

Drivers and strategic puzzles of Saudi modernization

Clingendael and CARPO Report

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September 2024

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Summary

Saudi Arabia's 'Vision 2030' set in motion a large-scale, mainly state-led and top-down modernization agenda to diversify the Saudi economy beyond oil, develop a new national development ethos, reshape Saudi identity and introduce greater lifestyle options while maintaining consolidated rule in the hands of the Al Saud. The envisaged transformation is fully in line with the vested interests of the Saudi monarchy and much of the business elite, as well as some of the country's younger generations. Vision 2030 builds on earlier change efforts that were only partially successful, but pursues a much broader social agenda in addition to the traditional core economics tenets of prior reform efforts. Another key difference is that its main architect – Mohammed bin Salman, the Saudi crown prince – has amassed all the essential inputs for transformative change: centralized executive authority, a decent strategy, heaps of money and supportive social constituencies. In the short term, there are no barriers to the realization of Vision 2030 beyond the rapid adjustment that inevitably needs to occur when plans meet reality in a complex environment. However, Vision 2030's lack of participatory governance modalities, insufficient attention to climate change mitigation and absence of a balanced strategy to promote regional stability represent serious medium-term challenges. Success is likely to require recalibrating these issues in 'Vision 2040', or sooner.



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Introduction

In 2016, Saudi Arabia launched ‘Vision 2030’ – a strategic initiative that sought and seeks to modernize the Kingdom by accelerating its socioeconomic development (see Box 1 below).¹ In the same year, the powers of the Commission for the Promotion of Virtue and the Prevention of Vice (‘morality police’) were curtailed, which loosened a number of puritan constraints on the lifestyle of Saudi young people. In 2017, Mohammed bin Salman was named crown prince after having served as chairman of the Council of Economic and Development Affairs and Defense Minister since 2015. Later in the year, the new heir apparent corralled about 400 members of the Saudi elite in Riyadh’s swanky Ritz-Carlton, releasing them only after pledges of future obedience and ransoms estimated between US\$28 and 170 billion.² In 2018, it became possible for Saudi women to obtain driving licences. In 2019, Saudi Aramco raised US\$29.4 billion in capital by floating about 2 per cent of its shares on the stock exchange (the rest is still owned by the Saudi state).³ In 2020, the World Bank rated the Kingdom in the top 10 of globally most improved economies regarding the ease of doing business.⁴ In 2021–2022, the Kingdom codified important parts of its legal system, including a Personal Status Law, breaking with the practice of allowing clerical judges to issue rulings based on uncodified Islamic law.⁵

In brief, compared with previous modernization and diversification efforts, the pace of socioeconomic change in Saudi Arabia has been at warp speed during

1 Kingdom of Saudi Arabia. 2016. “Vision 2030.” Kingdom of Saudi Arabia. https://www.vision2030.gov.sa/media/rc0b5oy1/saudi_vision203.pdf.

2 Chulov, Martin. 2020. “‘Night of the Beating’: Details Emerge of Riyadh Ritz-Carlton Purge.” *The Guardian*, 19 November 2020, sec. World news. <https://www.theguardian.com/world/2020/nov/19/saudi-accounts-emerge-of-ritz-carlton-night-of-the-beating>; Grand, Stephen and Katherine Wolff. 2020. “Assessing Saudi Vision 2030: A 2020 Review.” Research Report. Washington, DC: Atlantic Council - Rafik Hariri Center for the Middle East.

3 Reuters. 2020. “Saudi Aramco Raises IPO to Record \$29.4 Billion by over-Allotment of Shares.” *Reuters*, 12 January 2020, sec. Business. <https://www.reuters.com/article/idUSKBN1ZB03C/>.

4 World Bank. 2019. “Doing Business 2020: Saudi Arabia Accelerated Business Climate Reforms, Joins Ranks of 10 Most Improved.” Press release World Bank. World Bank. 24 October 2019.

5 Alhusein, Eman and Tine Gade. 2023. “Vision 2030 Has Transformed Saudi Arabia’s Legal and Judicial Systems.” *Arab Gulf States Institute in Washington* (blog). 20 November 2023. <https://agsiw.org/vision-2030-has-transformed-saudi-arabias-legal-and-judicial-systems/>.

the past eight years. Vision 2030 compares to recent modernization drives such as those launched by China's Deng Xiaoping, Rwanda's Paul Kagame, Singapore's Lee Kuwan Yew, South Korea's Park Chung Hee and Ethiopia's Meles Zenawi. In terms of GDP and Human Development Index (HDI) increases, some of these initiatives are work in progress (e.g. China), while others have stalled (e.g. Ethiopia) and yet others have succeeded (e.g. Singapore and South Korea).

Although there was a lot of excitement about Vision 2030 when we visited Riyadh in October 2023 for interviews, both its ambition and the environment are complex. Vision 2030 involves a coordinated effort to modernize the economy, government and society all at once.⁶ In the face of such complexity, it should come as no surprise that in 2020 Grand and Wolff already noted a number of problems with Vision 2030 implementation, focusing on its top-down nature, broad scope and state dominance.⁷

Box 1. What is 'Vision 2030'?

Vision 2030 signals an intent to modernize Saudi Arabia across several major socioeconomic dimensions simultaneously. Primarily, it builds on past strategic efforts to diversify the Saudi economy beyond oil that date back to the 1970s. In contrast with previous plans, Vision 2030 also anticipates and encourages a degree of socio-religious and socio-cultural transformation, in particular in the areas of emancipation, nationalism, identity and religiosity. Another difference with the past is that Vision 2030 is propelled by significant power consolidation in the hands of Crown Prince Mohammed bin Salman and his direct circle of confidantes and collaborators after several senior princes of the house of Al Saud were sidelined, command over the security services centralized, the autonomy of the Wahhabi clergy constrained and public financial firepower consolidated in the Public Investment Fund (PIF).

6 Derived from Lieshout, Peter van, Robert Went and Monique Kremer. 2010. *Less Pretension, More Ambition: Development Policy in Times of Globalization*. Amsterdam: Amsterdam University Press.

7 Grand, Stephen and Katherine Wolff. 2020. "Assessing Saudi Vision 2030: A 2020 Review." Research Report. Washington, DC: Atlantic Council - Rafik Hariri Center for the Middle East.

Saudi Arabia's economic diversification plans consist of a wide range of legal, administrative, business and educational reform measures that seek to attract foreign direct investment (FDI) and ensure long-term returns on PIF investment in selected non-oil sectors of the Saudi domestic economy (such as tourism, renewables and mining), with a view to nurturing them into major areas of national growth and income generation. In parallel, the country's economic diversification drive must green the economy due to known climate change effects that will make growing parts of the Arabian Peninsula increasingly unfit for human habitation. Notwithstanding this necessity, hydrocarbon revenues finance most of Vision 2030. Riyadh intends to minimize the associated pollution and global warming effects through climate change adaptation measures.

Sources: Kingdom of Saudi Arabia. 2016. "Vision 2030."; Cerioli, Luiza. 2023. "Saudi Arabian Strategy Reassessment since 2003: The Emergence of a Regional Leadership via Neoclassical Realist Lenses." *International Area Studies Review* 26 (3): 287–303. <https://doi.org/10.1177/22338659231180059>; Khashan, Hilal. 2017. "Saudi Arabia's Flawed 'Vision 2030.'" *Middle East Quarterly*, January; Sons, Sebastian. 2023. *Die neuen Herrscher am Golf: und ihr Streben nach globalem Einfluss*. Sonderausgabe für die Landeszentralen für politische Bildung. Bonn: Dietz; Montambault Trudelle, Alexis. 2023. "The Public Investment Fund and Salman's State: The Political Drivers of Sovereign Wealth Management in Saudi Arabia." *Review of International Political Economy* 30 (2): 747–71. <https://doi.org/10.1080/09692290.2022.2069143>.

This report analyzes the core drivers and main puzzles of Vision 2030.⁸ Vision 2030 expresses a strategic intent that sets the direction for a decades-long effort to transform the Saudi economy and society. It is also an outsized business improvement programme, but this is not its main point since the initiative is rather open-ended and features crucial social and cultural elements as well. By undertaking an in-depth examination of Vision 2030's prospects for success in terms of its strategic strengths and weaknesses, this report provides European policy-makers with a long-range assessment of the dynamics and problems of Saudi modernization efforts.

8 The authors are indebted to Matti Suomenaro and Matteo Colombo, both researchers at Clingendael, for their excellent background research, in particular regarding the Saudi Public Investment Fund and climate change challenges. Furthermore, they wholeheartedly thank the 19 individuals – both Saudi and international experts – who were willing to share their insights and sit down for in-depth conversations about Vision 2030 in October 2023. For a critical yet constructive peer review, our sincere thanks go to Simon Mabon and Eyad Alrefai.

