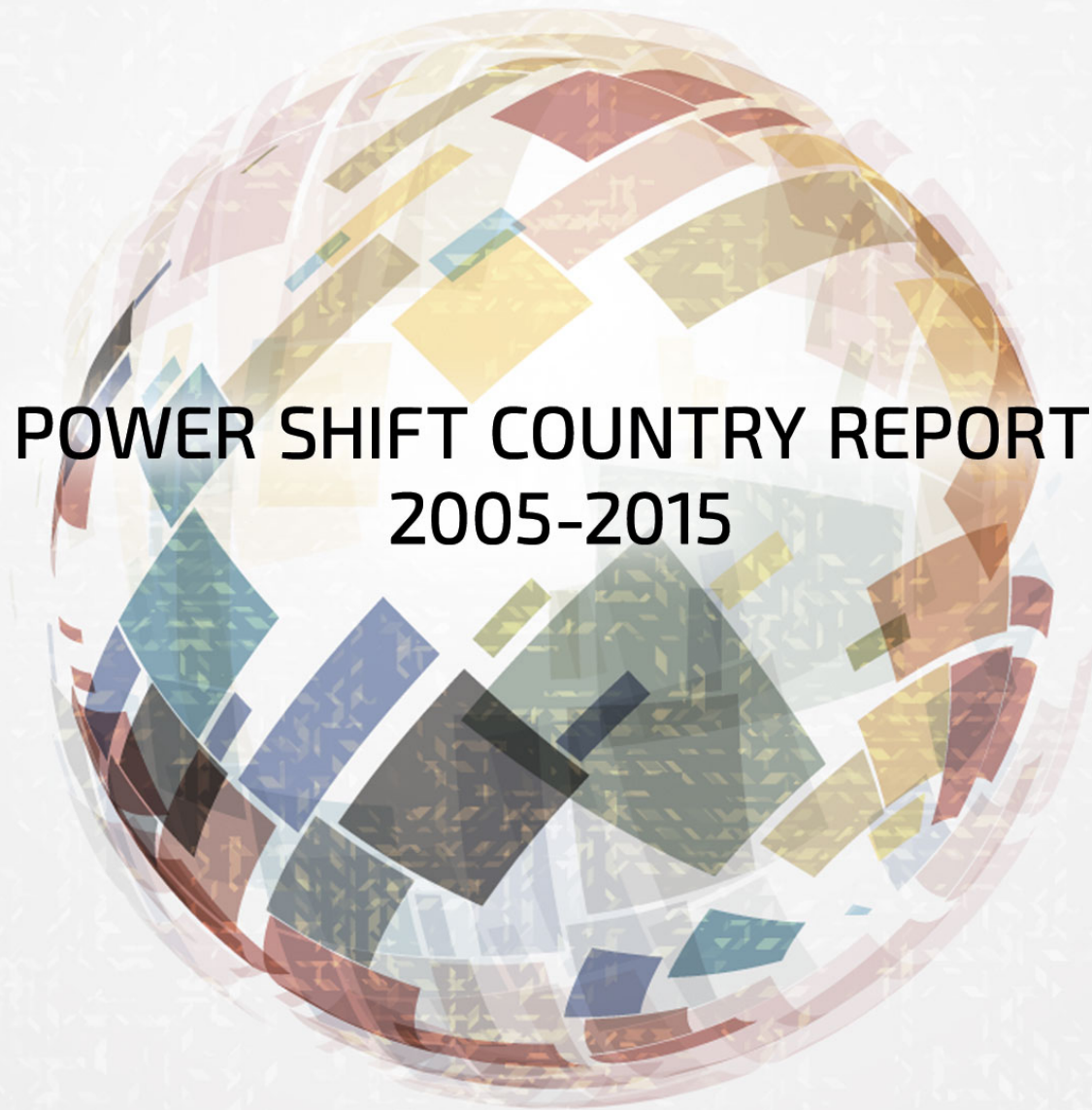


# SAUDI ARABIA

## POWER SHIFT COUNTRY REPORT 2005-2015



## Saudi Arabia: The Desert Powerhouse

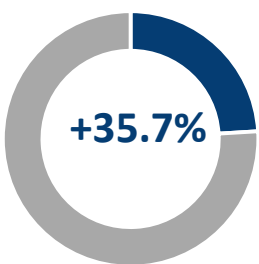
Saudi Arabia has gained attention for its hard power, particularly for its vast oil resources and military buildup. Apart from that, Saudi Arabia's soft power as the capital of both the Muslim and Arab world is often underestimated. Its 2005-2015 performance underlines a strong headway as Riyadh's power base has grown by remarkable 35.7 percent, which is in fact the second strongest upturn after China in the BPSM ranking. On a G20 scale, it has the fourth greatest power gains presenting a positive Power Shift Rate of +0.33 – that is, however, less than a tenth of China's unmatched global gains.

The desert state has built up an enormous military power and is the only country in the region, besides Israel, whose elite universities compete among the world's best 200 academies. These developments illustrate the synergies of hard, soft and structural power that underline Riyadh's leverage as a regional power. Having said that, the Kingdom was unable to improve its power rank staying on position 14 out of the 19 states under review. Nevertheless, it has increased the distance to Turkey, which had the same Power Score (0.94) in 2005, but lags behind Saudi Arabia's Power Score of 1.27 in 2015. These figures already indicate that Riyadh is ambitiously expanding its influence, making it a relevant actor in world affairs.

### Armament as Assurance for Power

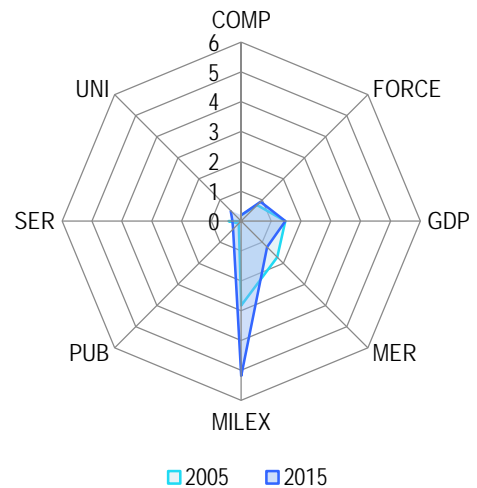
