



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

Opportunities in Saudi Arabia – Vision 2030 and Beyond

National Council on U.S.-Arab Relations

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Saudi-U.S. CEO Summit

- **May 20, 2017: Saudi Government hosts more than 90 executives from both countries to sign new trade and investment agreements worth \$350 billion**
- **Summit focused on the mutually beneficial ambition of job creation, global energy, security, and greater trade.**



**Lockheed Martin • Honeywell • JPMorgan Chase • The Dow Chemical Company
ExxonMobil • Jacobs Engineering • Baker Hughes • McDermott International**

General Rationale Behind Vision 2030

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

Proposed Programs Under Vision 2030

- **Government Restructuring:** Accelerate government decision-making and increase efficiency; Established two Councils to oversee government strategy
- **Privatization:** Examine state-owned sectors as candidates for privatization and create a comprehensive program to guide the process
- **Public Investment Fund (PIF) Restructuring:** Increase investment resources; and allow the PIF to manage new types of assets
- **Saudi Aramco Strategic Transformation:** Establish the company as a leader in industries other than oil & gas
- **Strategic Partnerships:** Enhance Saudi Arabia's trade links with nations worldwide and increase exports

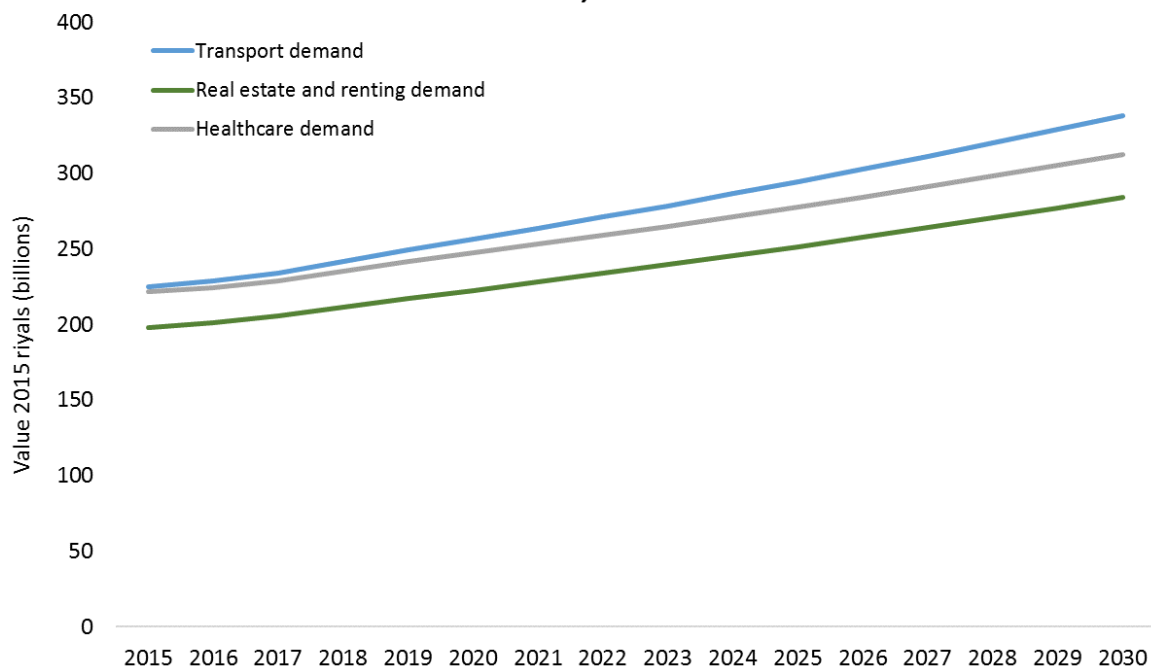
Highlights from Vision 2030

- **Initial Public Offering of Saudi Aramco**
 - Up to 5% of the company could be available for purchase by investors
- **Expanded size and role of Public Investment Fund (PIF)**
 - PIF will hold most Saudi state assets, and can invest in a wider array of assets worldwide
- **Healthcare objectives:**
 - Raise total private sector contribution to health care from 25 percent to 35 percent by 2020
 - Increase the contribution of local pharmaceuticals manufacturing from 20 percent to 40 percent by 2020
 - Optimize and better utilize the capacity of public hospitals and healthcare centers
- **Infrastructure objectives:**
 - Increase private sector investment - opportunities for private participation in airports, rail, ports, and road infrastructure
 - Residential building – increase access to financing for homes, increase efficiency for procurement; increase the output from private real estate developers from 10 percent to 30 percent
 - Develop tourism capacity; double number of hotels