Major drivers of Vision 2030

Transformation was already happening in Saudi Arabia long before the implementation of Vision 2030. For instance, the country's HDI scores improved consistently and markedly over past decades, with an illiterate population with short life expectancy becoming a literate one with far better life expectancies.⁹ Saudi Arabia's global status had also been growing since the 2011 'Arab uprisings' from being the religious centre of the Islamic world to acting as lender of last resort to fellow absolutist regimes, rallying Arab diplomacy against Iran, and balancing ties with the US, China and Russia in a highwire act.¹⁰ Behind these trends of change, one finds the constant factor of Saudi Arabia's political economy, namely the dominance of the country's oil reserves and petrochemical industry as key sources of revenue that finance the machinery of government and the royal family, underwrite the social contract, and enable foreign policy. If the unification of the Hejaz and Najd regions in 1932 birthed Saudi Arabia as a pre-modern, low-income, religiously conservative and tribal entity, the discovery of vast oil reserves only years later turned it into a rentier state under the house of Al Saud, supported by the Wahhabi clerical class in exchange for a conservative religious doctrine governing social norms and lifestyles.¹¹ Until now, oil wealth, tribal clientelism and religious prestige remain important sources of the royal family's legitimacy. Some Saudi nationals would argue that the relevance of religious prestige is decreasing while socio-cultural legitimacy is growing.¹²

Since its oil boom in the 1970s, the house of Al Saud has pursued two broad financial strategies to maintain its rule. First, it has consistently sought to optimize oil revenues through supply-side management (e.g. the founding of OPEC in 1960 and the nationalization-by-purchase of Saudi Aramco in 1988). Second, between 1970 and 2015 it launched a series of five-year economic plans to diversify the Saudi economy away from oil. On the one hand, such

9 UNDP. 2024. "Saudi Arabia." Human Development Reports. 13 March 2024. <https://hdr.undp.org/data-center/specific-country-data#/countries/SAU>.

10 Cerioli (2023), *op.cit.*

11 In 1976, Saudi Arabia became the world's largest oil producer and has remained so ever since. Al-Rasheed, Madawi. 2010. *A History of Saudi Arabia*. 2nd ed. New York: Cambridge University Press; Mandaville, Peter G., ed. 2022. *Wahhabism and the World: Understanding Saudi Arabia's Global Influence on Islam*. Religion and Global Politics. New York: Oxford University Press.

12 We are grateful to Eyad Alrefai for this point.

diversification efforts aimed to develop Saudi non-oil business sectors at a faster rate than the country's oil sector. On the other hand, they were intended to grow the private sector while shrinking the bloated public sector against a backdrop of labour market transformation through nationalization efforts ('Saudization') and the provision of higher-quality – and more applied – education. Since the mid-1990s, global efforts to phase out fossil fuels as a key source of propulsion and industrial feedstock have made diversification efforts more urgent.¹³ However, the fact that oil rents still constituted an average of 75 per cent of Saudi fiscal revenue between 2010 and 2022 suggests that the second strategy (economic diversification) was much less successful than the first (revenue optimization).¹⁴

It is for this reason that diversification of the Saudi economy remains the major driver of Vision 2030. But Vision 2030 does seek to learn from the relative failure of preceding plans by acknowledging that Saudi Arabia's decades-old economic monoculture cannot be successfully reconfigured by state-driven investment and industrial policy alone. Diversification can only succeed, it proposes, as part of a broader modernization effort that includes creating a new national development ethos among Saudi nationals.¹⁵ In turn, this requires the partial transformation of social values and attitudes. Although urbanization, technology and consumerism have made their impact on Saudi society since the oil boom of the 1970s, conservative, religious and tribal lifestyles have remained strong.¹⁶ In recognition of the need for Saudi Arabia's social landscape to evolve if its economy is to diversify,

13 Although fossil fuels will remain part of the global energy mix for decades, the International Energy Agency (IEA) nevertheless estimates that oil demand will peak in 2028, while two recent Shell scenarios indicate 2030 or 2040 as possible peak years. Either way, the Arab Gulf monarchies produce oil with a relatively low emissions footprint against low cost. They are likely to be the 'last producers standing', meeting whatever oil demand remains until a net-zero scenario is realized. Our interviews clarified that adaptation, not mitigation, is the preferred Saudi policy response to the pollution and global warming effects associated with ongoing oil production. See: International Energy Agency Secretariat. 2023. "Oil 2023: Analysis and Forecast to 2028." Paris: International Energy Agency; Shell. 2023. "The Energy Security Scenarios." Shell Scenario Planning. London: Shell International Limited.

14 International Monetary Fund. Middle East and Central Asia Dept. 2022. "Saudi Arabia: Selected Issues." *IMF Staff Country Reports* 2022 (275). <https://doi.org/10.5089/9798400217548.002.A001>.

15 Two of the four main sections of Vision 2030 address respectively 'A vibrant society' and 'An ambitious nation'.

16 Shifts are discernable due to an increasingly young population. De Jong, Julie and Mansoor Moaddel. 2013. "Trends in Values among Saudi Youth: Findings from Values Surveys." *The Journal of the History of Childhood and Youth* 6 (1): 151–64. <https://doi.org/10.1353/hcy.2013.0015>; also: Cooke, Miriam. 2014. *Tribal Modern: Branding New Nations in the Arab Gulf*. Berkeley: University of California Press. (NB. The author does not focus on Saudi Arabia).

Vision 2030 includes a focus on areas like education, labour force participation, nationalism, religiosity, lifestyle, entertainment, sports, and youth and female empowerment, as well as gender relations.

Another core driver of Vision 2030 is Saudi Arabia's demographics. While the country's total population is estimated to stabilize around 2050 due to a rapidly declining fertility rate, the next 25 years that will see a youth bulge.¹⁷ The resulting number of annual labour market entrants cannot be absorbed by the public sector for reasons of financial affordability and government efficiency. For instance, the public sector already employs twice as many Saudi nationals as the private sector,¹⁸ while the private sector pays less and demands longer working hours. It does not yet represent a fully-fledged alternative to the public sector, even though the working mentality of young Saudi nationals has become more aligned with private sector requirements.¹⁹ In some quarters, however, a private sector job continues to be seen as a downgrade in terms of prestige, terms and conditions. Hence, rapid – and 'forced'²⁰ – enlargement of the private sector risks creating social discontent due to the associated loss of earnings, prestige and other benefits. Saudi Arabia's elevated unemployment rate – around 8 per cent in general (2023) and c. 14 per cent for women – complicates this situation insofar as it increases the need for private sector expansion and the risk of social frustration in similar measure.²¹ Simply put, if economic diversification used to be desirable on grounds of sound public financial management, Saudi demographics make it imperative from the perspective of political stability.

A third major driver of Vision 2030 is the need to adapt to almost inevitable large and negative climate change effects on the Arabian Peninsula over the next

17 United Nations DESA Population Division. 2024. "Saudi Arabia." World Population Prospects 2024. 2024. <https://population.un.org/wpp/Graphs/DemographicProfiles/Line/682>.

18 Harvard Kennedy School. 2019. "The Labor Market in Saudi Arabia: Background, Areas of Progress and Insights for the Future." Evidence for Policy Design. Cambridge: Harvard Kennedy School; Grand and Wolff, 2020 (*op.cit.*).

19 Indicators include greater competition on the job market, a growing appetite to work in the service sector, and more entrepreneurship as manifested in the establishment of new small enterprises.

20 From a liberal perspective, it is impossible to 'force' private sector expansion. But in a state-dominated rentier economy it is possible if public sector expansion is curbed and state budgets are instead increasingly funnelled through 'private' enterprises – that then exist by virtue of competing for public funds.

21 Reuters. 2024. "Unemployment among Saudis Declines to 7.7% in Q4." Reuters, 28 March 2024, sec. Middle East. <https://www.reuters.com/world/middle-east/unemployment-among-saudis-declines-77-q4-2024-03-28/>.

decades. Briefly put, small but growing parts of Saudi Arabia will be uninhabitable by 2100 due to wet-bulb temperatures in which heat and humidity combine to limit human survival.²² Larger parts, especially in the southeast and centre of the country, face a mix of desertification, reduced rainfall, flash floods and extreme heat that are likely to constrain human (economic) activity, further limit agricultural production (just 2 per cent of Saudi Arabia is arable at present), hit relatively marginalized communities hardest (such as the country's 3–5 million Shi'a) and make it more difficult to increase the number of non-religious tourists.²³ For example, Saudi Arabia is likely to experience around 20 heat waves per year between 2040 and 2060, with each wave lasting about 10 days.²⁴ Until recently, climate change effects were barely articulated in Saudi discourse and they do not feature prominently in Vision 2030. However, the Saudi Green Initiative launched in 2021 is linked with Vision 2030 via the Crown Prince and one can argue that climate change has somewhat moved up the agenda. Some young Saudis also show a growing interest in environmentalism and climate protection, as well as in jobs in the non-oil energy sector ('green jobs').²⁵

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- 22 Calvin, Katherine, Dipak Dasgupta, Gerhard Krinner, Aditi Mukherji, Peter W. Thorne, Christopher Trisos, José Romero, et al. 2023. "IPCC, 2023: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (Eds.)]. IPCC, Geneva, Switzerland." First. Intergovernmental Panel on Climate Change (IPCC). <https://doi.org/10.59327/IPCC/AR6-9789291691647>; UN Climate Summit. 2023. "What the IPCC Synthesis Report Means for Middle East Countries." *UN Climate Summit News - COP28* (blog). 22 March 2023. <https://unclimatesummit.org/what-the-ipcc-synthesis-report-means-for-middle-east-countries/>.
- 23 Yabi, Frederic Wehrey, Justin Dargin, Zainab Mehdi, Marwan Muasher, Maha Yahya, Issam Kayssi, Zaha Hassan, Madison Andrews, Mathew Madain, Mohammad Al-Mailam, Amr Hamzawy, Sarah Yerkes, Haley Clasen, Gilles. 2023. "Climate Change and Vulnerability in the Middle East." Research Report. New York: Carnegie Endowment.
- 24 UN ESCWA. 2023a. "Regional Climate Modelling Outputs for Saudi Arabia: Key Findings." E/ESCWA/CL1.CCS/2023/RICCAR/TECHNICAL REPORT.18. Beirut: UN ESCWA.
- 25 See: <https://www.greeninitiatives.gov.sa/saudi-climate-vision/>. Moreover, in all mega projects, CO2 neutrality is part of the design, the King Abdullah Petroleum Studies and Research Center (KAPSARC) has established a centre of excellence for renewable energy research, local communities work on green urban spaces and sustainable urban development, while universities offer more courses in green jobs such as hydrogen education. On balance, however, as one of our interviewees noted, many Saudi adaptation policies remain 'simple' (e.g. planting trees) or will have effect only in the medium term, while mitigation policies are much scarcer. In this vein, another interviewee noted that the Kingdom has so far failed to produce a national hydrogen strategy or regulatory framework, despite touting its hydrogen investments as a climate change mitigation measure. Note that hydrogen is essentially an energy carrier. Green hydrogen carries renewable energy and blue hydrogen gas-generated energy. The generation and use of large volumes of green hydrogen can mitigate climate change.

