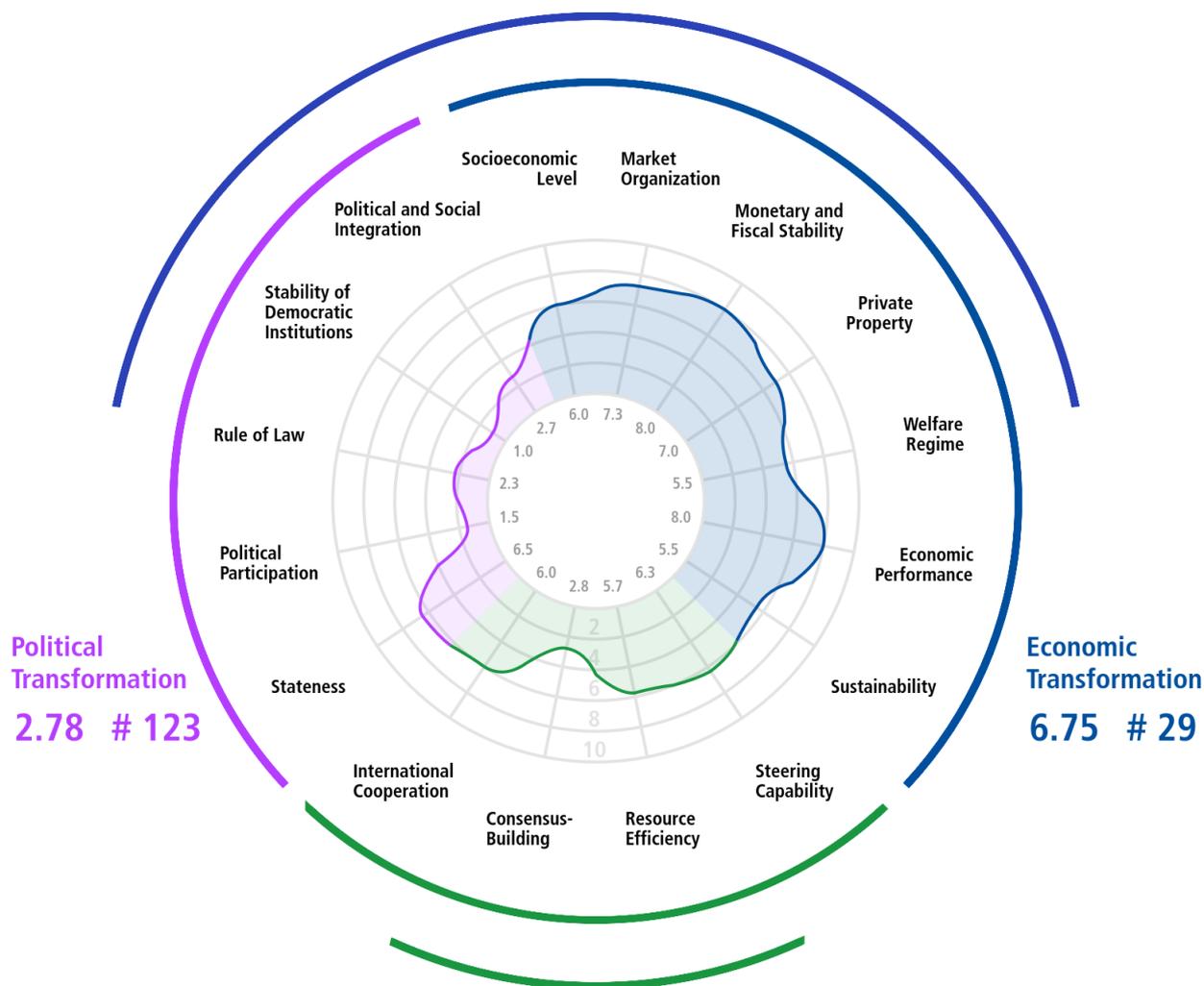


# Saudi Arabia

## Status Index

**4.77 # 78**

on 1-10 scale out of 137



**Political Transformation**  
**2.78 # 123**

**Economic Transformation**  
**6.75 # 29**

## Governance Index

**4.50 # 73**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>35.3</b>	HDI	<b>0.900</b>	GDP p.c., PPP \$	<b>71243</b>
Pop. growth <sup>1</sup>	% p.a.	<b>4.6</b>	HDI rank of 193	<b>37</b>	Gini Index	-
Life expectancy	years	<b>78.7</b>	UN Education Index	<b>0.858</b>	Poverty <sup>3</sup>	% -
Urban population	%	<b>85.2</b>	Gender inequality <sup>2</sup>	<b>0.228</b>	Aid per capita	\$ -

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

During the review period (February 1, 2023 – January 31, 2025), Crown Prince Mohammed bin Salman (MbS) further tightened his hold on power in Saudi Arabia. His authority remained largely uncontested, as he continued to centralize decision-making and advance policies aligned with his long-term vision for the kingdom. Although some domestic challenges emerged, none posed a serious threat to his rule.

A major external event with significant domestic repercussions was the Hamas attack on Israel on October 7, 2023. Prior to the attack, Saudi-Israeli relations appeared to be moving toward normalization, with diplomatic signals suggesting that a deal was within reach. Israel's military response, however, made any such agreement politically costly for Riyadh, given widespread public sympathy for Palestinians. While the Saudi leadership views Hamas as a terrorist organization linked to the Muslim Brotherhood – an ideological adversary of the kingdom – the government initially avoided a strong condemnation, mindful of the strong pro-Palestinian sentiment among its population.