Increasing Demand for Services

Saudi Arabian sector demand, national forecasts 2015-2030



- Population age 65+ is projected to increase from 3.6 percent to 7.7 percent of the total population by 2030. Relatedly, the demand for healthcare services is projected to increase by 36.3 percent by 2030.
- A growing strain will create a need for updated transportation infrastructure, opening opportunities for private sector involvement. The demand for the transport sector is projected to increase by 38.3 percent by 2030.
- A shortage of affordable housing is an ongoing issue in KSA. Residential real estate demand is expected to grow by 44.5 percent by 2030.

Healthcare in Saudi Arabia

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



U.S. Medical Corporations in Saudi Arabia

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

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

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

Opportunities for Private Sector Participation

- **PRIVATE HOSPITALS**

- Currently accounts for over 30 percent of nation's hospitals with 7 percent growth between 2013 and 2015, with additional privatization plans underway

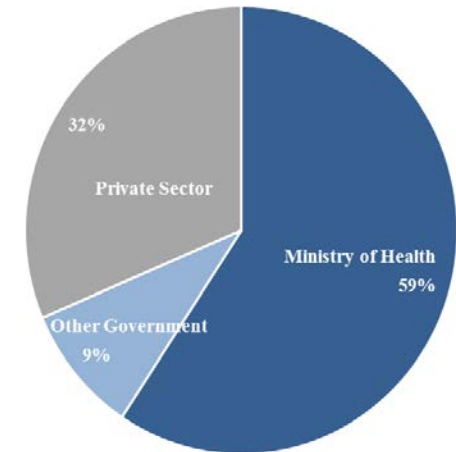
- **PRIMARY HEALTH CARE CENTERS (PHCs)**

- The Ministry of Health has outlined plans to enhance, restructure, and rebrand PHCs with public-private partnerships
- These efforts are aimed at increasing quality of primary care and the role of PHC services in delivering healthcare

- **OTHER PRIVATE SECTOR PARTICIPATION INITIATIVES**

- Radiology – provide medical imaging services
- Laboratory – centralized labs run by the private sector
- Pharmacy – incentivize local production and digitize pharmacy operations
- Extended care – remake capabilities in rehabilitation, long-term care, and home care

Hospitals in Saudi Arabia, 2015



Source: General Authority for Statistics, USSABC



Pharmaceuticals and Medical Devices

- **Market for medical devices is about \$2 billion**
 - Imports represent 90 percent of the market
 - Market is growing by 10 percent annually
- **Market for pharmaceuticals is nearly \$8.5 billion**
 - Largest in the GCC
 - Market is growing by 9 percent annually
- **Historically, domestic manufacturing has been limited to products such as gloves, syringes, and medical furniture**
- **The Government's goal is to increase the role of private sector manufacturing of medicines and medical appliances**
 - 16 additional factories were licensed and planned in 2016