A final and major driver of Vision 2030 is the altered geopolitical environment in which Saudi Arabia finds itself since the early 2000s. A number of factors have forced the Kingdom out of its complacent style of domestic decision making, oil-based economic growth and conservative approach to regional diplomacy. These include: the fact that 15 out of 19 of the 9/11 hijackers came from Saudi Arabia, which damaged the kingdom’s international reputation (2001); the expansion of Iranian influence following the US invasion of Iraq (2003); the Syrian civil war (2011); the Yemeni conflict (2015); the Iran-linked attacks on Saudi oil refineries (2019); a US that is more reluctant to intervene; the disappearance of Egypt, Syria and Iraq as regional powers; and the rapid rise of the UAE.²⁶ Shifting course, Riyadh played a huge opening gambit with Vision 2030 by offering other regional players mutual profit and stability if they engage on the basis of economic considerations and interests. The logic here is that a thriving Saudi economy will strengthen the country’s power base but also create positive effects for its neighbours. Hence, Vision 2030 aims to promote national interests, contribute to regional stability and support regional development – just as a booming US economy does for Canada and Mexico, or Germany’s for Poland and the Netherlands.

Figure 1 Four drivers of Vision 2030 that will last beyond its expiry date

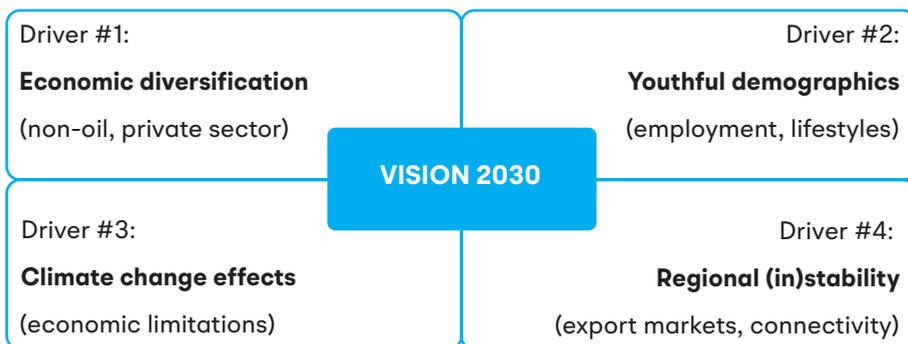


Figure 1 above summarizes the four drivers discussed above. Those at the top – economic diversification and youthful demographics – are explicitly articulated in Vision 2030. Those at the bottom are hardly mentioned but play a significant background role. All four drivers are constant and long term in nature. In brief, they are as likely to inform Vision 2040, Vision 2050 and comparable strategic initiatives as much as they have Vision 2030.

26 Cerioli (2023), op.cit.; Sons (2023), op.cit.

The strategic puzzles of Vision 2030

Eight years ago, Vision 2030 launched a modernization effort that will last for decades in the most favourable scenario. Given the major drivers just outlined, above all it expresses an intent about the desired direction and shape of Saudi Arabia's modernization trajectory – much more so than that laying out an implementable programme. Many of our interviewees warned that it would be a mistake to point to the 96(!) strategic objectives of Vision 2030 and argue that its intended scope of change is unrealistic.²⁷ Even though a well-known adage from the management literature is that having too many priorities amounts to having none, they argued that achieving even 30 per cent of Vision 2030 objectives by 2030 will amount to success. By this logic, it does not matter whether 2 or 20 kilometres of The Line are built (a planned city that is part of the larger NEOM project). The same interviewees viewed Vision 2030 as a giant space for experimentation rather than a programme for implementation. Arguably, its 96 key performance indicators (KPIs) set in motion a massive experiment to see what might and might not work.²⁸ Revisions can subsequently build on the former and ditch the latter.

Such a relativization risks lowering the level of implementation rigour necessary to achieve even 30 per cent of Vision 2030 objectives. However, it also invites an examination of the strategic puzzles that Vision 2030 and its successors must solve to create self-perpetuating developmental effects rather than close-up examination of the state of Vision 2030 implementation.²⁹ Our interviews and research for this report suggest that, to succeed, Vision 2030, as well as future

27 The plentiful use of KPIs in Vision 2030 is a counter to more vaguely worded previous reform efforts that were generally unsuccessful.

28 At the same time, according to several interviewees the strong focus on KPI delivery has created an excessive work culture in which, for example, the use of stimulants (especially Captagon) is common. One interviewee noted that current work pressures and office hours are unsustainable, especially among more senior staff and the project teams that drive major Vision 2030 projects. He expected massive burnouts in a matter of years. Another quipped that in today's Saudi Arabia, what matters is 'God, the Prophet, the air conditioner and the KPI'.

29 Grand and Wolff (2020), *op.cit*; IMF (2022), *op.cit*.

visions, must come to terms with four strategic puzzles and address the main drivers that gave rise to Vision 2030 in the first place. These puzzles are:

1. How to modify the Saudi political settlement and social contract to enable economic development
2. How to diversify the economy and maximize growth under absolutist conditions
3. How to manage already notable effects of climate change, and
4. How to manage unpredictable levels of regional (in)stability.

In a nutshell, Vision 2030 addresses half of puzzle 1 (it considers social contract modification, but not political settlement adjustment, even though this has taken place behind the scenes in the sense of bringing about a greater concentration of power); assumes puzzle 2 is possible (rapid economic diversification and fast growth under absolutist conditions); largely ignores puzzle 3 (climate change effects as a barrier to development); and underestimates puzzle 4 (regional (in)stability). One major weakness of Vision 2030 is therefore that it does not comprehensively address the major strategic puzzles it faces. From this perspective, it only offers a partial vision for national development. Below, we focus on each puzzle in turn.

Puzzle #1 – How to modify the political settlement and social contract to enable development?

The first order of business for the Saudi modernization drive as articulated in Vision 2030 has been to reconfigure the country's political settlement and social contract to create enabling sociopolitical conditions for economic transformation beyond the current oil-rent-based economy. This is the case because the political settlement³⁰ shapes and organizes the authority, compromises and means by which the Saudi ruling elite can drive forward modernization. In turn, the social

30 A political settlement can be defined as an understanding between national-level elite factions consisting of a power arrangement that clarifies the hierarchy of their relations; a distribution arrangement indicating how public resources are used on the basis of the power arrangement; and a repertoire of public organizations and behaviours that implements and operates both arrangements, influencing them in turn in some cases. See: Veen, Erwin van. 2024. *Armed Organisations and Political Elites in Civil Wars: Pathways to Power in Syria and Iraq*. Routledge Studies in Civil Wars and Intra-State Conflict. Abingdon, Oxon; New York, NY: Routledge.

contract influences how the Saudi population will perceive such modernization efforts and to what extent it will engage with them.³¹

Many authors have depicted Saudi Arabia's traditional political settlement before 2015 as an alliance between the House of Al Saud and the Wahhabi clergy. In other words, as consisting of two major elite factions. However, it is more accurate to view different networks (or clans) within the royal family as the primary elite factions that contend for power.³² Each faction is centred on a senior prince who commands one or several government institutions (such as ministries, security forces or key governorates) and sits at the heart of (tribal) networks of patronage.³³ Such factions became substantially more powerful under the reign of King Fahd (until 2005) and had become so strong by the end of his reign that his successor, King Abdullah (2005–2015), had little choice but to accommodate them. This situation understandably forestalled reforms that touched on the interests of senior princes and their clientelist entourages.³⁴ By this point in time, the king had become more a figurehead of a rentier state serving different royal factions than the centre of executive authority.

When King Salman began his rule in 2015, he started to reconsolidate power.³⁵ Mohammed bin Salman – one of his sons – was appointed deputy crown prince in 2016 and crown prince in 2017, replacing Mohammed bin Nayef – a nephew of King Salman. Bin Nayef's dismissal as Minister of the Interior in the same year also brought unified control over the Saudi security forces a step closer

31 A social contract can be defined as the mix of rights and duties, as well as quality of life, that citizens accept in exchange for their submission to political authority.

