Home to 25% of the world’s oil reserves, the Eastern Province is the economic engine room of Saudi Arabia, accounting for more than half of the Kingdom’s oil production and about 7% of total global output.

With a population of 4.1 million, including 1.9 million foreigners, the vast territory represents 27.6% of the whole area of the Kingdom (450,000 km2), making it the largest region in Saudi Arabia and a prominent gateway to and from the country.

Its more than 700 km of shoreline on the Arabian Gulf, in addition to its strategic location on the frontiers of Bahrain, Qatar, UAE, Oman, Kuwait, Iraq and Iran, means that Eastern Province and its bustling ports are key trading posts for the entire Middle East.

The proof of the province’s huge contribution to the Saudi Arabian economy is in the numbers. Accounting for 60% of the country’s GDP, over the past two years alone the Eastern Province has brought in approximately $150 billion in industrial investments. Such an influx of capital has been largely down to the presence of Saudi Aramco in addition to other international companies.

Operators of the province’s Ghawar oil field – which with estimated reserves of 70 billion barrels is the largest field anywhere on the planet – Aramco also owns and develops all other energy resources based in the Kingdom and is said to be the world’s most valuable oil and gas firm, with an estimated market value of $10 trillion.

Saudi Aramco has become a reliable supplier for consuming countries in times of crises and has been able to meet growing demand by reaching a record high production of 10.19 million barrels per day. Aramco’s operations in Eastern Province will continue to be the focal point of the Kingdom’s strategy to maintain its dominance of global energy, despite the growth of alternatives and competition from other rival oil producers.

The Eastern Province, with its flourishing petrochemical, light and heavy industries, is considered as the incubator of the government’s efforts towards economic diversification – a reality not seen in most other oil-dependent countries.

“The Eastern Province has the door open for investors. We have always been at the heart of the Kingdom’s economy and are determined to play our part in taking the economy forward towards a more sustainable model of diversification”

province will continue to be the focal point of the Kingdom’s strategy to maintain its dominance of global energy, despite the growth of alternatives and competition from other rival oil producers.

The Eastern Province, with its flourishing petrochemical, light and heavy industries, is considered as the incubator of the government’s efforts towards economic diversification – a reality not seen in most other oil-dependent countries.

H.R.H. Prince Saud Bin Naif Al-Saud, Governor of Eastern Province

Visionary leadership key to Eastern Province’s economic transition

H.R.H. Prince Saud Bin Naif Al-Saud prioritizes partnerships, cooperation and job creation to usher in new era for the beating heart of the Saudi economy

Since February 2015, Globus Vision’s Idil Demirel has been travelling around Eastern Province: the main driver of Saudi economy; home of the world’s biggest oil reserve; center of the largest petrochemical; heavy and light industries; and a gathering point for international businessmen and investors.

“With the setting up of policies to ensure that security, safety and stability thrive in the province, H.R.H. Prince Saud Bin Naif Al-Saud’s aim is not only to maintain the competitiveness of the commercial and investment sectors, but also oversee the economic diversification that will allow the Kingdom to reduce its dependence on oil revenues and generate thousands of high-quality jobs.”

In order to achieve his vision of a diversified economy, H.R.H. Prince Saud Bin Naif Al-Saud has concentrated on opening up the province to foreign investment, promoting cooperation between foreign investors and local partners, and introducing programs to stimulate entrepreneurialism and small and medium-sized enterprises.

“We have always been at the heart of the Kingdom’s economy and are determined to play our part in taking the economy forward towards sustainable diversification”

“I have always been at the heart of the Kingdom’s economy and are determined to play our part in taking the economy forward towards a more sustainable model of diversification,” says ruling Prince of Eastern Province, H.R.H. Prince Saud Bin Naif Al-Saud.

Appointed in June 2013, the Prince is considered one of a new generation of Saudi leaders who have taken it upon themselves to transform the economy and guide the country through a new era of development.

Along with the setting up of policies to ensure that security, safety and stability thrive in the province, H.R.H. Prince Saud Bin Naif Al-Saud’s aim is not only to maintain the competitiveness of the commercial and investment sectors, but also oversee the economic diversification that will allow the Kingdom to reduce its dependence on oil revenues and generate thousands of high-quality jobs.