Since then, Saudi Arabia has maintained a firm position that normalization with Israel must be conditioned on the establishment of a Palestinian state, in line with the 2002 Arab Peace Initiative. The shift in regional dynamics left MbS in a delicate position: although he is widely understood to favor normalization, pressing ahead without meaningful concessions for Palestinians risked triggering public backlash and undermining both his domestic legitimacy and Saudi Arabia's international standing. Given the widespread public opposition to normalization without a Palestinian state, pushing forward with an agreement risked undermining his authority and credibility.

Other foreign policy developments had a stabilizing effect at home. Diplomatic breakthroughs with the Houthis in Yemen and with Iran significantly reduced security threats to the kingdom. De-escalation with the Houthis led to a halt in cross-border attacks, strengthening national security. Even when the United States and Israel later struck Houthi targets, Saudi Arabia declined

to join the campaign, signaling its commitment to the *détente*. This opened space for Riyadh to redirect attention toward domestic economic and social transformation rather than prolonged regional confrontation.

Economically, Saudi Arabia recorded steady growth between 2023 and 2025, supported by stable oil prices that ensured a continuous revenue stream. Despite increased government spending, fiscal balances remained positive, reflecting prudent financial management. Economic diversification efforts under Vision 2030 advanced, with non-oil revenue rising steadily. Sectors such as tourism expanded significantly, helped by eased visa rules and major new attractions being developed. Progress was also evident in key social metrics, including higher female labor participation and increased homeownership. Taken together, these trends highlight the momentum of Saudi Arabia's transformation, even as the leadership navigated complex geopolitical pressures and shifting public expectations.

## History and Characteristics of Transformation

The Kingdom of Saudi Arabia (KSA) is the strongest and largest state in the Gulf, both in size and political weight. Founded through conquest and formally unified in 1932 by King Abd al-Aziz, the kingdom stands apart from its smaller Gulf neighbors due to its vast territory, demographic scale and geopolitical influence. The Al Saud family consolidated control over the Arabian Peninsula by bringing disparate tribes under a single national identity, aided by a seminal alliance with Sheikh Muhammad ibn Abd al-Wahhab, founder of the Wahhabi movement. This partnership provided religious legitimacy for the Al Saud's political expansion and military campaigns.

State formation was gradual, shaped by internal consolidation and external dynamics. A watershed moment came with the discovery of oil in the 1930s, which fundamentally transformed the country's economy. Oil revenues enabled rapid modernization, sweeping infrastructure development and an expanding state apparatus. Over subsequent decades, living standards rose significantly as the government extended its reach into citizens' daily lives through welfare programs, education and employment initiatives.

Despite this success, Saudi Arabia has faced recurring challenges to internal stability and legitimacy. Rivalries within the royal family have periodically generated uncertainty, while relations with the United States have forced Riyadh to balance security reliance with ambitions for greater autonomy. The rise of extremist groups such as al-Qaeda posed both ideological and security threats, undermining the state's religious narrative and prompting stronger internal repression.

Additionally, the Shi'a minority in the oil-rich Eastern Province has periodically expressed discontent, leading to episodes of unrest. A significant moment of Shi'ite resistance occurred in 1979 during the Qatif Uprising, inspired by the Iranian Revolution. Similarly, during the Arab Spring in 2011, protests erupted in the Eastern Province, leading again to a fierce government

crackdown. Both periods saw mass arrests and executions of dissidents, with one of the most defining cases being that of Sheikh Nimr al-Nimr, a Shi'ite cleric whom the regime executed in 2016 for advocating Shi'ite rights and political reforms.

Under King Abdullah (2005 – 2015), the kingdom sought to project a more modern and globally integrated image. A series of economic, educational and political reforms aimed to modernize the kingdom while maintaining the core structure of its governance. His successor, King Salman, has largely ruled through his son, Crown Prince Mohammed bin Salman (MbS), who has established himself as the de facto leader of Saudi Arabia. In 2016, MbS launched the ambitious Vision 2030 initiative to diversify the economy, reduce reliance on oil, and accelerate social and cultural change. He has also diluted the influence of the religious establishment, steering the state away from Wahhabism toward a nationalist narrative. Domestically, under MbS, Saudi Arabia has undergone significant social transformations that include a lifting of the ban on women driving, curbing the religious police's authority and opening the entertainment sector. Internationally, this shift has allowed Riyadh to quietly explore closer coordination with Israel, even as it maintained a hard line against Qatar during the Gulf Cooperation Council (GCC; 2017 – 2021) rift.

Economically, while real GDP per capita peaked in the early 1980s, growth has continued despite oil price volatility. The post-2003 boom expanded public sector employment and social spending. More recently, the economy has recovered from the COVID-19 downturn, with gradual progress toward Vision 2030 targets such as diversification, higher Saudi employment and increased female labor-market participation. Early results indicate structural change is underway, albeit unevenly as reforms are beginning to yield tangible results.

Saudi Arabia remains an absolute monarchy with no political parties, independent unions or legally recognized civil society associations. The Basic Law of Governance, introduced in 1992, functions as a de facto constitution but grants sweeping powers to the monarchy. There is no genuine division of power among the executive, legislative and judicial branches, as the royal family, the Al Saud, dominates all aspects of government. The king holds absolute authority, supported by a vast bureaucratic network that ensures compliance with state policies.