32 See for example: Hertog, Steffen. 2005. "Segmented Clientelism: The Political Economy of Saudi Economic Reform Efforts." In *Saudi Arabia in the Balance: Political Economy, Society, Foreign Affairs*, edited by Paul Aarts and Gerd Nonneman. Washington Square, N.Y: New York University Press; Davidson, Christopher M. 2021. *From Sheikhs to Sultanism: Statecraft and Authority in Saudi Arabia and the UAE*. London: Hurst & Company.

33 Samin, Nadav. 2019. *Of Sand or Soil: Genealogy and Tribal Belonging in Saudi Arabia*. Princeton: Princeton University Press.

34 Al-Rasheed, Madawi, ed. 2020. *Salman's Legacy: The Dilemmas of a New Era in Saudi Arabia*. Paperback edition. London: Hurst & Company; Rafique, Dr and Khalid Butt. 2021. "Muhammad Bin Salman's Vision 2030: Strategy of the Kingdom in the Facade of Modernization." *Journal of Political Studies* 28 (2): 41–54; Roll, Stephan. 2019. "A Sovereign Wealth Fund for the Prince: Economic Reforms and Power Consolidation in Saudi Arabia." Research Paper 8. Berlin: Stiftung Wissenschaft Und Politik.

35 Montambault (2023), *op.cit.*; Roll (2019), *op.cit.*

since this ministry controls the paramilitary Border Guards and the police. Further consolidation took place in the Riyadh Ritz-Carlton in 2017. Among those imprisoned was Mutaib bin Abdullah, the commander of the Saudi National Guard (a tribal military organization with roots in the Ikhwan that operates in parallel to the army).³⁶ Mohammed bin Salman was now in full control of all three Saudi security forces. Several waves of arrests since 2017 have also made it clear that public disagreement with – let alone resistance against – Vision 2030 is not welcome.³⁷ In the same vein, the murder of Jamal Kashoggi (2018) gave salutary warning to intellectuals inside and outside the Kingdom about the boundaries of intellectual dissent. However, as our interviews suggest, scope remains for internal critique behind closed doors, provided it comes from a position of basic loyalty.³⁸ Finally, the upgrade of the Public Investment Fund (PIF) between 2017 and 2022 consolidated financial power in the hands of Mohammed bin Salman (who serves as its chairman) by giving him direct control over billions of dollars, including a stake in Saudi Aramco.³⁹

When the dust settled on these different yet intertwined strands of reform and repression, Mohammed bin Salman controlled the political, security and financial reins of the Saudi state. The process of executive fragmentation into increasingly independent royal factions under Kings Fahd and Abdullah had been reversed. But while networks of princely patronage have been diminished, they have not disappeared. Even though such power relations within the royal family are close to impossible for external actors to monitor, their future evolution will provide important cues regarding the long-term feasibility of Vision 2030 implementation. For the moment, however, Mohammed bin Salman

36 Takeyh, Ray. 2017. "Saudi Arabia's Shaky Experiment in Modernization." *Council on Foreign Relations* (blog). 8 November 2017. <https://www.cfr.org/expert-brief/saudi-arabias-shaky-experiment-modernization>.

37 In the V-DEM database, Saudi Arabia features consistent rock bottom scores on indicators like 'voice and accountability', 'arrests for political content' and 'freedom of expression'. See: https://v-dem.net/data_analysis/CountryGraph/. Scores on the World Bank's governance indicator 'voice and accountability' are similarly and consistently low.

38 The country's Shi'a minority (10–15 per cent of the population) had already been warned in 2016 by means of the execution of Nimr al-Nimr, a prominent Shi'a cleric.

39 Roll (2019), *op.cit.* The PIF has since made a number of high stake domestic and international investments in support of Vision 2030. Domestically, this includes, for example, a 50 per cent stake in ACWA Power (power generation and renewable energy), a 100 per cent stake in Saudi Arabian Military Industries (production of military hardware) and a 100 per cent stake in the Saudi Entertainment Venues Company (leisure, sports and entertainment).

has successfully managed to marshal the necessary executive authority to go about the modernization of Saudi Arabia as he sees fit. Specifically, there are three concentric circles of decision making emanating outwards from the Crown Prince:

1. The inner circle comprises ministers from either the Al Saud or other influential families. Consider for instance the Minister of Investment Khalid bin Falih (older half-brother of the crown prince), the Minister of Energy Abdulaziz bin Salman, Foreign Minister Faisal bin Farhan, or Minister of Finance Mohammed al-Jadaan. They also enjoy a good professional reputation due to their expertise. Close family members of the Crown Prince, such as his younger brother Khalid bin Salman or Abdulaziz bin Turki bin Faisal Al Saud, who serve respectively as Minister of Defense and Minister of Sports, have also gained influence in Saudi policy making.
2. The intermediate circle includes prominent technocrats like Turki Al Sheikh (chairman of the General Authority for Entertainment) and Nadhmi Al-Nasr (CEO of NEOM), who are shaping key Saudi diversification efforts. Yassir Al-Rumayyan requires special mention as 'Mr Everything'. Not only does he serve as managing director of the PIF, he also acts as Chairman of Saudi Aramco and negotiated the investment deal with the US Gulf PGA tournament and became chairman of Newcastle United football club after its purchase by the PIF in 2021.⁴⁰
3. The outer circle includes 'modernization managers' that run newly created 'islands of efficiency'. They include credible technocrats with lower profiles, international consultants and talented individuals from the younger strata of Saudi society (many of them women) who have come to be defined as 'Generation MbS'.

Another critical aspect of the evolving Saudi political settlement is the relationship between the Al Saud and the Wahhabi clergy. Contrary to what is often assumed in the press, this relationship was always more hierarchical than what is implied by the oft-used 'partnership' and equivalent terms.

40 <https://www.forbesmiddleeast.com/billionaires/arab-billionaires/chairman-yasir-al-rumayyans-00015-ownership-in-saudi-aramco-is-worth-%24257b>; <https://www.si.com/golf/news/get-to-know-yasir-al-rumayyan-the-most-powerful-person-in-golf>; <https://www.nytimes.com/athletic/4932881/2023/10/06/newcastle-saudi-city-reubens/>.

Mohammed bin Salman has essentially deepened royal control over the clergy during his reign, which builds on a longstanding practice of the clergy serving in a junior capacity to the House of Al Saud. Historically, the Wahhabi clergy preaches a doctrine of legitimacy of, and obedience to, power as long as those exercising that power maintain the shari'a – considered divine law – as the basis of rule where relevant.⁴¹ By proclaiming the head of state as 'imam', political and religious authority were united, with the latter duly supporting the political decisions and policies of the former. Otherwise put, the 'juniority' of the clergy to the ruler is prescribed by religious doctrine, but also conditional upon the conduct of rule.⁴²

Since he came to power, bin Salman has consistently promoted a 'return to moderate Islam',⁴³ i.e. an Islam that pre-dates the Iranian revolution of 1979 that triggered stricter Wahhabi observance in Saudi Arabia. Practically, ultra-conservative clerics have disappeared from public view, loyalist clerics promoted and dissenting clerics imprisoned. As happened in the past with the introduction of the radio or the stationing of US troops on Saudi soil, the Senior Council of the Ulema (the country's highest religious body) simply had to accommodate the crown prince's wishes for reform, such as women being allowed to drive.⁴⁴ In brief, bin Salman has strengthened those segments of the clerical establishment that are willing to support his reform ideas while sidelining others, but without altering the underlying doctrines or practices of the deeply rooted Wahhabi establishment.⁴⁵ This suggests that the traditional networks of

41 Digressions from this principle have typically been decided in favour of the house of Al Saud. For example, when the Saudi state faced a surge of violent extremism in the first half of the 2000s, thousands of imams were dismissed for nurturing extremist ideas while hundreds more were 're-educated'. The Sahwa of the early 1990s offers another example, even though, as in today's situation, many fundamentals of the movement, its adherents and ideology remained in place. See: Lacroix, Stéphane. 2011. *Awakening Islam: The Politics of Religious Dissent in Contemporary Saudi Arabia*. Translated by George Holoch. Cambridge, Massachusetts London, England: Harvard University Press.

42 Al Rasheed (2010), *op.cit.*

43 <https://www.aljazeera.com/news/2017/10/25/saudi-crown-prince-promises-return-to-moderate-islam>

44 Ismail, Raihan. 2023. "Saudi Salafi Clerics under MBS: Reform and Survival." Policy brief 156. Waltham: Brandeis University.

45 Mandaville (2022), *op.cit.*; Ismail (2023), *op.cit.*; Farouk, Yasmine and Nathan Brown. 2021. "Saudi Arabia's Religious Reforms Are Touching Nothing but Changing Everything." In *Islamic Institutions in Arab States: Mapping the Dynamics of Control, Co-Option, and Contention*, edited by Frederic Wehrey. Washington, DC: Carnegie Endowment for International Peace.

religious power in Saudi Arabia remain intact and can become potential bulwarks of dissent, especially in view of growing religiosity in parts of the Middle East and Saudi Arabia's generally devout population.⁴⁶ Nevertheless, what has been unfolding as part of Vision 2030 is a process by which the political subservience of the Wahhabi clergy has been enforced more strictly. At the same time, the Saudi state has emphasized tribalism, especially tribal genealogy, both as an indirect counterweight to the religious establishment and as a core element of Saudi national identity.⁴⁷

The Saudi social contract has been described as one in which royal subjects acquiesce to absolutist rule and put up with austere, religiously-tinted lifestyles in exchange for a cradle-to-grave welfare state. While this view pays scant attention to the cultural and tribal roots of Saudi society, it does reflect the material dimension of the social contract. From the perspective of Vision 2030, this arrangement has problematic side effects, such as inducing entrepreneurial passivity, discouraging creative thinking and creating high expectations of the state. What Vision 2030 (the document) states instead is that: 'The nation we aspire to build will not be realized without a grand collective national effort where everyone contributes. We all have roles to fulfill, whether we are working in the public, private or non-profit sectors [...].' With this in mind, Vision 2030 has embarked on an overhaul of the Saudi social contract that is premised on the assumption that Saudi nationals will: a) accept enduring royal absolutism and b) reduced state munificence in exchange for c) more liberal lifestyles based on a moderate Islamic creed and d) more diverse employment opportunities. It is useful to review each element in turn.

