NTP. Nor has it played a similar role to the elected or partly elected parliaments in Kuwait, Oman and Bahrain, which have tended to be a source of opposition to austerity measures and fiscal reforms. The same shura council member said:

In the past the shura has requested certain benefits for certain segments of society, but I think there is an understanding with the fall in oil prices and deficits that this is not appropriate at this point in time ... Vision 2030 is from the executive branch. The role of the shura would come afterwards, in supervising and measuring performance, or advising on legal changes that are required.

While the period around the launch of Vision 2030 and the NTP saw an unusually high level of public engagement, the intensity of communications and consultations has slowed down markedly since first half of 2016. Some saw the move to cut public-sector pay – essentially a unilateral move, implemented with very little communication – as a tipping point. There have been some high-profile interviews, some programmes of research and outreach, and an opening up to foreign media, but as yet there has been no sustained change in communications culture below the senior level to shift towards greater transparency. Indeed, some Saudi scholars argue freedom of speech has been curtailed in that criticism of economic policy is being strongly deterred.

⁶⁹ Author interview, Riyadh, October 2016.

⁷⁰ Author interview, October 2016.

Tellingly, one Saudi journalist argued that a major step the government could take would be to establish a freedom of information act, creating rights to access government data and information. Yet when this journalist tried to publish an op-ed on the topic in the Saudi media, editors said that it could not be published in case it was interpreted as a criticism of Vision 2030.

Many Saudis see the failure of communication as reflecting negatively on Mohammed bin Salman, who has been accused by his critics of arrogance. One researcher noted in conversation that public criticism of the Vision 2030 plan has been limited, probably owing to fears of being seen as criticizing the king's son. Yet while few Saudis will criticize King Salman, in-person interviews and conversations in Riyadh during research for this paper made it clear that this taboo did not extend to the then deputy crown prince. The relatively open discussion about MBS's character and decisions places even more pressure on him to ensure the success of the two high-risk policies with which he has most closely associated himself – the Yemen war and Vision 2030. While the need for economic reform and diversification is undisputed, for the plan to be successful it will have to take root at an institutional level.

6. Conclusion

Vision 2030 represents a serious attempt to deal with the long-term structural changes that the Saudi economy will inevitably face, even if the price of oil recovers to previous levels. But this transformation will also bring about some sort of political change. And it is very unclear what this would look like.

Neither Vision 2030 nor the NTP offers a sense of a political vision on the part of the Saudi leadership, and, more broadly, there is little public debate in Saudi media about what the political future might look like, although this topic is often discussed in private and sometimes on social media. The authorities may hope that the political system can remain largely unchanged, at least in terms of the dominant role of the monarchy. But their economic reform plans imply major changes in the economic basis of the relationship with citizens, and potentially also to the traditional partnership between ruling family and clerics.

Vision 2030 itself has been closely associated with the emergence of Mohammed bin Salman as a leading force in the Saudi system – and as the probable next king. It has created a new sense of momentum behind economic development, generated pressure at senior levels of government to make changes that have been put off for a long time, has promised more accountability and focus on government delivery, and has had a positive impact on international perceptions of Saudi Arabia at a time when its foreign policy is generating bad press in the West. At the same time, the NTP – and MBS himself – have been criticized for being unrealistic in their ambitions, and short on the detail of how these would be achieved. The fact that Prince Mohammed has invested so much of his own political capital in its success has thus become a double-edged sword.

Whatever the fortunes of this specific plan, and the royal family dynamics associated with it, the necessity of reducing the economy's dependence on oil and the state represents the biggest challenge that Saudi policymakers currently face.

This transition will be a difficult one, and will create winners and losers. In particular, a generation of less well-educated youth will find it extremely difficult to make a decent living in the private sector and are thus likely to need social and economic support. Education, especially in technical and vocational areas, will be of key importance, but reforming education is usually a slow process in any country, and all the more so in Saudi Arabia since it is one of the strongest bastions of clerical power. This is an area where international cooperation and advice can be particularly valuable, both from Western allies and from other Muslim countries that have more effective education systems.