Despite significant pressures, the kingdom has shown notable resilience, sustaining authoritarian rule while adapting to shifting economic and geopolitical landscapes.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The Saudi monarchy remains one of the most dominant and resilient absolute monarchies in the world, maintaining near-total control across the KSA. The ruling House of Saud has maintained a monopoly over political power, religious authority and the use of force, despite periodic challenges to its legitimacy. Historically, the Saudi regime has been adept at neutralizing both internal and external threats, ensuring that any opposition is swiftly quashed before it can pose a significant challenge to the monarchy's stability. While there have been dissenting voices, particularly among religious conservatives, Shi'ite minorities and displaced communities, they have not disrupted the ruling family's overall hegemony.

In 2023, Saudi Arabia reached a significant agreement with Yemen's Houthis and Iran, leading to a cessation of attacks from Yemen and enhancing the country's overall security. This development further reinforced Saudi Arabia's monopoly on the use of force within its borders and consolidated state authority. Notably, even as the United States and Israel launched strikes against the Houthis, Saudi Arabia refrained from participating. This decision underscored its commitment to upholding the agreement, prioritizing domestic stability over regional conflicts and demonstrating a strategic shift toward diplomatic engagement rather than military intervention in its immediate geopolitical sphere.

Saudi Arabia's population structure plays a significant role in the monarchy's stability. About two-thirds of the population are Saudi citizens, while the remaining third are foreign workers, primarily from South Asian and other Middle Eastern countries. The foreign worker population, though substantial, remains vulnerable under the rigid Kafala sponsorship system that gives employers significant control over workers' legal and personal lives. Because they lack political rights and face systemic restrictions, foreign workers have never posed a real challenge to the Saudi regime; they lack the means or legal protection to organize or mobilize against the state.

Question  
Score

Monopoly on the  
use of force

9



1

State identity

7



1

Among Saudi citizens, Sunnis comprise about 85% to 90%, while the Shi'ite minority makes up around 10% to 15%. The Shi'ite population is concentrated in the oil-rich Eastern Province, a strategically important region that has seen periodic uprisings against the Saudi regime. Historically, the Shi'ite community has been viewed with suspicion by the monarchy because of its perceived religious and political ties to Iran. The Saudi state's response to Shi'ite dissent has been consistently severe, with heavy crackdowns and mass arrests. Although resentment remains among the Shi'ite population, the government's ongoing repression has ensured that any dissent remains largely subdued. Strict surveillance, preemptive arrests and systematic discrimination have made it difficult for the Shi'ite minority to mount any meaningful opposition to the state.

Within the Sunni majority, there have been elements of dissent, particularly from religious conservatives who oppose the sweeping social reforms introduced by MbS. While his unprecedented changes have been celebrated by many, they have also alienated segments of the conservative clerical establishment and their followers, who view these reforms as a betrayal of Islamic values. Although there may be pockets of dissatisfaction among religious conservatives, the government's strict control over religious institutions and harsh treatment of dissenting clerics have prevented any organized opposition from taking shape.

Another notable challenge to the Saudi regime's authority has emerged from tribal communities, particularly the Huwaitat tribe, who have faced forcible evictions to make way for construction of NEOM, the futuristic megacity envisioned by MbS. The Huwaitat have protested their displacement, but their resistance has been met with severe reprisals. In 2020, activist Abdul Rahim al-Huwaiti was killed after openly defying the government's eviction orders. Further crackdowns followed in 2023, including reports of mass executions of those who continued to resist displacement. In 2024, the Saudi government issued an open order to kill anyone attempting to resist clearance for the NEOM project, demonstrating the extreme measures it is willing to take to maintain control and advance its economic ambitions.

The legal system remains dominated by the Wahhabi-Hanbali school of Islamic jurisprudence. However, in recent years, this dominance has been increasingly questioned and reformed under MbS's leadership. One of the most significant challenges he has raised concerns the framework's heavy reliance on hadiths, or the sayings of the Prophet Muhammad, which form a core pillar of Wahhabi-Hanbali thought. Since his rise to power, there has been a gradual but clear shift away from strict religious dogma in shaping the country's legal and political institutions. Instead, the government has moved toward a more centralized, state-driven interpretation of law that aligns with the crown prince's vision for a modernization agenda and the economic transformation goals outlined in Vision 2030. These changes have significantly reduced the influence of religious clerics over governance and policymaking, signaling a broader effort to reshape Saudi Arabia's sociopolitical landscape.

No interference of religious dogmas

3

'06 '26 10



1

Saudi Arabia is undergoing a significant transformation in its legal system, driven by efforts to codify laws as part of its broader Vision 2030 strategy. This initiative aims to modernize the legal framework, improve judicial transparency and attract foreign investment. Traditionally rooted in Islamic law (Shariah), the kingdom's legal system is evolving through the creation of written statutes that provide clearer, more accessible guidelines across various sectors, including governance, commerce and daily life. The codification process introduces more structured legislation to meet contemporary legal and economic challenges. This shift enhances clarity, consistency and predictability for both local and international actors. Notable areas of reform include the Companies Law, Civil Transactions Law, Personal Status Law, Criminal Law and updates to Employment Law. Many observers view this move as an effort by the government to reduce the discretionary power of religious authorities in legal matters.

Although pockets of dissatisfaction may exist among religious conservatives, the government's strict control over religious institutions and harsh treatment of dissenting clerics have stifled organized opposition. Among the most notable religious figures to openly resist these new policies is Sheikh Salman al-Oudah, who was arrested in 2017 after calling for reconciliation between Saudi Arabia and Qatar. He remains imprisoned and faces a possible death sentence. His case illustrates the broader suppression of religious scholars who refuse to align with the ruling family's political agenda.

KSA has a well-defined administrative structure, but navigating it often requires personal connections, particularly within the royal family. This is especially true in business dealings, where relationships can influence approvals and opportunities. The justice system is also not entirely equitable, as it tends to treat Saudi and non-Saudi citizens differently. Even among Saudis, hierarchy shapes access to bureaucratic processes and legal outcomes, and some individuals receive preferential treatment based on their connections.