Nationals are encouraged to accept enduring absolutist rule by emphasizing their 'new' Saudi identity that centres on historical and patriotic pride, civic participation in national development and a modern lifestyle in a context of moderate religiosity under the leadership of the Al Saud. It is symbolized by a rediscovered Saudi 'National Day',⁴⁸ referring back to the unification of the

46 Arab Barometer. 2023. "MENA Youth Lead Return To Religion." 23 March 2023.

<https://www.arabbarometer.org/2023/03/mena-youth-lead-return-to-religion/>.

47 Interestingly, there is also a tension between religious and tribal sources of legitimacy of the house of Al Saud in the sense that the austere restrictions on society as per the Wahhabi creed are not necessarily compatible with the local peculiarities of tribal culture and identity that claim autonomous spaces of their own. See: Samin (2015), *op.cit.*

48 The National Day was established in 1965, but largely ignored until recently.

Kingdom in 1932, and its ‘Founding Day’, established in 2022 to commemorate the establishment of the first Saudi state in 1727. The ‘new’ Saudi identity is also encouraged by nationalist media outlets and social media accounts. This new nationalist narrative subsumes the transnational religious identity that was long a core tenet of Saudi identity due to the country’s position as leader of the Islamic world, and fuses pre- and post-Islamic storylines to generate an image of progressive continuity. It juxtaposes Al-Ula and Dariyah with Mecca and Medina, so to say.⁴⁹ In all, it seeks to create a shared sense of responsibility to advance the Saudi modernization project. In the absence of reliable opinion polls, it is difficult to assess how successful this identity-transformation-cum-branding effort has been so far. In any case, it is combined with a significant measure of repression. Those who do not subscribe to the new national narrative and the direction of the Saudi development agenda can expect harsh reprisals if they raise their voices in protest. Since 2017, several waves of arrests of prominent social media influencers allegedly linked with the Muslim Brotherhood or Sahwa movement, wealthy Saudis and women’s rights activists have made it clear that public disagreement with Saudi modernization, Vision 2030 or the crown prince as ruler is not welcome.⁵⁰ In fact, newly established nationalist vocabularies, values and attitudes woven into curricula, museum and heritage site design are used to paint dissent as unpatriotic and betrayal.⁵¹

The speed at which more liberal lifestyles have become possible, at the same time as increasing support for the monarchy among younger Saudi age cohorts, is nothing short of astonishing. After the creation of the General Entertainment Authority (GEA) in 2016, entertainment and lifestyle options rapidly diversified – for instance, cinemas, large sports events and new urban leisure zones proliferated. The GEA caters primarily to a vast and eager Saudi audience, but also seeks to modernize and ‘glamourize’ Saudi Arabia’s image abroad as part of a public diplomacy and nation branding strategy to project soft power.

49 Alhussein, Eman. 2019. “Saudi First: How Hyper-Nationalism Is Transforming Saudi Arabia.” Policy brief 288. Berlin: European Council on Foreign Relations. The fact that the current King is a son of the founder of the contemporary Saudi state showcases its recent origins. In consequence, deeper narratives on Saudi nationalism have to reach further back in time than 1932.

50 In the V-DEM database, Saudi Arabia features consistent rock bottom scores on indicators like ‘voice and accountability’, ‘arrests for political content’ and ‘freedom of expression. See: https://v-dem.net/data_analysis/CountryGraph/. Scores on the World Bank’s governance indicator ‘voice and accountability’ are similarly and consistently low; Alhussein (2019), *op.cit.*

51 The recent strengthening of counter-terrorism legislation provides the legal framework in which a lack of patriotism and/or betrayal can be framed and prosecuted.

This happens by hosting headline grabbing events such as Formula-1 racing, the new LIV golf tournament, the Asian Winter Games (2029), attracting (mostly) late career football players, and bidding to host the 2034 FIFA World Cup. While a revamped Saudi nationalism kindles the emotions that are intended to bring Vision 2030 to life, wider lifestyle and entertainment options distract from the inevitable loss of state-provided benefits, as well as mobilizing popular energies. Creating more diverse and more private sector employment opportunities as part of a redesigned Saudi social contract is less straightforward, however. Ultimately, this not only requires large-scale interventions or even the wholesale overhaul of major socioeconomic areas like housing, education, infrastructure and healthcare, but also income redistribution and (some) improvements to the rule of law. Vision 2030 set in motion a whole range of programmes to deliver in these sectors, but each one faces substantial challenges. For instance, Saudi Arabia's low scores on the OECD Programme for International Student Assessment (PISA) tests underline the need for wholesale educational reform if the private sector is to be supplied with the qualified young professionals it needs in order to grow. While large-scale interventions are unfolding at the time of writing,⁵² the education sector features a deep and abiding religious influence from Saudi Arabia's conservative clergy.⁵³ Moreover, as some of our interviewees pointed out, educational overhaul operates on a longer timeline than Vision 2030. In brief, in a few years, today's huge sense of excitement about Vision 2030 among many Saudis may face practical skills, educational and staff retention problems.

Deeper analysis of how changes in the Saudi social contract affect different population groups is essential to gauge how palatable different Vision 2030 reforms will turn out to be. Our interviews suggest that Saudi young people have so far responded highly favourably to bin Salman's initiatives, largely due to their lifestyle component. Within this group, well-educated urban women are major winners, with both a wider array of professional opportunities and greater lifestyle choices opening up to them. Many are among the crown prince's most ardent supporters. However, little is known about how rural tribes, the country's Shi'a or its urban poor experience the rapid change. Other issues in need of more research include the risk of a growing sense of male marginalization in

52 Emkan Education. 2023. "The Evolving Landscape of Higher Education in Saudi Arabia." Emkan. 9 August 2023. <https://emkaneducation.com/the-evolving-landscape-of-higher-education-in-saudi-arabia/>.

53 OECD. 2023. "PISA 2022 Results (Volume I and II) - Country Notes: Saudi Arabia." OECD. 5 December 2023; Grand and Wolff (2020), *op.cit.*; IMF (2022), *op.cit.*; Harvard (2019), *op.cit.*

times of female empowerment combined with a decline in patriarchal systems, the impact of cost-of-living increases on livelihoods prospects, and generational as well as urban-rural divides in perceptions of Vision 2030.

Puzzle #2 – How to diversify the economy and maximize growth under absolutist conditions?

Vision 2030 offers a paradox with regard to some of its socioeconomic means and goals. On the one hand, it aims to increase the contribution to GDP of small and medium-sized enterprises (SMEs) from 20 to 35 per cent by 2030, the size of the private sector from 40 to 65 per % of GDP and foreign direct investment (FDI) from 3.8 to 5.7 per cent of GDP. Yet, the methods for getting there are exclusively state-led, top-down and capital-intensive, with the PIF playing a central role in furnishing and directing investment capital.⁵⁴ In short, Vision 2030 assumes that massive public investment and industrial policies favouring specific sectors can create world class infrastructures capable of attracting both Saudi and foreign enterprises and capital to generate lasting private sector growth. Such growth is furthermore assumed to be capable of accommodating large numbers of labour market entrants each year by boosting private sector employment. As a flanking measure, Vision 2030 also addresses social issues that are key to economic transformation, such as the massive ROSHN housing project and large-scale efforts to improve education, but it neither articulates nor caters to the politics of reform. The question thus arises as to whether the resulting approach of ‘no political reform, some social reform and a lot of economic reform’ can deliver beyond its strictly economic aspects.⁵⁵

To answer this question, it is useful to break down the economics of Vision 2030. Its approach to modernizing and diversifying the Saudi economy essentially

54 Kingdom of Saudi Arabia. 2016. “Vision 2030.” Kingdom of Saudi Arabia. https://www.vision2030.gov.sa/media/rc0b5oy1/saudi_vision203.pdf.

