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Introduction

Turning Inwards

In the latest in a long-playing parade of economic and technological superlatives designed to excite the public and dazzle investors, Crown Prince Mohammed has announced a \$1.3 trillion [shareek initiative](#) with SABIC, Aramco. and [two-dozen local firms](#) committing to [divert dividends](#) to finance local investments.

The initiative arrives on top of PIF plans to invest \$800 billion domestically by 2030, buoyed by

- Aramco's [\\$75 billion](#) 5-year dividend guarantee for minority shareholders (following a [1.5% public offering](#)),
- sale of [\\$70 billion in SABIC shares](#) to Aramco (financed by [Aramco borrowing](#)), and
- very substantial PIF [borrowing](#).

Assuming that the government pays a price in subordinating its own Aramco dividends to support minority shareholders, how will revenue losses be made good, and should we expect a double-or-nothing bet on proceeds from a much larger Aramco flotation?

Priming the Pump

On the upside, *shareek* may succeed in supercharging the Saudi economy, as trillions in support for covid-impaired businesses and workers have achieved in the U.S.; on the downside, it risks sacrificing much-prized sovereign savings for unproven purposes.

Carrots and Sticks

Shareek suggests a broader pivot to domestic stimulation, as much-coveted foreign investment [lags highs](#) of better days. Foreign investors are confused and dismayed by mixed messages on what sort of welcome to expect, as the government hopes to privatize state-owned assets languish and carrots sometimes seem outnumbered by sticks.

Is the government right to intervene massively through economic planning, or should it refocus resources on institutional and regulatory reforms, most importantly advancing [ease of business targets](#) to attract investments through honey more than vinegar? Will requiring global brands to [localize regional headquarters](#) as the price for government contracts succeed in attracting new investment?

Central Planning vs. Animal Spirits

The erosion in sovereign wealth will be partially filled by asset sales, including [spinoff](#) of a 49% interest in ARAMCO's pipeline infrastructure, and shares in locally-listed firms (PIF owns not only many of these, but also the [Tadawul](#) on which they trade).

Saudi private investors may find their firms committed to a centrally-planned program, with the state directing policy for assets that it neither owns nor truly understands. Will *shareek's* path forward align with the diversity, initiative, and entrepreneurship essential to animal spirits and growth, and will investors gladly forego independence in planning their own economic and social futures, to serve as foot soldiers in programs devised from above? Have participating firms outsourced their business planning to centrally-planned priorities, to the detriment of shareholder autonomy.

Foundations for Growth

A central plan built on domestic investment in new cities and technologies depends on ever-scarce capital from global investors facing unlimited options among countries competing fiercely for their favor. While the Kingdom's legacy wealth was built on monopoly oil, those days are fading fast.

A more traditional alternative would focus less on planning and more on taxes, good governance, and accountability. While [corruption purges](#) represent a wholesome correction of predatory business practices, they also raise concerns about the predictability of justice and weaknesses in checks and balances against otherwise unaccountable government discretion (think Sophocles' theme in *Antigone*, that [the will of the prince is the law of the land](#)).

Will domestic and foreign investors find their voice as masters of their own destinies, or will a traditionally lethargic bureaucracy retain its monopoly on visions for a better future leaving private interests invest in robots and futuristic cities, in the hope of “building it and they will come?”

Upcoming Events, Webinars, and Conferences

- **Ramadan:** April 13-May 12

COVID-19 Status, Restrictions, Aid, and Enforcement

- **Status:** Saudi Arabia [reports](#) as of April 13, 2021, a sustained [increase](#) in COVID cases, with:
 - 951 new coronavirus cases daily, led by Riyadh, Jeddah, and Makkah;
 - 400,228 cumulative cases, 8,820 active;
 - 608 recoveries daily, 384,635 cumulative (>98% recovery rate);
 - 8 deaths daily, 6,773 cumulative (<2% fatality rate);
 - 61,853 daily tests, 15,919,088 cumulative;
 - 6,532,557 vaccines administered.
- **Vaccine:** Saudi Arabia has approved both the Pfizer and Oxford-AstraZeneca vaccines for [import and use](#) and has [begun inoculations](#). Inoculation will [not be compulsory](#). Health authorities have initiated a major vaccination campaign, which consists of [several phases](#) scheduled to be completed by late 2021. The stated goal is to reach [80% population immunity](#). UPS delivered the first batch of Pfizer vaccines to Saudi Arabia on [December 21](#).
 - **Registration:** Registration for the vaccine is now available for [citizens and residents](#). To register, visit [here](#) or use the [iOS](#) or [Android](#) “Sehanty” apps. Within 24 hours applicants will receive a message providing a date for receiving [vaccine doses](#).