Following Vision 2030, the Saudi government has significantly intensified efforts to combat corruption, framing anti-corruption as a key component of national reform. Saudi Arabia, the largest country in the Middle East, is also highly urbanized. However, the state's administrative reach extends to even the most remote villages. This expansion has facilitated the provision of essential public services across the nation. By 2022, all citizens had access to electricity and at least basic water and sanitation services, while 79.9% benefited from safely managed sanitation.

Basic  
administration

7



1

## 2 | Political Participation

Saudi Arabia does not hold national elections because the country is an absolute monarchy. Municipal elections reintroduced under King Abdullah have been “postponed” indefinitely in the wake of Vision 2030. Instead, political participation is limited to the Shura Council, which serves in an advisory capacity. The council consists of 150 members, all of whom are appointed by the king, reflecting centralized governance. While the council can propose laws and policies, it lacks legislative authority, as ultimate decision-making power rests with the monarchy. This structure reinforces the top-down political system in the kingdom.

Elected bodies have little or no influence. All senior government officials are appointed directly by the king, consolidating executive power within the monarchy. The only elected figures with any notable societal influence are the heads of chambers of commerce. However, these individuals often come from prominent business families, raising concerns about conflicts of interest and their ability to represent the broader population. Meanwhile, elected members of municipal councils are limited to addressing local administrative issues and have minimal authority, further restricting meaningful public participation in governance.

Civic groups in Saudi Arabia tend to flourish when they are sponsored or approved by the government and align with the existing political and social framework. Independent civil society organizations that express dissenting views or challenge the status quo face substantial legal and operational constraints. The right to peaceful assembly remains heavily restricted, limiting citizens’ ability to organize in physical spaces. Consequently, much civic activism in Saudi Arabia has migrated to digital platforms, where popular social media channels serve as vital spaces for discussing social and political issues. Nevertheless, online activism is subject to extensive surveillance by state authorities, and individuals who express critical or oppositional views risk prosecution, detention or other legal repercussions. These conditions significantly narrow the space available for genuine civic engagement and independent activism.

To regulate and formalize the sector, the Saudi government enacted the Law on Associations and Foundations in 2015, establishing a legal framework for non-governmental organizations (NGOs). While some observers view this as a step toward greater institutionalization and transparency, others argue it reinforces state control over civil society. Despite these tensions, the number of registered NGOs has expanded dramatically – from roughly 180 in 2018 to around 5,000 in 2024 – reflecting the government’s support for civic activities that are aligned with Vision 2030.

Free and fair elections



Effective power to govern



Association / assembly rights



In Saudi Arabia, dissenting media, activists and journalists often face physical threats, intimidation or imprisonment. The state enforces extensive censorship and strictly controls information. As a result, the media reflects only the official narrative approved by the royal court.

The government continues to crack down on freedom of expression, targeting human rights defenders, women’s rights activists and journalists. Some have received lengthy prison sentences of up to 45 years for online dissent. The government closely monitors social media platforms to gauge public sentiment. This surveillance of online discourse allows authorities to adjust policies in response to highly salient issues. A notable example is the government’s reaction to discussions about the Abraham Accords with Israel. Additionally, authorities have deployed advanced surveillance tools, including the infamous “Pegasus” spyware, to monitor and silence critics both within and beyond Saudi borders. This demonstrates the kingdom’s extensive transnational repression, which reaches beyond national territory.

While Saudi Vision 2030 has introduced significant economic and social reforms, challenges to religious freedom and civil liberties remain. The core authoritarian structure of the state remains unchanged, and fundamental freedoms, including those related to political expression, continue to be severely restricted. A recent example is the 23-year prison sentence handed down in 2024 to Saudi journalist and cartoonist Muhammad al-Ghamdi.

### 3 | Rule of Law

Saudi Arabia is an absolute monarchy with no separation of powers; all authority rests with the ruling family. Historically, the clergy held some influence over governance and social policies. Since MbS’s rise to power, he has significantly curtailed their authority, consolidating control within the monarchy. This centralization has allowed him to implement sweeping reforms while tightening political control and suppressing potential sources of opposition.

The judiciary in Saudi Arabia is heavily influenced by powerful families and the royal court, reducing its independence and often favoring those with connections. Legal proceedings are often lengthy, and many noncitizen laborers, lacking financial and legal resources, find themselves entangled in the system for years. These workers struggle to navigate a complex bureaucracy, facing delays and unfair treatment. Without adequate legal representation, they remain vulnerable to exploitation, underscoring systemic inequality in the Saudi judicial system.

Significant efforts to modernize the Saudi judiciary have been undertaken as part of the broader Vision 2030 reform agenda. In December 2023, a new civil code came into force, accompanied by updated company laws intended to improve legal clarity

Freedom of expression

2

'06 \_\_\_\_\_ '26 10



Separation of powers

1

'06 \_\_\_\_\_ '26 10



Independent judiciary

2

'06 \_\_\_\_\_ '26 10



and strengthen economic competitiveness. However, in practice, judicial independence remains limited. A key obstacle is that many jurists are still trained predominantly in religious, rather than contemporary legal, frameworks – an issue that continues to impede comprehensive judicial modernization.