In 2005, Saudi Arabia's military expenditures were slightly lower than Germany's, making it the seventh largest military spender among the individual G20 states. Yet the Monitor recognizes a dramatic shift in this category: After a first phase of moderate spending growth between 2005 and 2010 by 38 percent, the military budget has been massively scaled up by 63 percent since 2011. The 2015-volume

Power Shift 2005-2015



of \$87.19 billion makes Saudi Arabia the third largest military spender after the United States and China. There is even a remarkable distance to Russia, the fourth largest spender, which has spent about \$20 billion less in 2014 and 2015.

Saudi Arabia's Global Shares



The Arab spring, the withdrawal of US troops from Iraq, the rise of ISIS, and the wars in Syria and Yemen are examples of critical issues for the Kingdom's internal and external security. Related to this, Saudi Arabia has become the world's biggest importer of arms together with India reflecting its buildup orientation and a perceived need to gather defense capacities.<sup>1</sup>

The huge expansion of its military features is the main factor of Saudi Arabia's positive Power Shift state. To illustrate: The Kingdom's military expenditures in 2015 are more than five times higher than Turkey's. On the opposite side, Saudi Arabia's force personnel count less than half of Turkey's. Nevertheless, Riyadh steadily increased the number of its armed troops from 216,000 to 251,500 over the review period. With this gradual increase, it replaced Germany, which itself reduced its personnel, on place 13 out of 19 ranking armed troops size. Contrary to the impression of an incremental increase, the Monitor finds that Saudi Arabia's force personnel expansion is the third greatest increase in manpower in the G20 after Mexico and South Africa.

