Opportunities in Saudi Arabia – Vision 2030 and Beyond

National Council on U.S.-Arab Relations
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Saudi-U.S. CEO Summit

• May 20, 2017: Saudi Government hosts more than 90 executives from both countries to sign new trade and investment agreements worth $350 billion

• Summit focused on the mutually beneficial ambition of job creation, global energy, security, and greater trade.

Lockheed Martin ● Honeywell ● JPMorgan Chase ● The Dow Chemical Company
ExxonMobil ● Jacobs Engineering ● Baker Hughes ● McDermott International
General Rationale Behind Vision 2030

- Vision 2030 adopted as methodology & roadmap for economic development AND action in KSA
- Identifies general directions, policies and objectives
- Council of Economic and Development Affairs (CEDA) is tasked with establishing & monitoring implementation of Vision 2030
- CEDA established new operating models and bodies to implement Vision 2030
Proposed Programs Under Vision 2030

• **Government Restructuring**: Accelerate government decision-making and increase efficiency; Established two Councils to oversee government strategy

• **Privatization**: Examine state-owned sectors as candidates for privatization and create a comprehensive program to guide the process

• **Public Investment Fund (PIF) Restructuring**: Increase investment resources; and allow the PIF to manage new types of assets

• **Saudi Aramco Strategic Transformation**: Establish the company as a leader in industries other than oil & gas

• **Strategic Partnerships**: Enhance Saudi Arabia’s trade links with nations worldwide and increase exports
Highlights from Vision 2030

- **Initial Public Offering of Saudi Aramco**
  - Up to 5% of the company could be available for purchase by investors

- **Expanded size and role of Public Investment Fund (PIF)**
  - PIF will hold most Saudi state assets, and can invest in a wider array of assets worldwide

- **Healthcare objectives:**
  - Raise total private sector contribution to health care from 25 percent to 35 percent by 2020
  - Increase the contribution of local pharmaceuticals manufacturing from 20 percent to 40 percent by 2020
  - Optimize and better utilize the capacity of public hospitals and healthcare centers

- **Infrastructure objectives:**
  - Increase private sector investment - opportunities for private participation in airports, rail, ports, and road infrastructure
  - Residential building – increase access to financing for homes, increase efficiency for procurement; increase the output from private real estate developers from 10 percent to 30 percent
  - Develop tourism capacity; double number of hotels
Increasing Demand for Services

- Population age 65+ is projected to increase from 3.6 percent to 7.7 percent of the total population by 2030. Relatedly, the demand for healthcare services is projected to increase by 36.3 percent by 2030.

- A growing strain will create a need for updated transportation infrastructure, opening opportunities for private sector involvement. The demand for the transport sector is projected to increase by 38.3 percent by 2030.

- A shortage of affordable housing is an ongoing issue in KSA. Residential real estate demand is expected to grow by 44.5 percent by 2030.

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*Strengthening Bilateral Business Relations through Trade and Investment*

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*U.S.-Saudi Arabian Business Council*
Healthcare in Saudi Arabia

- Key sector in promoting economic growth
  - Source of high-skill and high-wage jobs
  - Sector to address widespread health issues like obesity and heart disease that threaten prosperity
- 2017 Budget allocates $32 billion for health and social development spending
- By 2018, Saudi Arabia is expected to account for 60 percent of the GCC healthcare market
- New hospitals are under construction
  - King Abdullah Medical Complexes, Riyadh and Jeddah, $6.7 billion value, customer is Ministry of Interior
  - King Faisal Medical City in Asir Province, $1 billion value, customer is Ministry of Health
- U.S. hospitals are forming JVs in Saudi Arabia to deliver healthcare services and training (John Hopkins and Saudi Aramco)
U.S. Medical Corporations in Saudi Arabia

The United States continues to be a valuable partner in Saudi Arabia’s healthcare sector. The U.S.’s premier academic institutions, pharmaceutical manufacturers, and healthcare providers occupy a key position in the country and are crucial to the Saudi Government’s expansion and privatization plans.