Under the leadership of MbS, corruption in Saudi Arabia has shown some improvement. The anti-corruption authority Nazaha has become more active, particularly in addressing lower-level corruption. The crown prince frequently emphasizes the importance of combating corruption as part of his broader reform agenda. Nazaha has made some progress by carrying out random inspections of government offices and filing charges against government employees, leading to more than 1,700 arrests on corruption charges in 2024, according to news reports. However, high-ranking officials with close ties to the ruling elite often remain untouched. Thus, the selective prosecution of office abuse supposedly serves more as a tool to eliminate potential political rivals than as a serious effort to tackle corruption.

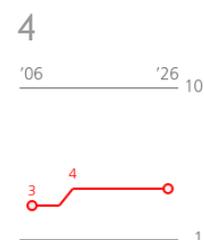
Saudi Arabia is an absolute monarchy that imposes significant restrictions on civil liberties, with widespread reports of arbitrary arrests, trials and convictions of peaceful activists. The government frequently uses travel bans as a repressive tool, preventing activists and dissidents from leaving the country. Reform advocates are routinely stripped of their passports, and authorities extend punitive measures to family members, who may also face travel restrictions or imprisonment as collective punishment.

Gender segregation continues to limit freedoms for men and women, with the male guardianship system historically placing severe constraints on women's autonomy. However, some reforms have been introduced in recent years. The ban on women driving was lifted in 2018, and since 2019, adult women have been permitted to apply for passports independently. Gender-segregation norms have begun to relax in some settings, though inconsistently and without formal legal guarantees. Despite these changes, women's rights activism remains tightly controlled by the state, and authorities continue to suppress feminist activism.

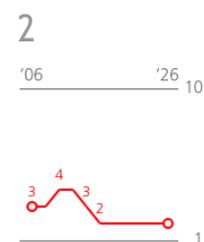
Civil rights for non-Saudis are almost nonexistent. In September 2023, Saudi authorities reported the arrests of more than 15,000 expatriates in one week for violating residency laws. The Ministry of Interior has warned that individuals who aid undocumented migrants could face up to 15 years in prison and large fines. Additionally, reports emerged in 2023, 2024 and 2025 of Saudi forces killing hundreds of Ethiopian migrants and asylum-seekers at the Yemen-Saudi border, raising concerns about potential crimes against humanity.

Under MbS, some legal reforms, such as ending the death penalty for minors, have been overshadowed by intensified repression. Authorities have detained peaceful dissidents, public intellectuals and human rights activists, sentencing individuals to lengthy prison terms or even death for social media activity. While the government promotes an image of modernization, widespread human rights abuses persist, undermining claims of genuine reform.

#### Prosecution of office abuse



#### Civil rights



International human rights organizations, including Amnesty International, have repeatedly called on the Saudi government to release individuals imprisoned for their online activism and to improve transparency and accountability. Ahead of the Internet Governance Forum (IGF) 2024, hosted in Riyadh from December 15 to 19, pressure has mounted on Saudi authorities to uphold digital rights. On September 6, 2024, more than 40 civil society organizations urged the kingdom to immediately release all individuals arbitrarily detained for their online speech. However, these demands have not been met, and the systematic repression of digital freedoms stands in stark contrast to the IGF's principles of fostering inclusive digital spaces and protecting human rights.

#### 4 | Stability of Democratic Institutions

Saudi Arabia lacks democratic institutions, and advocating democracy can result in severe punishment. Historically, some informal accountability existed through the tribal system, which played a role in governance. However, under the current leadership, power has become increasingly centralized, reducing traditional checks and further consolidating authority within the ruling elite.

Performance of democratic institutions



Democratic legitimacy remains low in Saudi Arabia, both among the public and within government and religious institutions. During the Arab Spring, the country's Shi'a population demanded greater democratic rights and political representation. However, their protests were swiftly and brutally suppressed by the state, reinforcing the government's intolerance for political dissent and democratic aspirations.

Commitment to democratic institutions



However, in retrospect, some Saudis applaud their government's "strong-fist" approach to the Arab Spring because they see that all countries that experienced upheaval around 2011 ended up in civil war.



#### 5 | Political and Social Integration

Political parties are strictly prohibited in Saudi Arabia, and any attempts by citizens to establish them are swiftly suppressed. In early 2011, five activists seeking official recognition for "The Islamic Ummah Party" were arrested, highlighting the government's zero-tolerance policy toward political organization. Even party-like entities, such as the Saudi Civil and Political Rights Association – founded in 2009 to advocate for constitutional reform and human rights – have faced systematic repression. Opposition groups have emerged abroad, primarily among exiled Saudis, including the London-based National Assembly Party, which has called for an elected

Party system



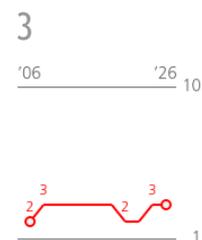
government since 2020. The murder of Jamal Khashoggi in 2018 intensified global criticism, yet these opposition groups remain largely ineffective in influencing political developments within the kingdom.

Since the late 20th century, the space for political engagement and civil society in Saudi Arabia has gradually expanded. Social reform efforts, initially encouraged in the late 1990s by then-Crown Prince Abdullah, gained momentum, leading to the growth of charitable organizations, NGOs and various formal and informal associations. The domestic voluntary sector is diverse, encompassing not-for-profit organizations (NPOs), chambers of commerce, professional networks and grassroots groupings. While these organizations operate independently, the government maintains strict oversight. Scrutiny of civil society intensified after the September 11, 2001, attacks and has only increased under MbS.

Saudi Arabia has few democratic institutions, reflecting its status as an absolute monarchy. For some in the region, the appeal of democracy has diminished after the Arab Spring, particularly given the instability, unrest and even civil wars that followed protests in several countries. According to the Arab Opinion Index 2022, Saudi Arabia ranked lowest among regional states on respondents' perceived ability to openly criticize their government.