### Loosing Economic Influence

Saudi Arabia's GDP (PPP) has increased by more than three fourths, which is almost the same as the world average. Hence, its country share remained stable comparing 2005 to 2015. This means that the GDP growth of \$735 billion was necessary to keep its position, but was not a factor contributing to its power improvement. Saudi Arabia remains by far the richest nation in the close neighborhood, but on a larger regional level, the desert

<sup>1</sup> Rachman 2018: 10

country lost competition against Turkey since its GDP surpassed Saudi Arabia's in 2010.

Saudi Arabia's oil exports, which account for about 90 percent of the government revenue, generate also the largest share of its export volume.<sup>2</sup> Accordingly, its merchandise exports are highly dependent on the oil price, which is reflected by the respective BPSM category noting strong fluctuations over the years. When the price per barrel was high, Riyadh's profit in merchandise trade increased and vice versa. To illustrate: The Monitor records a dramatic decrease for 2013-15 parallel to falling oil prices. As a result, Saudi Arabia's country shares in merchandise exports (1.2 percent of the global volume) were even lower than in 2005 (1.7 percent).

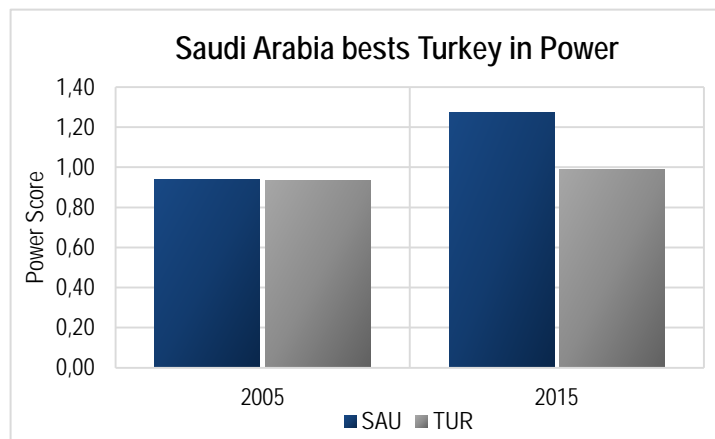
Furthermore, India surpassed Saudi Arabia's commodity exports in 2015 and took its place as the twelfth largest merchandise trader of the G20 states. However, the finite nature of fossil fuel reserves point to power limitations in the long run despite their undeniable structural advantage for Saudi Arabia's upswing. This could also affect Sabic, Saudi Arabia's only company among the Fortune 500 and a leading company in diversified chemicals. The inclusion of the company among the Fortune 500 alone underlines a structural advantage of Saudi Arabia in contrast to South Africa and Argentina that cannot present any leading corporation. Yet the inability of the Kingdom to provide worldclass growth to more of its domestic businesses over the period under review hints at structural challenges that need to be tackled for further power expansion.

Compared to commodity revenues, Saudi Arabia's service exports contribute far less to its GDP. The BPSM records an all-time high in 2006 with \$16.4 billion just before a severe downfall in 2008 to \$ 9.3 billion. So far, the service export rate did not recuperate from this enormous drop. Consequently, Saudi Arabia's trade in services, which include mainly travel and transport offers, remains the second lowest in the G20. The total amount of \$14.4 billion in 2015 is little less than South Africa's (\$15 billion) and slightly more than Argentina's (\$13.9 billion). This also indicates the urgent need for economic diversification if Saudi Arabia aims for a sustainable hard power buildup.

