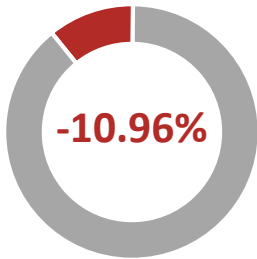


Saudi Arabia: Power Built on Shifting Sand?

After a long phase of power gains for Saudi Arabia, the desert powerhouse has to endure a negative Power Shift Rate of -0.14 percent for the period of 2015/2017. This is the first time since the period of 2007/09 that Saudi Arabia receives a negative Power Shift Rate.

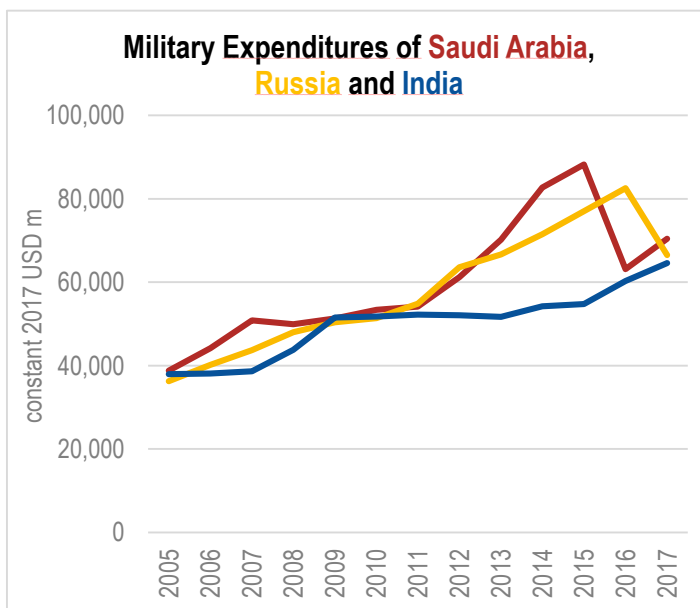
Power Shift 2015-2017



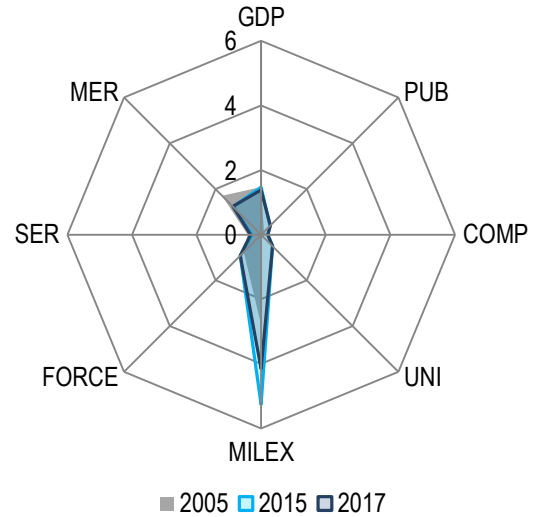
However, it could defend its position on the worldwide power ranking, still ranking 14th out of 19. Therefore, the kingdom is still two places ahead of the only other G20 country in its region, Turkey. Additionally, even though Saudi Arabia made relative losses, it achieved absolute gains during the most recent phase, with a Rate of Country Change of 3.52 percent.

A closer look at the development of the categories reveals that Saudi Arabia's relative power loss is mainly due to a decrease in military spending. It is the only category in which numbers decreased in absolute terms: In 2016, the Desert Kingdom significantly scaled back its expenditure significantly, but in 2017 increased it somewhat, so that spending in Saudi Arabia, Russia, and India is now at a similar level.

Considering that Saudi Arabia has nearly always shown a positive development in military spending so far and that it made especially strong gains in this category during the last two periods, it is surprising that this traditional hard power cut the spending so dramatically. However, bearing in mind that Saudi Arabia is still massively dependent on oil exports, it can be assumed that this reduction is for a big part a consequence of the low oil prices during the latest period. This is a reminder that Saudi Arabia's future power development will also depend on its



Saudi Arabia's Global Shares



ability to transform the national economy in order to become less dependent on oil revenues.

The only other negative category in relative terms is Saudi Arabia's GDP, which has nevertheless been positive in an absolute view. This category does hardly count as negative with a -0.09 percent Market Change rate which only signals that Saudi Arabia's development has been slightly below the global average.

Even though all other categories show either a growth or no change at all during the latest period, those with a positive development lost momentum compared to the years before. Publications, for example, grew by 8.94 percent, while from 2013 to 2015 it was 23.05 percent. Surprisingly, only the value of merchandise exports showed a strong increase despite the low oil prices. However, it must be kept in mind that merchandise exports already decreased massively during the phase of 2013 to 2015 (ICR -45.85 percent), so that it only needed a small increase in exports to achieve a positive development.

All in all, it can be said that Saudi Arabia's loss during the latest period is remarkable. When comparing the percentage change in power of the G20 state members, the kingdom even shows the steepest decline losing 11 percent of its power base, which might be related to its dependency on oil. The next years will show whether it will succeed in transforming its economy and, in doing so, stabilizing its power development.

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