There is limited data on societal trust in Saudi Arabia, but fear of government surveillance significantly shapes social interactions. Citizens are wary of being monitored because the state encourages informants and, at times, even recruits individuals to report on others. This atmosphere of suspicion discourages open social engagement. As a result, social activities are largely confined to trusted networks, including family, tribal affiliations, close friends and, in some cases, religious groups, where individuals feel relatively safe from government scrutiny.

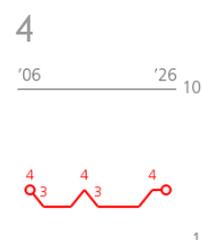
Interest groups



Approval of democracy



Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

The United Nations Development Programme (UNDP) ranked Saudi Arabia 40th out of 189 countries in its 2024 Human Development Index (HDI), with a score of 0.875, an improvement over previous years. This places the kingdom in the “very highly developed” category. However, while vital statistics on income inequality and poverty are often outdated or unavailable, the country’s Gini index is estimated at 46.3 for 2024, significantly above the OECD average, indicating a high level of income disparity.

Economic and social disparities persist, particularly in rural and peripheral areas such as Jizan – which has been affected by ongoing conflict with the Houthis – and in the Shi’ite-majority Eastern Province – where some communities experience political and economic marginalization. In urban areas, marginalized groups, including divorced women and widows, often struggle to access the welfare state.

In terms of gender equality, Saudi Arabia has made some progress. The Gender Development Index (GDI) was 0.918 in 2020 and 0.917 in 2021. The country scored 0.229 on the 2022 Gender Inequality Index and 0.64 on the 2022 Global Gender Gap Index, reflecting improvements in education, health care and women’s participation in the labor force. However, despite these gains, Saudi Arabia remains in group 5 – the lowest category in gender equality rankings.

Critics of Vision 2030 argue that the program’s privatization initiatives may exacerbate income inequality. Dissent on these issues has been suppressed, as critics – including economists and activists – have been sidelined or arrested for voicing concerns about rising inequality and the socioeconomic consequences of rapid reforms. While the Saudi government continues to push for economic transformation, challenges related to inequality, exclusion and political repression remain pressing.

Question  
Score

Socioeconomic  
barriers

6

'06 '26 10



1

Economic indicators		2021	2022	2023	2024
GDP	\$ M	982661.1	1239075.2	1218584.5	<b>1237529.9</b>
GDP growth	%	6.5	12.0	0.5	<b>1.8</b>
Inflation (CPI)	%	3.1	2.5	2.3	<b>1.7</b>
Unemployment	%	6.6	5.6	4.0	<b>3.9</b>
Foreign direct investment	% of GDP	2.9	2.2	1.9	<b>1.6</b>
Export growth	%	1.8	19.5	-7.0	<b>3.7</b>
Import growth	%	8.6	12.2	9.7	<b>3.3</b>
Current account balance	\$ M	40533.6	150353.5	35133.3	<b>-5749.9</b>
Public debt	% of GDP	25.5	21.3	23.0	<b>26.2</b>
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-2.0	2.2	-1.8	-
Tax revenue	% of GDP	8.6	7.0	7.8	-
Government consumption	% of GDP	21.7	19.1	20.9	<b>21.4</b>
Public education spending	% of GDP	-	-	5.1	-
Public health spending	% of GDP	4.6	3.6	-	-
R&D expenditure	% of GDP	0.4	0.5	0.6	-
Military expenditure	% of GDP	7.2	6.4	7.1	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Compared with many of its Middle East and North Africa (MENA) counterparts, Saudi Arabia has a less statist economic structure. Although government intervention exists, particularly through subsidies and state-owned enterprises, the country has taken steps to foster a more liberal economic environment.

According to the Heritage Foundation's 2024 Index of Economic Freedom, Saudi Arabia's economic freedom score is 61.9, making its economy the 69th-freest in the world. This is an improvement of 3.6 points from the previous year, indicating

Market  
organization

6

'06 '26 10



gradual progress in economic liberalization. Within the MENA region, Saudi Arabia ranks sixth out of 14 countries, with its score surpassing global and regional averages. As a result, the Index categorizes Saudi Arabia’s economy as “moderately free.”

Despite these improvements, economic freedom in Saudi Arabia remains constrained by structural and institutional factors. In recent years, there have been significant efforts to combat corruption and enhance regulatory efficiency, yet challenges persist. The judicial system, though functional, is still vulnerable to political influence, which can undermine investor confidence. Bureaucratic inefficiencies and a lack of transparency continue to hinder investment, limiting the ease of doing business. However, there have been positive developments, including a reduction in the time required to establish a business and eased licensing requirements for entrepreneurs.

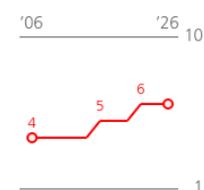
The financial sector has also undergone gradual reforms, including relaxing some restrictions on foreign investment in financial services. Furthermore, state-led initiatives have been rolled out to support small and midsize enterprises (SMEs), which are essential to economic diversification. Although an informal sector exists in Saudi Arabia, it remains relatively small in proportion to the broader economy. Some businesses circumvent regulations by misclassifying their activities, operating without proper documentation or employing foreign workers off the books. Regulatory bodies face limitations in monitoring and curbing these practices because of bureaucratic constraints. Overall, Saudi Arabia’s economic trajectory reflects an ongoing shift toward greater market openness, even as institutional hurdles persist.