### Islamic Knowledge Hub

During the research period only two universities managed to enter the list of the top 200 universities – at least temporarily. King Saud University was included in 2011 and 2012; King Fahd University of Petroleum & Minerals joined the leading top in 2015. Although both Saudi Arabian institutes were positioned among the lowest three ranks, its timewise inclusion signals an important shift. These are the only elite universities in the entire Middle East, besides those of Israel, to be acknowledged among the worldclass. Thus, despite the fluctuating on and off of Saudi

<sup>2</sup> McKinsey & Company 2015: 2



Arabian universities on the list, the category indicates Riyadh's intention to establish itself as a center of education and knowledge in the Islamic world.

In addition to that, its academic output grew by 412 percent since 2005. This is Saudi Arabia's highest domestic change rate and the second largest after Indonesia (ICR +830 percent) among the G20. By quintupling its publications, the desert state surpassed Argentina's academic output. This is a formidable development, even though the Kingdom remains at the lower ranks of total scientific articles at place 17 out of 19 in 2015 and only gained +0.27 percent in its global shares (MC). Although only China (MC +6.72), India (+2.38) and Brazil (+0.84) shifted more shares in their favor, Saudi Arabia's academic output still lags far behind the G20's average in publications. Even Turkey, which never hosted a top university in the review period, presents a three times higher academic output than Saudi Arabia. However, when King Abdullah came into power in 2005, he heavily invested in education by building up schools and expanding universities.<sup>3</sup> Given these efforts, it seems only a matter of time until the Saudi Arabian institutes will be better ranked among the world's elite. In sum, both scientific categories stress a positive shift in Riyadh domestic as well as international influence and power profile.

### Gaining regional influence

In sum, the BPSM reinforces the impression of a Saudi Arabian rise in domestic, regional as well as global affairs. Then again, it points to certain limitations of power, among them, great dependence on oil revenues that restrain its rise in times of low prices. Nevertheless, the Kingdom's wealth of resources enabled huge investments especially in the military and education that improved its hard, soft and structural power profile. In view of the US withdrawal from the Middle East, it seems prudent to Riyadh to adopt the role of a regional influencer who already presents the capacities as well as willingness to do so – even though it cannot compete with the United States overall power level.

<sup>3</sup> Courington & Zuabi 2011: 139

## Literature

Courington, Karen; Zuabi, Vanessa (2011). "Calls for Reform: Challenges to Saudi Arabia's Education System." *Georgetown Journal of International Affairs*, Summer/Fall, pp. 137-144.

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Indicator	Country Data: Saudi Arabia			2005		2015		2005/15		2005/15	
	Code	Unit	Source	total	CS	total	CS	ICR	MC	CC	PSR
GDP	GDP	PPP; current int. Dollar	World Bank	969,31 billion	1.48	1.70 trillion	1.48	75.83	0.00	96,08	0.33
Merchandise exports	MER	Total, current USD	World Bank	180.71 billion	1.71	203.55 billion	1.23	12.64	-0.48		
Service exports	SER	Total, current USD	World Bank	11.41 billion	0.42	14.47 billion	0.29	26.85	-0.13		
Armed Forces	FORCE	Total number of personnel	World Bank	216,000	0.76	251,500	0.92	16.44	0.16		
Military Spending	MILEX	Constant 2015 USD m	Stockholm Institute for Peace Research	38,838	2.83	87,186	5.18	124.48	2.36		
Top Companies	COMP	Total of Top 500	Fortune	1	0.20	1	0.20	0.00	0.00		
Top Universities	UNI	Total of Top 200	QS World University Ranking	0	0.00	1	0.50	100.00	0.50		
Publications	PUB	Number of S&E Articles	National Science Foundation	1,734.00	0.12	8,885.00	0.39	412.40	0.27		

Red numbers consist of uncertain estimates or a BPSM input; if the start value equates zero; Figures in blue are SIPRI estimates.  
 CS: Country Share in percent of the world's total; ICR: Indicator Change Rate in percent between two point in time; MC: Market Change, measures the difference of a country's share between two points in time in percent; CC: Rate of Country Change, gives the average of country shares; PSR: Power Shift Rate, difference between the Power Scores of two point in time / average of all market change rates.