Inequality is likely to become a growing political and social concern if government jobs and spending are significantly cut back. Making the desired transition to private-sector employment will be extremely difficult for millions of young people. To mitigate the adverse impact of economic changes, the government's policy options should include strengthening social safety nets, particularly for the unemployed and underemployed who may no longer have the option of working in the public sector, as well as dramatically expanding efforts to improve vocational training. Again, these are both areas in which international technical assistance could be helpful. Educational reform is often a long-term, generational effort. Quick wins could also be made by adopting more

short-term programmes for technical and vocational training, setting up coaching and mentoring schemes, and offering training in soft skills. This is beginning to happen in the private sector: one research paper on social enterprises founded by Saudi women found that the most popular activity for a social enterprise was to provide training, and the second to provide job-matching services specifically for women.⁷¹ Such efforts could be scaled up significantly if given more support.

Vision 2030 envisages a Saudi Arabia made up of citizens who are more active and independent: better educated, more capable of critical thinking, more entrepreneurial, many working in the private sector. Some of those involved in the plan suggest the main obstacle to developing these more 'active citizens' comes from religious conservatives. But it is still unclear if the ruling establishment really wants more critical, independent and free-thinking citizens – with the higher political expectations that are likely to come with that. Notably, the promises of transparency laid out in Vision 2030 have not been matched by a step change in press freedom or freedom of information.

The Saudi regime will continue to prefer a private sector that is dependent on government goodwill rather than a fully independent business class. It may also alter the balance between key constituencies. A number of measures are already being taken, for example, to rein in the power of the religious police while opening up more opportunities for music and entertainment (benefiting a more socially liberal youth constituency at the expense of some traditionalists) and to intensify labour-market nationalization policies (benefiting jobseekers at the expense of the business elite).

The narrative around Vision 2030 has also focused on a society with authentic roots, and both official and civil-society commentators have sought to rekindle memories of Saudi Arabia's pre-oil past. SAGIA's then acting governor, Prince Saud, remarked:

It is easy to forget that 50 years ago people were living in tents. There are people still alive today who used to travel two months by camel to do the hajj. Saudi Arabia is itself a paradigm shift and a continual case study in change.⁷²

And according to Saudi journalist Ahmed Al Omran:

The stigma of manual labour is only in the last generation. My grandfather was a carpenter. People worked with their hands then.⁷³

Others noted that there was taxation in the past too, in an era where merchants wielded more power.

It is hard to imagine that the political status quo can continue, notwithstanding such dynamic changes. But there is a lack of clear models for the future – and this leaves room for extremists to throw in their utopian visions. The gradual empowerment of parliaments seemed a possibility in the 1990s, but today the difficulties of Kuwait and Bahrain make this a less convincing model. Nevertheless, the various political petitions that emerged in 2011, inspired by the Arab uprisings,

⁷¹ Nieva, F. (2015), 'Social women entrepreneurship in the Kingdom of Saudi Arabia', *Journal of Global Entrepreneurship Research*, 10 July 2015.

⁷² Author interview, Riyadh, October 2016.

⁷³ Author interview, Riyadh, October 2016.

highlighted the continued existence of demands for reforms such as greater checks and balances on government, a more independent judiciary and a fight against corruption. But the tumult and violence elsewhere in the region has deterred many in Saudi Arabia and the wider Gulf region from actively pursuing political change, in the face of both government repression of political activists, and the poor model presented by most of the states that have undergone very rapid political change or whose leaders were overthrown (with Tunisia a relative exception).

This regional climate has given the Saudi leadership a window of opportunity to push through painful austerity measures, which are not popular but which have not provoked any corresponding populist mobilization. The lack of overt protest in turn creates a risk that leaders could become complacent about the need to deliver on Vision 2030's promises to consult the public and make government more accountable.