The introduction of a new civil code in Saudi Arabia is expected to substantially streamline the business environment, particularly for foreign companies looking to invest in the kingdom. This legal reform aligns with broader economic modernization efforts aimed at enhancing transparency and predictability. At the same time, there has been a marked increase in Saudi nationals joining the private sector, driven largely by MbS’s Saudization strategy to reduce reliance on foreign labor. Furthermore, both public and private investments are increasingly directed toward entertainment, tourism and sports – key sectors identified as engines for economic diversification.

Saudi Arabia’s new competition law, enacted in September 2019, replaced the 2004 law and significantly reformed the regulatory framework governing competition in the country. The law applies to all business entities operating in Saudi Arabia, ensuring fair competition across sectors. It explicitly prohibits anti-competitive practices, including price-fixing, market division, bid rigging and any constraints on the free flow of goods and services in domestic and international markets. The law aims to foster a more dynamic and competitive economic environment in alignment with Saudi Arabia’s Vision 2030 economic diversification strategy.

Competition policy

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According to the 2023 Arab Business Legislative Frameworks (ABLF) report, published by the United Nations Economic and Social Commission for Western Asia (ESCWA), Saudi Arabia's competition regulatory framework has made remarkable progress. It was rated "Developed" in 2020, and by 2023 it advanced to the "Very Strong" classification, reflecting the nation's commitment to improving market regulation and transparency.

Saudi Arabia is a member of the International Competition Network, reflecting its commitment to fostering fair and transparent market practices. In a significant policy shift announced in 2022 and effective starting in 2024, multinational companies that seek to do business with the Saudi government must establish their regional headquarters in the kingdom.

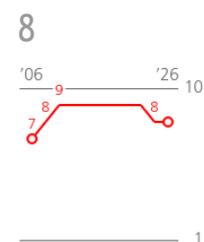
On April 21, 2024, the General Authority for Competition (GAC) released its first-quarter 2024 report on merger control activities. The report states that GAC unconditionally approved 48 transactions and issued 32 certificates of non-notification obligation, while 13 merger requests remain under review. Notably, the report did not disclose any information about violation proceedings, sanctions or settlements related to gun-jumping and failure to make required notifications, raising concerns about enforcement transparency.

Despite a well-structured legal framework promoting competition, challenges persist in practice. Firms with close ties to the top tiers of the royal family continue to receive preferential treatment, limiting true market competitiveness. This dynamic underscores the gap between policy intentions and economic realities in Saudi Arabia.

Saudi Arabia's foreign trade has historically been relatively open, and the country has maintained active commercial relationships with major global economies. Despite this openness, Saudi Arabia occasionally faces costly non-tariff barriers that can affect the competitiveness of its exports and imports. These barriers include regulatory hurdles, import licensing requirements and technical standards that may pose challenges for foreign companies seeking to enter the Saudi market.

According to the Global Economy, Saudi Arabia's business freedom score, which measures the ease of doing business, stood at 70 points in 2024. This marks a slight decline from the 72 points recorded in 2023. However, the country still ranks above the global average of 62 points, based on data from 175 countries. Historically, Saudi Arabia has maintained a strong business freedom score, averaging 73 points during the period from 1996 to 2024. The lowest value, 51 points, occurred in 2006, while the highest, 88 points, was achieved in 2012. This fluctuation reflects the nation's ongoing regulatory changes and economic reforms aimed at improving the investment climate.

Liberalization of foreign trade



A key component of Saudi Arabia's Vision 2030 initiative is to position Saudi Arabia as a global investment hub by diversifying and expanding the economy. As part of this strategy, the Saudi Council of Ministers issued Resolution No. 40 on November 8, 2024, amending the Foreign Investment Law first enacted in 2000. The updated law aims to ensure a level playing field for domestic and international investors by creating a fair, competitive business environment. It also seeks to simplify investment procedures, provide stronger legal protections for investors and attract strategic investments, particularly in high-priority sectors such as technology, renewable energy, health care and tourism. The drive to codify company and civil law will also make doing business easier in Saudi Arabia.

Saudi Arabia has taken significant steps to liberalize its trade policy, particularly after its accession to the World Trade Organization (WTO) in 2005. According to 2023 WTO data, Saudi Arabia's average applied most-favored-nation (MFN) tariff is 6.2%. The country has also advanced regional economic integration through its membership in the Gulf Cooperation Council (GCC), which has harmonized tariffs and streamlined trade regulations among member states. These efforts have made Saudi Arabia a more open, transparent and predictable market for foreign investors and trading partners.

Despite this progress, some government support measures to assist domestic producers have raised concerns about trade fairness. For example, providing subsidized gasoline and natural gas to local industries could be interpreted as an export subsidy. However, because Saudi gas is not exported, there is no clear basis for claims of price discrimination. Even so, these subsidies remain under scrutiny in debates about fair trade practices and market competition.

Saudi Arabia's financial system continues to evolve, with a well-capitalized banking sector and a progressively liberalized regulatory environment. The Saudi Central Bank (SAMA), formerly the Saudi Arabian Monetary Authority, maintains stringent oversight, ensuring financial stability through capital requirements that exceed Basel III standards. In 2023, Saudi banks were highly profitable, with operating income up 9.5%, driven largely by higher net interest income. Net interest margins improved to 3.5% and return on equity increased to 14.5%, reflecting the sector's resilience.

The Vision 2030 framework remains a key driver of financial sector transformation, emphasizing economic diversification and innovation. The Financial Sector Development Program (FSDP) has been crucial in fostering a competitive, digitally driven banking ecosystem. A major milestone was implementing the Open Banking Program in 2022, which has since expanded to facilitate seamless financial transactions and promote fintech integration. Saudi Arabia aims to establish itself as a global fintech hub by continuously refining its regulatory frameworks and investing in digital banking initiatives.