U.S. corporations in Saudi Arabia’s medical sector:

- GE, Pfizer, and Merck have an established presence and are expanding.
- AbbVie partnered with Arabio in 2014 to manufacture biopharmaceuticals in Saudi Arabia. Working to localize production of key therapies.
- Johnson & Johnson entered a partnership in Saudi Arabia in 2015 aimed at manufacturing and promoting pharmaceutical products.
- Small and medium-sized companies involved in all areas of healthcare sector.
Opportunities for Private Sector Participation

• **PRIVATE HOSPITALS**
  o Currently accounts for over 30 percent of nation’s hospitals with 7 percent growth between 2013 and 2015, with additional privatization plans underway

• **PRIMARY HEALTH CARE CENTERS (PHCs)**
  o The Ministry of Health has outlined plans to enhance, restructure, and rebrand PHCs with public-private partnerships
  o These efforts are aimed at increasing quality of primary care and the role of PHC services in delivering healthcare

• **OTHER PRIVATE SECTOR PARTICIPATION INITIATIVES**
  o Radiology – provide medical imaging services
  o Laboratory – centralized labs run by the private sector
  o Pharmacy – incentivize local production and digitize pharmacy operations
  o Extended care – remake capabilities in rehabilitation, long-term care, and home care
Pharmaceuticals and Medical Devices

- **Market for medical devices is about $2 billion**
  - Imports represent 90 percent of the market
  - Market is growing by 10 percent annually

- **Market for pharmaceuticals is nearly $8.5 billion**
  - Largest in the GCC
  - Market is growing by 9 percent annually

- **Historically, domestic manufacturing has been limited to products such as gloves, syringes, and medical furniture**

- **The Government’s goal is to increase the role of private sector manufacturing of medicines and medical appliances**
  - 16 additional factories were licensed and planned in 2016
Infrastructure in Saudi Arabia

- Saudi Arabia accounts for nearly 40 percent of the Gulf’s construction market

- While the construction sector has seen limited growth in 2016 and 2017 because of slowing contract awards, the sector is expected to see positive growth in 2018 and 2019
  - Ongoing megaprojects provide opportunities for international design and consultancy firms
  - Infrastructure spending will benefit from Government issued domestic and international capital market debt

- 2017 Budget allocates $13.9 billion for infrastructure and transport, a $4 billion increase from 2016

- An effective transport network will be needed to support development of Saudi Arabia’s industrial base for 2030 goals towards diversification of economy

- Privatization of airports, development of metro systems in Riyadh and Mecca, expansion of Jeddah International Airport
U.S. Corporations involved in Saudi Arabian Infrastructure

Saudi Arabia has spent about $1 trillion during the past ten years on construction projects. Construction companies comprise 27 percent of the total registered facilities in the Kingdom.

U.S. corporations in Saudi Arabia’s infrastructure sector:

• AECOM consultancy and project management work on Riyadh Metro Rail and Jeddah Metro Rail
• Bechtel Corporation involved with construction on Riyadh Metro Rail
• Caterpillar provides equipment for North-South Railway project
• GE and Global Power Equipment Group are involved in ongoing power plant construction
Defense and Security

- KSA spent a total of over $63 billion on defense and security in 2016, including off-budget spending.

- Saudi Arabia is a major customer of U.S. Foreign Military Sales - $110 Billion arms sale currently on the table which includes tanks, fighter planes, combat ships, precision-guided bombs over next 10 years. Also includes $1.4 Billion in military training to KSA

- Vision 2030 calls for 50 percent of military equipment purchases from domestic suppliers instead of imports

- May 2017 launch of the new PIF backed Saudi Arabian Military Industries company – projected to contribute $3.7 Billion to GDP and provide over 40,000 jobs by 2030
Defense and Security

- Established U.S. defense companies have extensive collaboration with Saudi entities to support development of the local defense industry
  - **Boeing** announced in Aug. 2015 that it would open an in-country helicopter MRO facility, joint venture with Alsalam Aircraft Co. and Saudia Aerospace Engineering Industries
  - **Lockheed Martin** opened an in-country sensor maintenance facility in Jan. 2016 with Advanced Electronics Company
  - **Raytheon** signed MOU with Saudi Arabia Military Industries Company in May 2017 during state visit of President Trump, also announced formation of Raytheon Arabia subsidiary
Small and Medium Enterprises (SMEs)

- In 2016, SMEs comprised 90 percent of registered businesses and 60 percent of the total employment in Saudi Arabia.

- **Vision 2030 SMEs strategic areas:**
  - Culture of entrepreneurship
  - Increase contribution of SMEs to GDP
  - Creation of new employment opportunities

**SME Distribution by Sector**

- Commercial and Hotel: 47%
- Construction: 27%
- Industrial: 12%
- Social Services: 8%
- Others: 6%

*Source: Arab news*
Small and Medium Enterprises (SMEs)

Capital Markets
• Saudi Arabia’s market Nomu could boost growth of SMEs, adding a further $293.3 billion to KSA’s GDP

Construction
• There are approximately 243,000 companies and institutions involved in the sector, of which 173,000 are small enterprises, 54,000 are small companies, and 14,000 are medium companies

Trade
• The majority of U.S. companies trading goods internationally are SMEs (98% of goods exporters and 97 percent of goods importers). In terms of dollar value SMEs account for 1/3 of U.S. goods trade.
Thank You

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