



Examining Saudi's Arabia Vision 2030

Phil Zager

In medicine, 20/30 vision means that a patient sees from 20 meters away what a healthy person sees from 30 meters away. When analyzing the 12,000 word “Saudi Arabia’s Vision for 2030” (*Vision 2030*) announced to great fanfare by Deputy Crown Prince Muhammad Bin Salman (Muhammad Bin Salman) on 25 April, 2016, one ought to keep the medical context of distorted perspective in mind.¹ Muhammad Bin Salman himself signed the document, which will do little to quell the growing consensus among observers that he, at age 30, is in fact, in charge of the Kingdom.

An blunt way to describe *Vision 2030* is that Muhammad Bin Salman, like so many millenials, is trying to #disrupt the Saudi economy. His main method of doing such is through an aggressive plan to privatize major portions of the Saudi economy. When he announced that he was willing to explore a [partial IPO of Saudi Aramco](#) earlier this year, markets were stunned. *Vision 2030*, which calls for the transformation of the Saudi Public Investment Fund into the world’s largest sovereign wealth fund, goes much further. This enhanced Public Investment Fund would hold not just Aramco but the bulk of state-owned enterprises.

Another example of this aggressive push towards free markets comes with a plan to move healthcare, including health insurance, from the almost complete control of the public sector seen today. *Vision 2030* calls for a two-stage transformation of the healthcare sector. In the first stage, “corporatization,” a number of public companies would be created that will “compete both against each other and against the private sector.” The second stage would be full privatization. A discussion of the wisdom of using the US private healthcare system as a model is outside the scope of this article, but it is worth highlighting how healthcare is being so aggressively transformed.

In reading *Vision 2030*, one is struck by the incorporation of data and rankings as a means of guiding policy. In addition to explicitly trying to push the Kingdom’s GDP ranking from 19th largest in the world to 15th largest, *Vision 2030* discusses rankings for logistics, universities, e-government, and even a desire “to have three Saudi cities be recognized in the top-ranked 100 cities in the world.” Percentages of everything from

¹ A full copy in English is available here: <http://english.alarabiya.net/en/perspective/features/2016/04/26/Full-text-of-Saudi-Arabia-s-Vision-2030.html>

female workforce participation, exercise, and amounts spent on cultural activities are expected to increase geometrically between now and 2030.

For all the data, details, and ambition in *Vision 2030*, one needs to place it into context. Saudi Arabia published its First Development Plan in 1970, and has produced new development plans every five years with a regularity than the Soviet Union would appreciate. As early as the Fourth Development Plan in 1985, Saudi Arabia pledged to remove its dependence on oil, which clearly has not happened.

As oil prices refuse to return to previous levels, it appears that the Kingdom of Saudi Arabia needs to act on what it first observed over 30 years ago.

This piece is for informational purposes only. It does not represent the opinion of Hegazy & Associates in association with Crowell & Moring, nor is it a substitute for legal, political, or eco

Impressions of Islamic Finance in India

Phil Zager

In mid-March representatives of the Saudi-based Islamic Development Bank visited the Reserve Bank of India (RBI) to discuss allowing Islamic finance in India. This came ahead of Indian Prime Minister Narendra Modi's visit to Saudi Arabia in April. These visits back and forth, combined with, according to the OECD, India performing best out of large economies worldwide in the 4th quarter of 2015, makes one wonder, how much potential does Islamic finance have in India?

To understand how Islamic finance could thrive in India, one starts with the Indian Muslim community. Muslims have been on the Indian sub-continent for centuries. The most famous landmark in India, the Taj Mahal, was built by Mughal emperor Shah Jahan as a tomb for his wife. Today, roughly 14% of Indians are Muslim. In population terms, this means that there are over 170 million Muslims in India. This means that India's Muslim population exceeds that of Egypt, Libya, Tunisia and the entire GCC combined. This represents a massive potential market for Islamic finance.

It is worth noting that representatives from the Islamic Development Bank met with the RBI rather than India's political leadership. The Governor of the RBI since 2013, Dr. Raghuram Rajan, is a former professor at MIT and the University of Chicago. In 2005, Dr. Rajan gave a speech to leading central bankers in which he predicted the US housing bubble and subsequent financial collapse. In his award-winning 2010 book *Fault Lines*, he wrote, "When bankers attribute their problems to an unlikely event akin to a 1/1000 year flood (thereby absolving themselves, for who could anticipate such a rare event?), they neglect to mention that their actions increase the probability of these events--to something like every ten years."

Governor Rajan's sensible, risk-based view of the economy suggests that he would be open to exploring alternative financing arrangements. Islamic finance, with its stated focus on profit and loss sharing between parties in financial transactions seems in line with his thinking. However, Prime Minister Modi is a member of the BJP Party in India, which traditionally has been associated with Hindu nationalism, and he himself, while a regional governor, was embroiled in some controversy regarding Hindu-Muslim relations.

India's closest neighbor, Pakistan, has been focused on Islamic finance for decades. India's former colonizer, the United Kingdom, has expanded its Islamic finance sector as part of its focus on being a world financial center. The growth of Islamic finance in similar countries to India, massive Muslim population, and risk-aversion of India's central bank governor, suggests that India would be a growth market for Islamic finance. However, as seen in so many other places, including the United States, politics seem to be impede the growth of this sector.

This piece is for informational purposes only. It does not represent the opinion of Hegazy & Associates in association with Crowell & Moring, nor is it a substitute for legal advice.