In order to achieve his vision of a diversified economy, H.R.H. Prince Saud Bin Naif Al-Saud has concentrated on opening up the province to foreign investment, promoting cooperation between foreign investors and local partners, and introducing programs to stimulate entrepreneurialism and small and medium-sized enterprises.

“We have always been at the heart of the Kingdom’s economy and are determined to play our part in taking the economy forward towards sustainable diversification.”

H.R.H. Prince Saud Bin Naif Al-Saud, Governor of Eastern Province
part in taking the local economy forward, now and in the future, towards creating an economy with a more sustainable model of diversification, international investment, entrepreneurialism and high-quality job creation,” he says.

HRH Prince Saud Bin Naif Al-Saud’s commitment to this is demonstrated by his presence and continuous supervision on all projects in the province, both in the planning, development and operation stages, as well as following up with all parties concerned to ensure efficiency and effectiveness. Indeed, the size of industrial investments attracted to the province since the Prince took office also tells its own story.

Notably, the Saudi government’s strategy for the Eastern Province under the leadership of H.R.H. Prince Saud Bin Naif Al-Saud has concentrated on the development of alternative industries by establishing a chain of industrial cities. The biggest and most important of these is located in Jubail Industrial City, which has become a global hub for the petrochemicals industry and is home to the Saudi Basic Industries Corporation (SABIC) – a diversified manufacturing company, active in chemicals and intermediates, industrial polymers, fertilizers, metals and other products.

Today around a quarter of all the Kingdom’s factories – more than 1,500 – are situated in Eastern Province. Aside from Jubail, there are other thriving industrial cities, including Dammam 1st Industrial City, which contains around 120 factories and 14,000 employees, and the Dammam 2nd Industrial city located on the Dhahran-Ahsh Highway, which contains 340 factories and 75,000 employees. Building materials, paper, electrical materials, furniture and medical supplies are just some of the products manufactured there.

In 2011 General Electric established its Energy Manufacturing Technology Center at the 2nd Industrial City, one of the company’s largest world-wide operations, while other major investors in the industrial sector include Boeing, Halliburton, Dow Chemical, Alcoa and many more international companies.

Heavy industry and manufacturing are not considered the only vehicles of economic diversification in the province, however. Agriculture plays a significant part with the cultivation of various types of dates, fruits and vegetables forming a large segment of Eastern Province’s economy. Every year, thousands of tons of crops are harvested from the giant oases of Al-Ahsa due to its fertile lands suitable for all types of cultivation. The Eastern Province also has a large and diverse fishing industry.

In other sectors, the government has invested massively into infrastructure, including air, road, rail transport and seaports, as well as commercial, residential and tourism real estate developments, universities, schools and hospitals. Business and investment opportunities in these sectors across the province are also being driven by the government’s proactive approach to spread wealth across the country, especially for its citizens, generating new demand among Saudi’s increasingly affluent population, made up of residents and visitors from all over the world. This is particularly luring for international companies who are looking for a share of a booming market.

Tourism, both business and leisure, and real estate in particular are seen as areas with great potential, and doors are opening up to a slew of development opportunities. With the recent slump in oil prices, investment has been channeled into the Saudi property market – something which has also been powered by sky-high demand. Such demand has led to practically all the major international real estate developers to set up or expand operations in the Eastern Province, including large companies such as JLL, Colliers, Sotheby’s and Century 21.

Demand is particularly high in Eastern Province, which boasts the longest history of Westerners living and working in Saudi Arabia and where the sprawling satellite towns of Dammam and Al-Khobar are located. Al Khobar is considered especially prosperous and modernized due to its adjacent borders with other GCC countries – most notably the King Fahad Causeway which connects the Eastern Province to the Kingdom of Bahrain with a 25km long bridge. The Causeway plays a key role in commercial and tourism transactions, witnessing a record 233,954 travelers during one week alone in 2015.

Going forward, the administration of H.R.H. Prince Saud Bin Naif Al-Saud, with its excellent vision and huge experience, will continue to develop the area – especially after forming the High Commission for Development of Eastern Province, which is set to play a very important role in attracting further investment. Indeed, under the supervision of H.R.H. Prince Saud Bin Naif Al-Saud, Eastern Province certainly seems to be primed for continued foreign investment and is ready to lead the Kingdom of Saudi Arabia’s transition into a more diversified, and more sustainable economy.