Some economic reformists hope that developing the economy will incentivize evolution in governance and institutions or in citizen engagement with government. For other young Saudis, improving the quality of life, providing more entertainment, and simply making Saudi Arabia more fun would be a major gain for the leadership; while Saudi Arabia is never going to be Dubai, the UAE model of social liberalization without political liberalization is one that influences the debate across the region. But for those who are likely to be losers from the restructuring of the economy, an entertainment economy will be largely an expensive luxury, and Vision 2030 will be seen as a Westernization project for a privileged few. There is a risk of a backlash against the economic and social changes, a Saudi version of populism with a strong anti-Western element.

Economic transformation under Vision 2030 and the NTP could be an opportunity to renegotiate the social contract in Saudi Arabia and to begin to move towards a more inclusive political system that would in turn make the Saudi state more deeply resilient. To date, however, the leadership appears to be hoping that it can transform the economy without much altering the political status quo. The policies associated with the plan are being implemented in a traditional, top-down fashion. And in contrast to the years after 9/11, Saudi Arabia's international allies currently have little appetite to press the country to put political reform on the agenda. But to secure public buy-in and strengthen the credibility of economic reforms, the government may need to dramatically widen the scope of its communication strategy and engagement with its population over the coming changes – to openly discuss the social contract and consult seriously on what the political system should look like in the future.

Vision 2030 apparently seeks a rapid implementation of economic reforms that could have been instituted much more effectively over a longer timescale, but which have hitherto been deferred for years because they did not seem urgent and because they were presumed to have costs for political stability. A similar scenario could emerge with political reforms, which are endlessly deferred in times of social peace, but may well become a more urgent priority in the years to come.

About the Author

Jane Kinninmont is a senior research fellow and deputy head of the Middle East and North Africa Programme at Chatham House, where she directs a research project on the dynamics of change in the Gulf countries. Jane has been analysing political, economic and social developments in Saudi Arabia, along with other MENA countries, since 2003. In her previous roles as an economist at the Economist Intelligence Unit, as head of a team of country risk analysts, and as director of a business briefing service, she produced regular macroeconomic and political forecasts of Saudi developments for senior executives and investors. She was an external consultant to UNIDO on Saudi Arabia's industrial clusters strategy, and has provided strategic advice on Saudi Arabia to diplomats, businesspeople and NGOs. Jane has a BA in Politics, Philosophy and Economics from the University of Oxford and an MSc in International Politics from the University of London's School of Oriental and African Studies.

Acknowledgments

Thanks are due to the various Saudi citizens and residents who participated in interviews for this research paper, for their generosity with their time and insights. Particular thanks go to the team at the King Faisal Center for Research and Islamic Studies in Riyadh. Back in London, my daughters were patient with me when I carried out early-morning Skype interviews during their breakfasts. And at Chatham House, Dr Kristian Ulrichsen, Baker Institute fellow for the Middle East at Rice University, and a Chatham House associate fellow, Peter Salisbury, senior research fellow at Chatham House, and Margaret May and Jo Maher in the publications team, edited and advised on the paper, and helped to steer it to completion.

Independent thinking since 1920

Chatham House, the Royal Institute of International Affairs, is an independent policy institute based in London. Our mission is to help build a sustainably secure, prosperous and just world.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical including photocopying, recording or any information storage or retrieval system, without the prior written permission of the copyright holder. Please direct all enquiries to the publishers.

Chatham House does not express opinions of its own. The opinions expressed in this publication are the responsibility of the author(s).

Copyright © The Royal Institute of International Affairs, 2017

Cover image: The then Saudi Defence Minister and Deputy Crown Prince, Mohammed bin Salman, arrives for a press conference in Riyadh, Saudi Arabia, on 25 April 2016.

Photo credit: Copyright © Fayez Nureldine/Stringer/Getty Images

ISBN 978 1 78413 234 7

This publication is printed on recycled paper.

The Royal Institute of International Affairs
Chatham House
10 St James's Square, London SW1Y 4LE
T +44 (0)20 7957 5700 F +44 (0)20 7957 5710
contact@chathamhouse.org www.chathamhouse.org

Charity Registration Number: 208223