55 Another question is whether Vision 2030 will actually transform the economy given that this requires massive private sector growth in a short amount of time, a departure from ‘entrepreneurship for the state, by the state and from the state’, overcoming industrial policy problems such as picking winners and perhaps an unbundling of (the ties of) Gulf conglomerates (to ruling elites). For discussion of such issues: Khashan, Hilal. 2017. “Saudi Arabia’s Flawed ‘Vision 2030.’” *Middle East Quarterly* 24 (1); IMF (2022), *op.cit.*; Hertog, Steffen. 2019. “What Would the Saudi Economy Have to Look like to Be ‘Post-Rentier?’” In *The Politics of Rentier States in the Gulf*, 29–34. Washington, DC: POMEPS.

follows two different logics. The first is to quickly bring about visible and radical transformation at scale through a series of headline-grabbing mega initiatives. The most famous of these is NEOM city (a synthesis of the Greek 'neo' (new) and Arab 'mustaqbal' (future)), but there are others like the Dariyah Gate Project (a cultural project combining nationalism with tourism) and the Qiddiya project (a sports, entertainment and cultural 'city'). Their main social challenge is twofold: displacement and lifestyle acceptance. Displacement is related to the relocation of existing residents in areas that are slated for mega-project implementation.⁵⁶ Where such relocation is forced and/or inadequately compensated, it generates popular resentment. The fate of the Huwaitat tribe in the NEOM area and of the residents of the old town of Jeddah are cases in point.⁵⁷ In principle, however, existing Saudi practices of tribal clientelism and well-filled public coffers should make for fairly smooth sailing. Lifestyle acceptance relates to highly visible mega projects – sites where large numbers of tourists and young Saudi nationals mingle, entertain themselves and drink (illegally). Think, for example, of the popular MDLBEAST music festival. Such events can easily catalyze a conservative backlash among more religiously conservative segments of Saudi society and the clerical establishment, as has happened in Indonesia and Turkey. Yet, on balance, these social challenges appear manageable for now.⁵⁸

The second logic of Vision 2030's economic diversification consists of a long series of more mundane technical, administrative and legal modernization programmes that aim to improve the ease of doing business, rule of law and e-governance, generate incentives for private entrepreneurship, and enact industrial policies in selected business sectors. Some of these measures take a more forceful approach, such as the Regional Headquarters Program (RHQ), which essentially sugarcoats the forced relocation of the regional coordination functions of multinationals to Saudi Arabia on pain of being excluded from state-funded business in the Kingdom. Other interventions come with soft(er) incentives. The chief aim of these modernization programmes is to grow the private sector in the non-oil economy. This is a vast challenge because the Saudi private sector currently accounts only for one-third of all employment and is highly dependent

56 See for instance: <https://www.bbc.com/news/world-middle-east-68945445>; <https://www.zmo.de/en/publications/publication-search/the-violent-remaking-of-jeddah> (both accessed 13 July 2024).

57 ALQST for Human Rights. 2023. "The Dark Side of NEOM: Expropriation, Expulsion and Prosecution of the Region's Inhabitants." Research Report. London: ALQST for Human Rights.

58 The bigger risk of such mega initiatives is economic in the sense of them becoming white elephants with high opportunity costs.

on the public (oil-dominated) sector. The Saudi non-oil economy would have to quadruple in size before starting to resemble its average OECD counterpart.⁵⁹ Usually this is a process measured in decades, which requires simultaneous improvements in the rule of law, the quality of education and learning capabilities.⁶⁰ While privatizing segments of the public sector – for example, universities and health services – can accelerate the process, all three issues face social challenges.

As to improving the *rule of law* in Saudi Arabia, neither Vision 2030 nor the Saudi ruling elite demonstrates an intent to make all spheres of governance subject to legal scrutiny. References to the ‘rule of law’ are therefore better understood as meaning ‘rule by law’, i.e. law in the service of the objectives of the ruler. This, in turn, raises the question as to whether limiting legal improvement to ‘doing business’ is sufficient to deliver Vision 2030.⁶¹ At first glance, it might just work. For instance, the World Bank’s Ease of Doing Business Index features four (semi-) authoritarian states in its top 25 (the UAE, Kazakhstan, Malaysia and Thailand) and 12 in its top 50.⁶² Vision 2030 also lays out an ambitious programme for improving governance transparency and effectiveness, which does not introduce accountability measures like elections, independent courts and the separation of public and private ownership but which nevertheless intends to establish a level of bureaucratic accountability.⁶³ As modernization inevitably creates conflicts between public and private sector actors, as well as between government entities and individual citizens, a key indicator of Vision 2030’s prospective success will be how such conflicts are resolved.

59 One interviewee noted that a Saudi private sector does not really exist yet. Even the vibrant start-up scene depends entirely on public subsidies and grants at the moment.

60 Hertog (2019), *op.cit.*

61 Rule by law refers to a situation in which the law provides a basic legal framework to organize relations and adjudicate disputes between members of the general population – i.e. the legal framework applies mostly to non-elites. See for instance: Veen, Erwin van. 2017. “A Shotgun Marriage: Political Contestation and the Rule of Law in Fragile Societies.” Research report. The Hague: Clingendael.

62 See: <https://archive.doingbusiness.org/en/rankings> (accessed 13 July 2024).

63 One result of which has been improvement of Transparency International’s ‘perceptions of corruptions index’ scores from 46 in 2016 to 52 in 2022 (100 being the cleanest). See: Transparency International. 2023. “2022 Corruption Perceptions Index - Saudi Arabia.” Transparency.Org. 31 January 2023. <https://www.transparency.org/en/cpi/2022>.

Vision 2030 efforts to improve *educational* curricula, institutions and levels of attainment can, within one or two generations, create a more highly-educated Saudi population and a better-skilled workforce. Such gains are also likely to accelerate women's empowerment and increase challenges to traditional hierarchies, and might raise expectations regarding political participation. It is true that the Kingdom experimented with local government reform in the past, but this is largely viewed as a failure due to the limited prerogatives and modest budgets available to local entities.⁶⁴ The long-term success of Vision 2030 probably requires participatory approaches to governance that are meaningful and yet remain advisory. For example, elected national-level advisory bodies already exist in fellow monarchies such as Jordan, Morocco and Kuwait. They can provide useful insights. Inside Saudi Arabia, the Majlis ash-Shura (legislative council), as well as traditional local consultative fora, can provide places for 'loyal' discussion and exchange between the national leadership and parts of the population via local representatives.

Finally, a successful large-scale modernization programme requires well-organized mechanisms that monitor what works and what does not, and which feed such analysis into decision-making and resource-allocation platforms in order to scale up what works and ditch what does not. This is because national development is complex and its course cannot be fully anticipated or cast in clear-cut policies upfront. Instead, it has to be navigated. Vision 2030 does have a sophisticated system to monitor implementation – it even features a National Center for Performance Management (AdAA)⁶⁵ – but this is essentially based on a delegated version of a one-man-decides-all approach. It will likely require a redesign, since a recurrent lesson from highly personalized absolutist systems is that they tend to ossify once (the) new ruler(s) are safely ensconced in power and have settled on a particular worldview. When developmental criticism becomes (too) dangerous, learning mechanisms can atrophy and be replaced by Potemkin realities. This risk is magnified when the personal prestige of the ruler is linked to the success of particular initiatives. The aforementioned waves of repression that occurred after 2017, as well as the murder of Khashoggi, suggest that this risk is already present.⁶⁶

64 Al-Rasheed (2010), *op.cit.*; Sons (2023), *op.cit.*

65 Grand and Wolff (2020), *op.cit.*

66 Alhussein (2019), *op.cit.*

If Vision 2030 delivers on (some of) its economics, for a limited period a virtuous cycle can ensue during which output legitimacy (delivery of (im)material goods and services that nationals value) substitutes for input legitimacy (the possibilities that nationals have to shape political debate and influence decision making). This would buy valuable time to overcome the inevitable social challenges that will arise by improving the rule of law, ameliorating educational quality and maintaining learning mechanisms in the absence of fundamental political reform. However, early consideration of how a better-educated population can play a participatory role in political decision making in the long term remains wise. For example by ensuring that members of the younger generation ('Generation MbS') can access policy making and feel they can play a meaningful part in the management of Saudi Arabia's transformation.

Puzzle #3 – How to manage already notable effects of climate change?

It is the climate change puzzle that presents Saudi modernization with its greatest challenge, the context of which was sketched in the relevant driver a few pages ago. At its core lies the fact that the PIF, the financial motor of Vision 2030,⁶⁷ needs substantial and regular capital replenishment to implement mega projects, execute industrial policy in a dozen designated sectors and upgrade national infrastructure ranging from education and sports (in light of upcoming mega events such as the FIFA World Cup 2034) to religion (the Hajj)

67 From 1971 to 2015, the PIF was tasked with investing Saudi export revenues (chiefly oil). It did so mostly abroad and in a manner similar to other Sovereign Wealth Funds (SWFs). The PIF's leadership, goals, status and volume changed, however, when Mohammad bin Salman became crown prince. In terms of leadership, he made Yasir Al-Rumayyan, who also serves as chairman of Saudi Aramco, governor of the PIF, centralized decision making and staffed key positions in the fund with close confidantes – operating it more like a private financial office. The governor's appointment also enabled the transfer of a stake in Aramco to the PIF. In terms of goals, PIF focus expanded from exclusively investing abroad to supporting domestic diversification of state revenues, helping the emergence of a new social contract and building a new Saudi identity. In terms of status, the PIF became the main bank account of Vision 2030. In terms of volume, the PIF grew from c. US\$200 billion in the mid-2010s to c. US\$700 bn in 2022 through the transfer of assets (including from the Ritz-Carlton episode and the Saudi Aramco IPO), returns on investment and capital transfers. See: Martin, Matthew. 2023. "How Saudi Arabia's PIF Wealth Fund and MBS Aim to Build a Post-Oil Future." *Bloomberg*, 30 October 2023, sec. Politics and economics; Touazi (2019), *op.cit.*, Trudelle (2023), *op.cit.*

and tourism.⁶⁸ The scale of replenishment means that the sums involved will have to come largely from oil rents, at least for as long as non-oil revenues remain modest. In addition to the fact that this makes expenditure outlays of the Saudi modernization agenda dependent on the vagaries of oil price fluctuations,⁶⁹ a greater problem is that oil rents require oil production, which in turn risks amplifying negative economic impacts resulting from climate change. More precisely, a continuous stream of oil rents can be assured only by maintaining or even expanding current levels of production. This demands not only continuous servicing of existing facilities, but also replacement of oil barrels produced today. It is therefore unsurprising that Aramco plans to increase its investment in oil production. In 2023, its CEO Amin Nasser stated that, 'Aramco has embarked on the largest capital spending program in its history' (covering the period 2023–2027).⁷⁰ While he correctly asserts that green energy cannot yet replace fossil energy to make net zero emissions a reality in the near future, the investment programme ignores the negative effect it will have on global climate change and on Saudi Arabia specifically. The European Commission already noted that Saudi Arabia emitted more CO₂ in 2022 than it did in 2019, which signals an evolution in the opposite direction from what is required for effective climate change action, even when taking into account the post-Covid-19 emissions rebound in 2021. It also puts Saudi Arabia in the category of poorly performing countries regarding emission reductions that, for example, the EU27, US, Mexico and Canada managed to achieve.⁷¹