- **Campaign Expansion:** The Ministry of Health announced the expansion of its inoculation campaign to reach a wider segment of society and that it would open new vaccination centers. The ministry said that the registered priority groups have been covered and it will make vaccinations [available to other groups](#).

Public Sector Updates / Government Initiatives

- **Anti-Corruption:** Authorities have arrested 176 citizens and expatriates, including government ministry employees, in the Kingdom's [latest anti-corruption push](#).

Corporate / Employment

- **Minimum Wage Increase for Over 50s:** The General Organization for Social Insurance (GOSI) has implemented a new minimum wage for workers over the age of 50 from [SR3,000 to SR4,000 \(\\$1,066\)](#).
- **Made in Saudi Program:** Over 850 companies have applied to join the [“Made in Saudi” program](#).
- **New Rules for Hiring Domestic Workers:** The Ministry of Human Resources and Social Development (MHRSD) intends to implement a new mechanism in the near future for recruiting domestic workers that [will not involve brokers](#).

Legal

- **Al Tamimi Legal Magazine:** For Al Tamimi Law's latest magazine issue (March 2021, focus is on Africa), see [here](#).
- **Money Laundering Sentences:** Saudi public prosecution sentenced 21 citizens and residents involved in money laundering cases to a total of [106 years in prison](#).

Visas, Travel, and Repatriation

- **New Travel Ban:** Saudi Arabia banned expatriates from entering the Kingdom from 20 countries, including the UAE, Egypt, Lebanon, and Turkey, as well as the US, UK, Germany, France, Italy, Ireland, Portugal, Switzerland, Sweden, Brazil, Argentina, South Africa, India, Indonesia, Pakistan, and Japan. Exceptions will be made for diplomats, medical staff, and their families. The ban also applies to travelers who transited through any of the 20 countries [within 14 days of arrival](#). The Kingdom's travel ban for citizens and the closure of its borders will remain in place until [May 17, 2021](#).
 - **Travel Guidelines:** For Saudia's travel guidelines, see [here](#).
 - **Visa Extensions:** The General Directorate of Passports (Jawazat) has clarified that exit and reentry visas of expatriates who are outside the Kingdom can be extended electronically through the employer's Absher or Muqem platform, after paying fees through the [SADAD payment system](#).
- **Flight Resumptions:** The General Authority of Civil Aviation of Saudi Arabia (GACA) has outlined plans to resume international flights [beginning May 17](#).

- **Jeddah Airport Temporarily Closes:** Jeddah Airport temporarily closed due to [military activity in the vicinity](#).

Economy

- **General:**
 - **Recovery Outlook:** The governor of the kingdom's central bank stated that Saudi Arabia's economic recovery is expected to be ["positive" this year](#).
- **Finance, Insurance, Investment, and Sovereign Wealth:**
 - **PIF Plans:** Crown Prince Mohammed bin Salman has unveiled a plan that would make the Public Investment Fund (PIF) the largest sovereign wealth fund in the world, increasing its roughly \$400 billion in assets to \$1.1 trillion by 2025 and [\\$2 trillion by 2030](#).
 - **Smart Cities Market:** According to a report, the Saudi Arabia smart cities industry was pegged at \$3.55 billion in 2019, and is projected to reach [\\$14.74 billion by 2027](#).
- **Retail, Luxury, and E-Commerce:**
 - **Expected E-Commerce Surge:** Digital spending is expected to surge further in the UAE and Saudi Arabia this month, with 76% of consumers planning to buy more frequently online [during Ramadan](#).

- **Real Estate, Construction, Infrastructure, and Megaprojects:**
 - **F1 Track Construction:** Ground has been broken and construction has begun on a new Formula 1 circuit ahead of the [first Saudi Arabian Grand Prix](#).
- **Defense:**
 - **Greek Patriot Missiles:** Greece has agreed to lend Saudi Arabia a [Patriot-type anti-aircraft system](#).
- **Tourism, Hospitality, Culture, and Entertainment:**
 - **Hotel Investment:** Hotel owners are investing massively in the Kingdom, which now has 73,057 rooms with a projected 67.1% increase in room supply [over the next three years](#).
- **Religion:**
 - **Mandatory Vaccines for Pilgrims:** The Ministry of Hajj and Umrah has announced that permits to perform Umrah can only be granted if the individual is vaccinated against COVID-19, is within 14 days of taking their first dose, or has [recovered from the disease](#). Pilgrims without Umrah permits face a [SR10,000 fine](#).
- **Education:**
 - *No significant recent developments.*
- **Healthcare:**
 - *No significant recent developments.*

- **Technology:**

- *No significant recent developments.*

- **Food and Agriculture:**

- *No significant recent developments.*

- **Industry, Utilities, and Transportation:**

- **Riyadh Metro Controversy:** The Riyadh Transit Network Project has “categorically denied” claims published by Bloomberg that it owed billions of dollars in unpaid bills to international firms working on the [Riyadh Metro project](#).
- **Samsung Petrochemical Plant:** Samsung Engineering Co. has secured a \$650 million deal to build a [petrochemical plant in Jubail](#).