The Prince himself extends an invitation to the international business community regarding the opportunities that await. “I invite international companies and investors to visit the Eastern Province,” he says. “The Kingdom in general and Eastern Province especially is wide open for all companies, investors and businessmen. They are welcome in their second home away from home.”
Saudi bourse opens doors to foreigners

Qualifying investors are now able to buy up to 10% of the shares of any listed Saudi company

In June of last year, the Saudi stock exchange – the Tadawul – finally opened to foreign investors. With a capitalization of $576 billion and trading averaging of about $2.4 billion a day, it is one of the largest bourses in the world.

Long awaited by the international business community since the Tadawul was established in 1994, the move signals the determination of Saudi authorities to boost non-oil sectors of the economy with the contribution of the private sector. The new rules stipulate that qualified foreign investors with at least $5 billion in assets under management and a five-year investment record will be able to buy up to 10% of the shares of any listed Saudi company.

“This is a promising country and now that we have opened the stock exchange, there are huge opportunities for investment,” says leading Saudi industrialist, Tariq Al Tamimi, chairman of the eponymous Tamimi group – a private holding company based in Dammam.

“Saudi Arabia is very stable for business, with a comprehensive and safe regulatory environment for investors, which is why we have here some of the world’s major companies such as GE, Shell and Halliburton. They know their investment here is sound. There are massive public investments, top-notch infrastructures, and a number of free zones. Furthermore, apart from the oil, we have important petrochemical and minerals sectors. You name it, we have it.”

Indeed the Saudi market – which has grown by 50% since 2011, overtaking most stock exchanges worldwide and easily outperforming the region – offers great opportunities in diversity. Whilst other regional markets are dominated by just a small amount of sectors, mostly finance and real estate, the Tadawul is home to over 165 companies across 15 economic sectors, ranging from telecommunications and retail to cement and petrochemicals.

In fact, while most associate Saudi Arabia solely with oil, energy firms are conspicuous by their absence on the Tadawul, with the top five companies coming from banking, petrochemicals, telecommunications and power.

Aside from offering diversity, Saudi’s macro-economic position is also enviable. With reserves of more than $700 billion, the government is investing big in infrastructure development – the multiplier effects of which are creating huge benefits across the economy. Demand for services, meanwhile, is regularly outstripping supply in the retail, transportation and tourism industries, while demand for greater private investment – as well as the transfer of expertise – is obvious.

Tamimi Group, which was established in 1953 and has grown to become one of the leading diversified businesses in Saudi Arabia, with interests in the building and contracting, trading, manufacturing, catering, operations, maintenance and retail sectors, is an example of a Saudi company keen to add value to its products by bringing in high quality and professionalism from abroad. Occupying a distinguished position, thanks to strong and stable solvency and vast experience in a variety of industries, Tamimi Group has formed strategic partnerships with a number of globally renowned companies, including from the U.S. and Europe.

“We are working with almost 30 companies,” says Mr. Tamimi. “If they know there is potential and good profit to be made here, they will come. These companies are not coming here just to waste their time.”

Aside from seeking out foreign partnerships, in order to maintain its success and continue its expansion within and outside the kingdom, the group recently went through a massive restructuring plan, which has resulted in higher productivity and work efficiency. The group has also succeeded in setting up operations in several new sectors, including marine services, industrial services and power. Having recognized that good governance, general transparency, and – in particular – ongoing financial transparency are critical to long-term success, Mr. Al Tamimi also decided to apply corporate governance rules and regulations throughout the group’s companies, which include Tamimi Markets, one of the fastest-growing supermarket chains in Saudi Arabia, and Al-Tamimi Trading and Contracting Company, a leading company in a variety of fields, including industry, power, water, oil, and gas.

“This is a promising country and now that we have opened the stock exchange, there are huge opportunities for investment. Saudi Arabia is very stable for business, with a comprehensive and safe regulatory environment for investors.”

Tariq Al Tamimi, Chairman, Tamimi Group

As highly profitable diversified businesses like Tamimi Group have shown, the key message to be taken from Saudi Arabia is that huge potential remains for further investment and growth across the whole economic spectrum. What’s more, it is hoped that the opening up of the Saudi Stock Exchange will facilitate imaginative new ideas to merge with established expertise within the kingdom’s strong economic base, thus, not only maintaining long-term growth for the non-oil economy, but also further integrating the country into the global investment community.