In fact, a booming Saudi oil industry risks putting the country on a high emission pathway. According to the G20 climate risk atlas, this might cause a

68 The PIF's 2022 annual report indicates SAR 2,234 billion in gross assets under management (roughly US\$600 billion), of which SAR 1,717 billion in local investment. See: <https://www.pif.gov.sa/en/our-financials/annual-reports/> (accessed 24 April 2024).

69 The period 2014–2017 also highlights the deep and direct impact that oil price fluctuations have on the Saudi public budget and the country's fiscal position. Shortfalls arising from a decrease in the oil price can be met for a few years from accumulated Saudi reserves (mostly SAMA and the PIF) and international borrowing due to the country's low level of indebtedness, so immediate social unrest or political crisis can be staved off. Yet, oil price fluctuations do create fiscal turbulence and shortfalls are likely to occur more frequently in the future as the overall oil price evolution is projected downwards.

70 Gnana, Jennifer. 2023. "Saudi Aramco Targets 2023 Capex Spending of up to \$55 Billion." *S&P Global Commodity Insights*, March 12, 2023, sec. Natural Gas / Oil.

71 European Commission. Joint Research Centre. 2023. "GHG Emissions of All World Countries: 2023." Luxembourg: Publications Office. <https://data.europa.eu/doi/10.2760/953322>.

12 per cent decrease in GDP by 2050 due to a variety of climate-change-related economic externalities.⁷² In other words, financing economic modernization and diversification with revenues generated by exploring, refining and selling oil can be partially self-defeating as it decreases economic growth via the backdoor. The Climate Action Tracker estimates that existing and planned Saudi economic policies will produce emission levels critically insufficient to deliver on Riyadh's commitment to maintaining global warming within the 1.5–2°C range (pointing, instead, to a world that is 4°C warmer).⁷³

While it should be noted that Saudi Arabia has announced large-scale plans and investments to expand its production of hydrogen,⁷⁴ which have the potential of reducing the negative impact of its ongoing hydrocarbon production on climate change, such capabilities are emergent, require parallel investment in the renewable energy and logistics sectors (e.g. pipelines and stable supply chains) and only green hydrogen (not blue hydrogen) will help offset negative climate change effects.⁷⁵ However, Riyadh is prioritizing the production of blue hydrogen by traditional energy heavyweights such as Aramco even as it also expands the production of green hydrogen by the likes of ACWA Power. In other words, hydrogen production can help but it is not a short-term panacea.⁷⁶

72 CMCC. 2021. "G20 Climate Risk Atlas: Saudi Arabia." Online: www.g20climaterisks.org.
<https://www.g20climaterisks.org/saudi-arabia/>.

73 Climate Action Tracker. 2023. "Saudi Arabia." Climate Action Tracker. December 2023.
<https://climateactiontracker.org/countries/saudi-arabia/>; commitments as articulated here: Kingdom of Saudi Arabia. 2021. "Updated First Nationally Determined Contribution." Submission to UNFCCC. Riyadh: Kingdom of Saudi Arabia. <https://unfccc.int/sites/default/files/resource/202203111154---KSA%20NDC%202021.pdf>.

74 For instance, NEOM's design includes a US\$8.4 billion green hydrogen plant.

75 Recall that hydrogen is an energy carrier and not a source of energy. Blue hydrogen is gas-based while green hydrogen is based on renewable energy. See: Hassan, Qusay, Aws Zuhair Sameen, Hayder M. Salman, Marek Jaszczur, Mohammed Al-Hitmi and Mohammad Alghoul. 2023. "Energy Futures and Green Hydrogen Production: Is Saudi Arabia Trend?" *Results in Engineering* 18 (June):101165. <https://doi.org/10.1016/j.rineng.2023.101165>; Aziz, Ghazala, Suleman Sarwar, Mohd Saeed Khan and Rida Waheed. 2024. "The Prospect of Green Hydrogen in Saudi Arabia: An Overview of Theoretical and Empirical Approach." *Environmental Science and Pollution Research* 31 (5): 6597–6609. <https://doi.org/10.1007/s11356-023-31301-1>; Nakano, Jane. 2022. "Saudi Arabia's Hydrogen Industrial Strategy." 7 January 2022. <https://www.csis.org/analysis/saudi-arabias-hydrogen-industrial-strategy>.

76 Zumbrägel, Tobias, Sebastian Sons, and Mohamed Raouf. 2023. "Saudi Arabia's Potential to Enhance its Position as a Key Goods' Provider for the Energy Transition and the Upcoming Hydrogen Economy." Riyadh: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

An additional problem is that Riyadh's favoured solution appears to be widespread application of carbon capture and storage (CCS) to reduce the negative impact of increased oil production on climate change.⁷⁷ This policy choice prioritizes technological over behavioural solutions and adaptation over mitigation – a logic that was prominently on display during the MENA Climate Week in Riyadh in October 2023. It also puts (too much) faith in a technology that remains emergent. The 2005 special report of the UN Panel on Climate Change indicated that this technique has the potential to contribute to mitigating climate change effects, but also has a number of limitations. It is not a silver bullet but a useful part of a broader suite of interventions – most of which are absent from Saudi policy (consider the electrification of industry and green energy production).⁷⁸ More recently, the *Economist* noted that CSS 'largely remains a technology of tomorrow', two decades after its initial rise.⁷⁹ Statements like 'the Saudis have lived in the desert for years, they know how to deal with heat', as one interviewee put it, fail to acknowledge the economic downside of the current policy approach for Saudi Arabia itself and also downplay its global responsibility.

Puzzle #4 – How to manage unpredictable levels of regional (in)stability?

The contemporary Middle East features a series of hard-to-resolve conflicts, such as: the occupation of the Palestinian territories; Syria's and Yemen's civil wars; a regional confrontation between the US/Israel and Iran/the axis of resistance; and a geopolitical shift away from the US towards China and Russia. These issues affect Saudi Arabia directly or the Kingdom plays an active role in them. On the one hand, our interviewees stated that regional stability is a condition for the success of Vision 2030 and, on the other, they underlined the

77 See for example: Aramco. 2024. "Carbon Capture, Utilization, and Storage." 2024. <https://www.aramco.com/en/what-we-do/energy-innovation/advancing-energy-solutions/carbon-capture-utilization-and-storage>; Mathiesen, Karl. 2023. "John Kerry Warns against Carbon Capture's 'Great Facade' as a Climate Cure-All." *POLITICO*, 9 December 2023, sec. PoliticoPro. <https://www.politico.eu/article/us-climate-envoy-john-kerry-cop28-climate-summit-talks-carbon-capture-fossil-fuels-greenhouse-gases-emissions-global-warming/>.

78 IPCC (2023), *op.cit.*

79 The Economist. 2023. "Carbon-Dioxide Removal Needs More Attention." *The Economist*, 2023. <https://www.economist.com/special-report/2023/11/20/carbon-dioxide-removal-needs-more-attention>.

positive impact that Vision 2030 can have on the region as a sort of modern-day Marshall plan. In other words, regional stabilization through economic activity, investment and connectivity that radiates outwards from Riyadh. If a moderate level of regional stability prevails, Saudi modernization efforts can come to fruition and have a beneficial effect on regional prosperity that in turn enables further modernization and stability. If the present regional order continues to produce instability, Saudi modernization efforts will suffer because of security threats, reduced FDI and shrinking markets in places like Egypt, Jordan and Iraq. The question thus becomes what key factors will affect regional stability in the near future and how Saudi Arabia can navigate them. Based on our analysis and interviews, three key factors stand out: the Palestinian issue in relation to Saudi-Israeli normalization via Washington, Saudi Arabia's complicated and tumultuous relationship with Iran, and the legacy effects of Saudi foreign policy.