- **Natural Resources, Mining, and Environment:**

- *No significant recent developments.*

- **Oil and Energy:** Oil prices [stand](#) on April 13 at \$62.98 pbb for Saudi oil (Arab Light) and \$60.52 pbb for West Texas Intermediate (WTI).

- **Arabian Sun:** For Aramco’s most recent weekly newsletter April 7) see [here](#).
- **Mubadala Involvement in Aramco Pipeline:** Mubadala Investment Co., a UAE sovereign wealth fund, may join a group investing in Saudi Aramco’s oil pipelines, in a deal set to be backed by a loan of [around \\$10.5 billion](#).

- **Solar Projects:** Saudi Arabia has signed power purchase agreements with seven new solar projects that will provide electricity to [over 600,000 households](#).
- **Regional Power Exports:** Saudi Arabia will start exporting electricity to neighboring countries as projects to connect regional power grids [move forward](#).
- **Lower Breakeven Oil Price in 2022:** The breakeven oil price for Saudi Arabia dropping to \$65.70 in 2022 [from \\$77.90 in 2020](#).

Geopolitical

- **Comments on Israel Normalization:** Saudi Arabia's foreign minister stated in a recent interview with CNN that normalization with Israel, "would bring tremendous benefits to the [region as a whole](#)."
- **World Tourism Crisis Meeting:** Saudi Arabia hosted the Global Tourism Crisis Committee meeting of the [World Tourism Organization \(UNWTO\)](#).
- **United States:**
 - **Anti-Saudi Pressure:** Lawmakers in the House are also calling for the Biden administration to tell Saudi Arabia to lift its [sea blockade of Yemen](#).
- **Yemen:** Houthi forces continue to target Saudi Arabia with [drones and missiles](#).

GCC

- **IMF Economic Outlook:** The IMF expects most Gulf economies to recover this year at a faster pace than previously estimated, as it raised its 2021 global growth forecast to 6% from 5.5%. Saudi Arabia's economy is expected to grow 2.9%, the UAE's 3.1%, Bahrain's 3.3%, Qatar's 2.4%, Kuwait's 0.7%, and Oman's 1.8%.
- **UAE:**
 - **Stimulus Extended:** The central bank will extend until the end of this year a 50 billion dirhams (\$13.6 billion) facility introduced to help [banks and financial companies](#).
 - **US Weapon Sale Proceeds:** The Biden administration has told Congress it is proceeding with more than \$23 billion in weapons sales to the UAE, including [F-35 aircraft and armed drones](#).
- **Qatar:**
 - **Qatar Airways Partnership with JetBlue:** JetBlue is expanding its codeshare with Qatar Airways to offer more ways to book travel to [international destinations](#).
- **Kuwait:**
 - **Preschools to Reopen in Fall:** The Ministry of Health announced that it has approved a plan for the reopening of preschools [in September](#).

- **Bahrain:**

- **Fitch Ratings:** Fitch Ratings has affirmed Bahrain's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B+' with a [Stable Outlook](#).

- **Oman:**

- **Non-Oil Economic Growth:** According to the country's development plans, non-oil activities will contribute more than a third of Oman's total government revenues [by 2025](#).
- **SME Support:** Oman has announced new stimulus measures to [support SMEs](#).
- **Nighttime Movement Curbs Lifted:** Authorities have lifted night-time movement curbs for residents and vehicles but kept its evening closure of commercial activities until the [beginning of Ramadan](#).
- **ICU Bed Shortage:** Oman is reportedly running low on ICU beds due to a [spike in COVID cases](#).

Other

- **Miscellaneous:** For earlier developments, see [here](#).

Resources

- [Previous Newsletters](#)
- [Ministry of Health Dashboard](#)
- [Ministry of Health Coronavirus Guidance](#)
- [New Companies Law](#)
- [Chamber of Commerce Global Policy Dashboard](#)
- [Ministry of Investment Guide to Business Continuity](#)
- [US Embassy in Saudi Arabia](#)
- [US State Department Travel Information](#)

We will be happy to provide more specific advice in the context of particular circumstances, concerns, and priorities; please let us know.

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Disclaimer: While the above information was gathered from sources believed to be accurate at the time, we cannot be responsible for errors due to human or technical error.

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