On this note, Mr. Al Tamimi encourages more foreign investors to come to the country. “Do not listen to the media or other people who have misconceptions about Saudi Arabia. We are very hospitable and transparent. We have a lot of potential for growth, and we cannot do this alone. This is a very promising country as there are solid laws, rules and regulations, which is the most important thing for investors.”
Province drives real estate boom

Sky-high demand is creating a plethora of opportunities for developers such as Al Nouh Real Estate. As a result of this extra investment, Al Nouh Real Estate is now on the verge of completing the infrastructure of Danat AL-Ramis in Qatif City, which contains 3000 lots and will provide more than 6000 housing units, ranging in category from affordable to high-end properties.

“We will also shortly start to develop another neighborhood in Siyhat and Khobar in the eastern province, as well as our many other small projects in the area,” says Mr. Al Nouh. “However, we are working to develop a new strategic plan for the next five years considering the new economic situation.”

This changing dynamic – which combines the factors of a growing, more affluent population, an expanding expatriate community and numbers of international visitors, as well as rising employment and investment levels in the area – is expected to increase both sale prices and rentals in some sectors of the market over the next few years.

Potential growth segments include the office market, which although remains limited to oil companies at the moment, is likely to develop over time as real estate demand moves downstream. Tourism is another segment of the market with huge potential. The Saudi government, for instance, is proposing to develop the Al-Uqair area of the Eastern Province as a major tourist destination with new hotels, residential, retail and extensive recreational facilities. Retail market growth, meanwhile, is likely to be in line with further increases in population and tourist arrivals.

Regarding Al Nouh, which plans to expand its investment as these new opportunities arise, the chairman of the real estate firm reveals that his company has its doors open to any foreign partners wanting to invest in the area. “We in Saudi Arabia are open to all outside investors,” he says. “We welcome expertise and new ideas regarding our major work in real estate and housing construction.” “We believe the world is like a small village, we have to work together to achieve development and progress for our countries and our people.”

Sustainability and Saudization

Sustainable growth and Saudization – the process of providing more high-quality jobs to natives – seen as key to diversification efforts.

Saudi Arabia seeks to become one of the world’s top-ten economies, and to build a robust diversified industrial base; thereby reducing its reliance on the hydrocarbon sector. As the economic powerhouse of the country and the center of its booming petrochemical industry, the Eastern Province plays a key role in this endeavor. The Eastern Province is also home to numerous other industries in sectors as varied as mining, metals, food, automotive and building materials.

And hence no wonder that sustainability has become the keyword among Saudi policymakers. How to ensure prosperity for future generations after the oil bonanza? How to ensure that the economy remains in the hands of Saudis? These are two of the main challenges behind the drive towards diversification and Saudization.

With a predominantly young population eager to find a place in the sun, the Saudi government has invested heavily in education over the past few years. “Human capital is the most important factor to ensure sustainable growth,” comments Abdullah Al Fozan, chairman of Al Fozan Group.

The government has earmarked four priority areas for sustainable growth: education, infrastructure, health and social services. And it has clearly indicated that in order to make an impact, private investments will be solicited to complement the massive public investments already planned.

“With the fact that oil is a finite resource and subject to price volatility, the private sector has to play an important role in providing sustainable growth to the kingdom,” says Mr. Al Fozan.

“This is evident in the government’s privatization initiatives for existing and new projects. There are many untapped areas where the private sector can provide value additions. First, it needs to expand and invest in value adding initiatives that will provide benefit to the economy as well as job opportunities to Saudis. Second, the private sector has to emphasize social responsibility by providing initiatives that will support the society and improve the quality of living for Saudis.”
As Saudi Arabia’s petrochemicals capital, Eastern Province, undergoes a process of economic transformation, the focus is now firmly on global expansion, industry innovation and modernization and the development of partnerships between Saudi companies. One such company, Takween Advanced Industries, is leading the way.

Founded in 1993 in Al-Ahsa, the plastic processing pioneer has recently completed a major acquisition. This important deal integrates two of the biggest plastic companies in the region and presents the Takween group with opportunities for both diversification and international growth. According to observers and experts in the field of packaging, this acquisition is one of the most important integrations in Saudi Arabia in recent years.