Infrastructure in Saudi Arabia

- Saudi Arabia accounts for nearly 40 percent of the Gulf's construction market
- While the construction sector has seen limited growth in 2016 and 2017 because of slowing contract awards, the sector is expected to see positive growth in 2018 and 2019
 - Ongoing megaprojects provide opportunities for international design and consultancy firms
 - Infrastructure spending will benefit from Government issued domestic and international capital market debt
- 2017 Budget allocates \$13.9 billion for infrastructure and transport, a \$4 billion increase from 2016
- An effective transport network will be needed to support development of Saudi Arabia's industrial base for 2030 goals towards diversification of economy
- Privatization of airports, development of metro systems in Riyadh and Mecca, expansion of Jeddah International Airport



U.S. Corporations involved in Saudi Arabian Infrastructure

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

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

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

Defense and Security

- KSA spent a total of over \$63 billion on defense and security in 2016, including off-budget spending.
- Saudi Arabia is a major customer of U.S. Foreign Military Sales - \$110 Billion arms sale currently on the table which includes tanks, fighter planes, combat ships, precision-guided bombs over next 10 years. Also includes \$1.4 Billion in military training to KSA
- Vision 2030 calls for 50 percent of military equipment purchases from domestic suppliers instead of imports
- May 2017 launch of the new PIF backed Saudi Arabian Military Industries company – projected to contribute \$3.7 Billion to GDP and provide over 40,000 jobs by 2030



Defense and Security

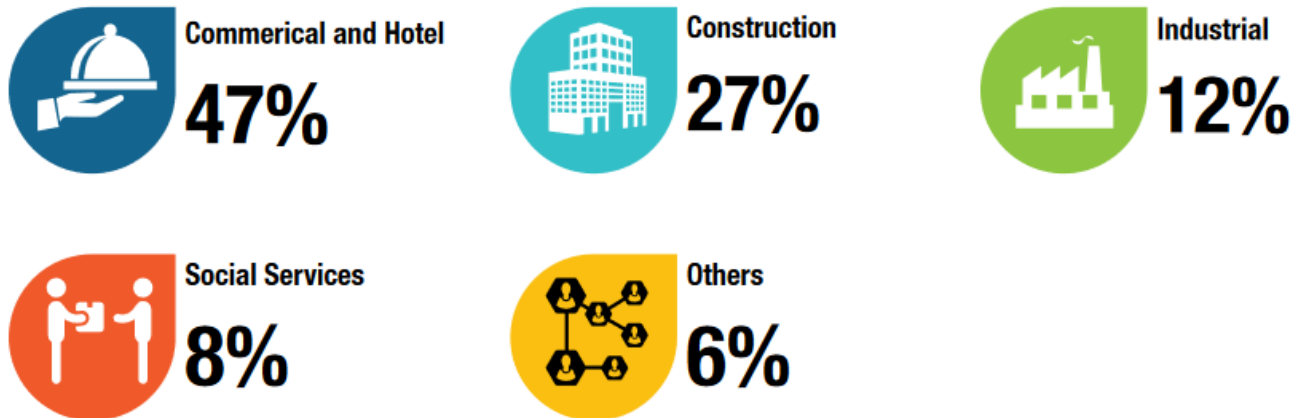
- Established U.S. defense companies have extensive collaboration with Saudi entities to support development of the local defense industry
 - **Boeing** announced in Aug. 2015 that it would open an in-country helicopter MRO facility, joint venture with Alsalam Aircraft Co. and Saudia Aerospace Engineering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



Small and Medium Enterprises (SMEs)

- *In 2016, SMEs comprised 90 percent of registered businesses and 60 percent of the total employment in Saudi Arabia.*
- **Vision 2030 SMEs strategic areas:**
 - *Culture of entrepreneurship*
 - *Increase contribution of SMEs to GDP*
 - *Creation of new employment opportunities*

SME Distribution by Sector



Source: Arab news

Small and Medium Enterprises (SMEs)

Capital Markets

- Saudi Arabia's market Nomu could boost growth of SMEs, adding a further \$293.3 billion to KSA's GDP

Construction

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

Trade

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



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Thank You

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Strengthening Bilateral Business Relations through Trade and Investment