Much has been written about Israeli-Saudi normalization via Washington as a follow-up to the UAE and Bahrain signing the Abraham Accords in 2020.⁸⁰ From a Saudi perspective, such rapprochement is less about Israel and more about ensuring its protection via a defence treaty with the US, a civil nuclear programme and, presumably, unfettered access to US capital and technology. All of this would serve to protect and grow Vision 2030. Yet, as the Israeli military campaign in Gaza against Hamas continues, the process has been put on hold. Although the Saudi leadership does not necessarily intend to wait for the actual creation of a Palestinian state, a firm commitment from Israel will be required and no such offer is currently being made.⁸¹ As guardian of the two holy mosques and champion of the global Islamic community, the Saudi ruling elite cannot ignore the Palestinian issue, even though it does not plan to take upon itself the task of resolving it. Under these conditions, normalization looks like a dead end for the time being. Instead, the relentless nature of Israeli occupation is likely to represent a major risk to regional stability – and hence Saudi modernization – especially with a view to the Al-Aqsa compound. The Houthis in Yemen have already gained strength and popularity as 'defenders of the Palestinians'

80 Touboul, Celine, Aziz Alghasian, Brian Katulis and Manal Zeidan. 2023. "Navigating Normalization: The U.S., Saudi Arabia, and the Israeli-Palestinian Arena." Washington, DC: Israeli Policy Forum.

81 See for instance: <https://www.reuters.com/world/middle-east/saudis-foreign-minister-no-normal-israel-ties-without-path-palestinian-state-cnn-2024-01-21/> (accessed 3 May 2024); Magid, Jacob. 2024. "Knesset Votes Overwhelmingly against Palestinian Statehood, Days before PM's US Trip." *The Times of Israel*, 18 July 2024. <https://www.timesofisrael.com/knesset-votes-overwhelmingly-against-palestinian-statehood-days-before-pms-us-trip/>.

and the destruction of Gaza will ensure the resurgence of Hamas or a similar organization.

Another factor that could have a substantial impact on regional stability is the complicated Saudi relationship with Tehran. Iran is too large to ignore, lingered in US-created regional isolation for much of the post-1979 period and found itself in the crosshairs of Washington's axis of evil in 2001. However, it subsequently used the 2003 US invasion of Iraq and the 2011 Syrian civil war to such effect that it became increasingly perceived as a security threat by the Arab states on the Persian Gulf, Iraq excepted. Saudi policy towards Iran has gone through several U-turns over the past decade that have managed to create temporary stability but without building a deeper level of confidence.⁸² Before 2019, Saudi Arabia sided with the US, Israel and the UAE against Iran, militating against the nuclear deal and applauding US withdrawal from the arrangement in 2018. It was forced to take greater distance from this alliance after the Iran-induced strikes on the Saudi oil refineries at Abqaiq and Khurais in 2019, when the US proved unwilling to come to the rescue. This necessitated a tactical reconciliation with Tehran that was formalized in 2023 with Chinese facilitation. Saudi Arabia and Iran even found new common ground for dialogue over the Israeli military campaign in Gaza. However, the continuous Saudi below-the-radar pursuit of a deal with Israel and the US runs against the idea of turning tactical reconciliation with Tehran into a more solid rapprochement, even though Riyadh would maintain good relations with China and Russia at the same time.⁸³

If Iran views a Saudi defence deal with the US as a threat, it is unlikely to do Riyadh any favours in Yemen, Lebanon or Syria. As Iran-linked armed groups are pivotal in the Captagon trade, another consequence could be a growing drug problem affecting Saudi urban youth.⁸⁴ Imagine how an easy availability of Captagon and growing unemployment might interact during Saudi Arabia's

82 Al-Rasheed (ed.). 2020. *Salman's Legacy: The Dilemmas of a New Era in Saudi Arabia*. Paperback edition. London: Hurst & Company; Sons (2023), *op. cit.*

83 US sanctions against Iran constitute another barrier to more solid rapprochement between Riyadh and Tehran. See also: Gause III, F. Gregory. 2024. "The Limits of a U.S.-Saudi Security Deal." *Foreign Affairs*, August 2, 2024. <https://www.foreignaffairs.com/saudi-arabia/limits-us-saudi-security-deal-china-russia>.

84 See: Shaar, Karam and Caroline Rose. 2024. "From 2015-2023: The Captagon Trade's Trends, Trajectory, and Policy Implications." Intelligence briefing. Washington, DC: The New Lines Institute for Strategy and Policy.

intended transition to a larger private sector. Direct confrontation with Iran might also be back on the table. Such developments would distract from Vision 2030. In other words, Saudi Arabia might look for creative ways to underpin its current dialogue with more tangible confidence-building measures if Tehran can offer credible collateral.

The legacy effects of Saudi foreign policy after the ‘Arab uprisings’ are a final factor influencing regional stability. This is specifically about the Saudi and Emirati intervention in Bahrain (2011), its military campaign against the Houthi in Yemen (2015–) and its blockade of Qatar (2017–2021). While Vision 2030 seeks to project a benign image of Saudi Arabia as a patron of entertainment and sports, global investor, economic powerhouse and welcoming tourist destination, the aforementioned foreign interventions show(ed) a steelier Riyadh that has had little compunction about intervening abroad where it feels its interests are at stake. Apart from helping to maintain domestic stability,⁸⁵ the effects of Riyadh’s foreign policy interventions include the creation of permanent instability on its southern border (current Houthi attacks on Red Sea shipping put both Saudi commercial traffic and NEOM at risk, for example), a mistrustful Qatar (even as business and political relations gradually recover), and growing competition with the UAE.⁸⁶ Apart from a massive stabilization and reconstruction programme for Yemen when political conditions are ripe, these diplomatic ruptures will be difficult to mend.

In principle, each of these drivers of regional (in)stability can be addressed or contained, but mitigating their (combined) effects requires a balanced regional foreign policy that combines deeper ties with Iran with pressure on Israel to work towards ending occupation. For example, Riyadh could consider a more creative diplomatic approach to the Palestinian issue by proposing Vision 2030 as a regional development framework that includes the recovery of Gaza and also, to an extent, Iran, together with marshalling a Euro-Arab coalition to bring greater diplomatic pressure to bear on Israel.

85 Sons (2023), *op.cit.*

86 Such mistrust also makes it more difficult to use the GCC as a platform for promoting regional economic stability. Krieg, Andreas, ed. 2019. *Divided Gulf: The Anatomy of a Crisis*. Contemporary Gulf Studies. Singapore: Palgrave Macmillan; Mills, Andrew. 2024. “Insight: Business Boom Builds Qatar-Saudi Entente as Gulf Rift Fades.” *Reuters*, June 13, 2024, sec. Middle East. <https://www.reuters.com/world/middle-east/business-boom-builds-qatar-saudi-entente-gulf-rift-fades-2024-06-12/>.

Conclusions

While Abdulla (2024) paints a rosy picture of the ‘New Gulf States’ that are shedding the old habits of rentierism, this brief sketches a more mixed picture of Vision 2030’s prospects as the strategic driver of modernization in Saudi Arabia.⁸⁷ On the upside, Mohammed bin Salman has consolidated the executive power necessary to push forward a momentous transformation agenda. With a firm hold on the royal family, the security services, the Wahhabi clergy, key institutes of state and the public purse, there are few direct barriers to the pursuit of modernization. Also, Vision 2030 itself offers a relatively well-thought-out plan for transformation, despite its heavy socioeconomic emphasis and limited acknowledgement of regional instability and climate change. Moreover, the oil wealth accumulating in the PIF – approaching US\$1 trillion – gives Vision 2030 real bite. Finally, Vision 2030 already has strong constituencies, especially among young, middle-class urban women and men and the modernized segments of the country’s bureaucratic-managerial class, with the caveat that repression of dissent makes it hard to gauge the attitude of rural, tribal and lower-class urban constituencies. Pride in being Saudi is on the rise and a modern identity is being forged. In brief, key inputs for transformative change of Saudi society are in place: executive authority, a strategy, money and – at least some – supportive constituencies.

On the downside, it is difficult to foresee societal transformation at the envisaged scale without greater public participation in governance, if only to manage inevitable discontent, learn fast and mobilize private initiative beyond the rich, famous and well-connected. Perhaps it is too early for this step. Strong output legitimacy could compensate for underdeveloped input legitimacy for some time, even though such an approach is more vulnerable to setbacks in the pace and scale of modernization. The relative neglect of climate change in the Saudi transformation project is of greater cause for concern. While today’s climate change problems and effects are mostly the result of the cumulative actions of others over the past century, Saudi Arabia will nevertheless be confronted with their impact, which includes the amplification effects of its own oil-rent

87 Abdulla, Abdulkhaleq. 2024. “The Gulf Moment and the Making of the Khaleeji State.” Research report. Cambridge: Harvard Kennedy School Belfer Center.

based modernization strategy. While the Kingdom has limited choice in how to modernize – a hereditary absolute monarchy and oil wealth are what it has – its current focus on a limited set of adaptation strategies risk undermining future economic growth, even as climate awareness grows. Finally, Saudi Arabia’s present strategy for regional stability – linking itself more firmly to the US security umbrella via a defence treaty while maintaining a diverse set of diplomatic and economic relations with US competitors – seems a risky gambit, with both the Palestinian issue having gained new purchase and complicated relations with Iran. These issues could easily conspire to create a level of regional instability that threatens Vision 2030. Potentially, a more balanced and daring regional strategy, which pushes harder for resolution of the Palestinian issue in a broader framework of tangibly accommodating Iran within the region, could avoid such a scenario. From a European perspective, the climate and regional dimensions of Vision 2030 stand out as items of diplomatic concern due to the negative externalities that relative neglect of the former and inaction regarding the latter may cause. Otherwise, Vision 2030 merits critical yet constructive support as a promising and emergent transformation strategy.