As the group chairman and founder, Mr. Abdullah Al-Othman notes, “The acquisition is extremely significant in that it transforms Takween into one of the largest plastic industries in the Middle East and North Africa. Part of the significance comes from the diversification offered by the acquisition, in that it is heavily involved in the film sector, a new business for Takween, and it also brings an international dimension through its foreign subsidiary.”

This deal continues a trend of impressive group growth and industry integration for the Takween group. In 2010, it acquired majority stakes in both Advanced Fabrics (SAAF) and the UltraPak Manufacturing Company.

“The Takween Group of companies principally benefits from relatively close proximity to a high-class and reliable source of raw material,” says Mr. Al-Othman, referring to the fact that Eastern Province is where the vast majority of Saudi Arabia’s basic petrochemicals are derived, namely methane and natural gas feedstock.

“While this cannot be considered a particular competitive advantage for Takween – as all the other plastic producing companies in the Kingdom also enjoy a similar benefit – the result of our recent acquisition means that we will benefit from economies of scale.

The acquisition opens the door for ‘radical future development’, according to Mr. Al-Othman, and will help position Eastern Province and the kingdom as a pioneer in the packaging and bottling industries, both regionally and internationally.

Under the stewardship of Abdullah Al-Othman, Takween is pioneering the modernization of industry through partnerships such as the recent acquisition of a packaging company.

**Technological Advancement through Acquisitions and Partnerships**

Under the stewardship of Abdullah Al-Othman, Takween is pioneering the modernization of industry through partnerships such as the recent acquisition of a packaging company.

**Tax-free advantages add to international appeal**

Funds hold outstanding opportunities for international investors, according to Dammam’s corporate finance solutions provider BMK.

The six economic cities currently under construction and the opening up of the Saudi Stock Exchange (Tawadul) in June to foreign investors bear testament to the kingdom’s push for greater diversification and international participation in its economy.

“There is depth now offered in the Saudi Arabian stock market that you do not see elsewhere across the Middle East, and you can see more funds coming,” says Mohammed Ahmed Rashed Al Dossary, Chairman of Bait Al Mal Al Khaleeji (BMK).

“They are investing in different sectors like heavy industry, chemicals, real estate development, and agriculture. Every day we see new funds coming to the market. This is the only country in the Middle East where you see business families that have been in the market for 50, 60 or 70 years.”

The government is making it easier than ever for foreigners to invest. Mr. Al Dossary advises that funds are an especially advantageous method for international investors to be a part of the largest free economy market in the Middle East. “A good thing about Saudi Arabia is that most foreigners do not pay any tax if they go through funds. This really is an outstanding opportunity,” he explains.

Rising incomes and a rapidly expanding youthful population are driving expansion in the country’s built environment in particular, with increasing demand for real estate and infrastructure.

There has been relatively little research into the real estate market of Eastern Province itself. But a report released in November 2014 by JLL, the world’s leading real estate investment and advisory firm, states, “There is a significant shortage of high quality residential accommodation in the Eastern Seaboard at present, particularly expatriate compounds. Strong demand is creating opportunities for the development of both additional expatriate compounds and further labour and staff accommodation.”

BMK’s Real Estate Investment Funds Dept. targets the exceptional opportunities for maximum returns in this burgeoning sector as part of the company’s comprehensive asset and portfolio management services it provides investors. “We have never lost in real estate,” the chairman comments.

The Dammam-based financial institution also offers a raft of premium corporate finance, custodial and advisory services. “International firms are now looking at Saudi as the future,” Mr. Al Dossary adds. “As a company, as a group, we develop opportunities in France, Morocco, the Far East, etc., but we have never found anything like Saudi Arabia in terms of rates of return.”
A model of diversified business

One the country’s largest and most successful conglomerates, Almajdouie Group is also one of Eastern Province’s biggest success stories.

If you were to look for a stand-out example of a business contributing to Eastern Province’s – and indeed Saudi Arabia’s – economic diversification drive, then you would need to look no further than Almajdouie Group.

Since buying his first truck in 1965 to support his fledgling start-up, which involved clearing goods in Dammam Port, Shaikh Ali Ibrahim Almajdouie has gone on to build one of the country’s most successful conglomerates, representing diverse interests from logistics, trade and manufacturing to automotive, real estate, retail, food and steel.

“Having a diversified business is a challenge and opportunity at the same time,” says President of the group, Abdullah Almajdouie. “It is challenging in a way that you have to keep excellence and exceptional service in all these diversified businesses, and it is an opportunity in the way that it helps the company to balance out. If some business drops, then others may compensate.”

Today Almajdouie Group operates all over the Kingdom as well as in the Middle East, North America, Europe, the Far East and Africa, employing a total of more than 6,000 people. The key factor to the group’s success, says Mr. Abdullah Almajdouie, is not just ensuring all companies work in harmony together, but “having the right people in place and having a business working environment that keeps them continuously challenged and motivated.”

Almajdouie Logistics – the largest company in the group – has become the Middle East's biggest asset-based logistics service provider, offering distribution, transportation, customs clearance, freight forwarding, heavy-lifting and warehousing to its global client base, and serves industries critical to the Saudi economy, including oil and gas, petrochemicals, power and utilities, fast-moving consumer goods and infrastructure.

In 2012 the company became a Guinness world record holder for the “Heaviest Item Moved by Road Freight” and has also been awarded the global Hyundai best distributor in 2010 and 2014, the Saudi Saafa Award for transparency (2012) and the Saudi Index's No. 1 Business Sector Innovator.

Mr. Abdullah Almajdouie says that the success of the Eastern province region in leading Saudi Arabia’s industrial diversification owes a lot to H.R.H Prince Saud Bin Naif – the governor of the region – who has been instrumental in allowing businesses like Almajdouie Group to flourish.

“He has always been supportive to continuous communication between different parties and encouraging the private and public sectors to develop Eastern Province.”

‘Respect the human element’

Faisal Abdulla Fouad

Developing Saudi Arabia’s human capital and building a knowledge-based economy is key to the future of the kingdom, says Faisal Abdulla Fouad.

With a young and fast expanding population, aside from economic diversification one of Saudi Arabia’s greatest challenges is in how to develop the potential of its human capital.

Of course, the issue of economic diversification itself is also closely linked to this conundrum; how can the country successfully establish a knowledge-based economy which will lead the country away from its historic reliance on hydrocarbons?

The answer in the most part is, undoubtedly, through education. Indeed Saudi Arabia’s education sector is facing a new, exciting era with $570 billion of investment having been filtered into education and training in 2015, a 3% increase from 2014. Besides education however, the private sector also has a huge part to play in driving the Kingdom’s human capital, particularly in the knowledge and technology industries. Saudi’s new Economic Cities, for instance, are being constructed as part of an ambitious public investment campaign to bring knowledge-intensive industries to the Kingdom, providing foreign organizations with an opportunity to enter the market.

Domestic companies, too, are also key to providing more training and employment – witnessed notably in the government’s ‘Saudiization’ policy which aims to fill the workplaces of Saudi enterprises with a greater amount of Saudi nationals (currently 81% of jobs in the private sector are held by expats).

Companies like Abdulla Fouad Group, a Dammam based business with diversified activities in the energy, healthcare, information technology, industrial, construction and consumer & real estate sectors, is leading the way in this regard.

“Our chairman has always said ‘respect the human element’, “ says Faisal Abdulla Fouad, president of the group. “It is therefore not surprising that at Abdulla Fouad we consider our people the most valuable resource and encourage a learning culture across the organization. We invest heavily in developing their knowledge and skills; because we believe this is essential for achieving sustainable growth.”

The group, which is one of the most successful organizations in the Gulf region, has over 1200 employees from over twenty-five countries. Its employees are what “make the difference,” says Mr. Faisal Abdulla Fouad.

Despite the company’s good example, the Abdulla Fouad Group president stresses that there is still a lot more the business community in Saudi Arabia could do in coordination with the government to “develop a highly skilled workforce and fuel sustainable economic growth for generations to come.” One such way is through greater collaboration of the private sector and education sector.

“Some of the initiatives that come to mind are better alignment between educational institutions and the business community in identifying the qualifications and skills gaps that exist today, and those that will be required in the future,” he says. “Also, opening more technical colleges, offering a broader choice of technical education and apprenticeship programs, and possibly, developing new incentives, rather than penalties, for the private sector to hire, train and develop an active and productive local workforce.”