#### Banking system



Foreign participation in the Saudi banking sector has steadily increased, with 12 international banks, including BNP Paribas, JPMorgan and Deutsche Bank, operating in the kingdom. First Abu Dhabi Bank, Goldman Sachs and Citigroup have notably strengthened their investment and financial services presence since the launch of Vision 2030. The government's commitment to fostering foreign investment is further reflected in its ongoing regulatory reforms designed to attract global financial institutions.

Saudi banks have maintained a strong financial position, with non-performing loan ratios remaining low at 1.9% in 2021. However, liquidity constraints emerged in 2022 as lending growth outpaced deposit accumulation, prompting SAMA to inject additional liquidity into the banking system. The sector's capital-to-assets ratio remains robust, demonstrating the resilience of financial institutions amid dynamic market conditions.

The banking sector's robust capital adequacy ratio of 20.1% supports financial stability and lending capacity. Banking credit expanded in 2023, driven primarily by corporate credit, which grew 13.2%. In addition, nonbank financial institutions performed well, as lending by finance companies increased 12.3% to SAR 84.7 billion. These trends highlight the strength of the financial sector, reinforcing Saudi Arabia's economic resilience and progress toward a more diversified economy.

The Capital Market Authority (CMA), established in 2004, continues to enhance transparency and governance in Saudi Arabia's financial markets. Reforms initiated in 2018 lowered the minimum asset threshold for foreign investors from \$1 billion to \$500 million and raised the foreign ownership cap in listed companies to 49%. These changes have encouraged greater foreign participation and contributed to a more dynamic stock market.

Tadawul, Saudi Arabia's stock exchange, has seen significant developments, including increased foreign capital inflows and improved regulatory standards. In 2023, the Public Investment Fund (PIF) made a strategic \$200 million investment in an exchange-traded fund (ETF) listed in Europe, marking a significant step toward integrating Saudi financial markets with global investment networks. Such initiatives underscore the kingdom's efforts to attract international investors and enhance the sophistication of its financial market.

Overall, Saudi Arabia's banking system demonstrates resilience and adaptability, driven by strong regulatory oversight, strategic financial sector reforms and a commitment to economic diversification. The ongoing modernization of banking and financial services positions the kingdom as a significant player in the global financial landscape, aligning with its broader Vision 2030 objectives.

## 8 | Monetary and fiscal stability

Saudi Arabia has historically succeeded in containing inflation. In 2023, the Consumer Price Index (CPI) inflation rate was 2.3%, compared with 2.5% in 2022 and 3.1% in 2021. This relatively stable inflationary environment reflects the country's effective monetary policies and economic resilience.

The Saudi riyal (SAR) is pegged to the U.S. dollar at a rate of 3.75, which constrains the use of interest rates as a tool for monetary policy. According to the World Bank, Saudi Arabia's real effective exchange rate was 119.0 in 2023, indexed to 100 in 2010. Consequently, the Saudi Central Bank (SAMA) relies on other mechanisms, such as reserve requirements and open market operations, although their scope remains limited. In 2020, SAMA reaffirmed its commitment to maintaining the riyal-dollar peg, citing it as a strategic measure that contributes to long-term economic stability and growth. Despite recurring speculation about potential adjustments to the peg, it remains a cornerstone of the kingdom's financial strategy, providing predictability and stability for investors and businesses. SAMA is cited as having full financial and managerial independence.

In its 2024 Financial Stability Report, SAMA analyzed national and global trends and reaffirmed the resilience of the Saudi economy despite external uncertainties. The report highlighted that in 2023 the kingdom made significant progress toward the economic diversification goals outlined in Vision 2030. Non-oil activities accounted for 49.9% of GDP and grew 4.4% in 2023. This shift underscores the success of government-led initiatives aimed at reducing dependence on oil revenues.

Although Saudi Arabia remains fiscally stable, it has yet to diversify its economy beyond oil, which remains the backbone of the economy. Efforts to increase non-oil revenue have gained momentum in recent years. One significant fiscal measure was the introduction of a 15% value-added tax (VAT) in the aftermath of the COVID-19 pandemic. This indirect tax has played a crucial role in generating revenue because Saudi Arabia has no direct income taxation. As a result, most of the country's tax revenue comes from indirect sources such as VAT and customs duties.

As of 2023, Saudi Arabia's total public debt remains relatively low at 26.2% of gross domestic product (GDP), reflecting a stable fiscal position. The country also reported a positive net lending-to-borrowing ratio of 2.3 in 2022, indicating the government is generating more resources than it is spending on net. Government consumption is notably high at 23.3% of GDP, reflecting the state's central role in the economy. According to the World Bank, the current account balance was a positive \$28 billion in 2023, underscoring the continued strength of oil exports. Tax revenue, however, was relatively modest at \$7.8 billion in 2022, largely due to the absence of personal income tax. Military expenditure remains significant, accounting for 7.4% of GDP in 2022 – one of the highest globally.

### Monetary stability

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### Fiscal stability

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## 9 | Private Property

According to the 2024 International Property Rights Index, Saudi Arabia ranks fifth in the MENA region and 40th worldwide. This ranking reflects a moderate level of property rights protection, though challenges remain. Property rights are generally respected, but enforcing them through the courts can be time-consuming and uncertain because of bureaucratic inefficiencies and legal complexities. Historically, certain areas, such as land ownership, have suffered from weak regulatory frameworks. The establishment of the first land registry agency in late 2016 marked a significant step toward improving property governance and transparency.

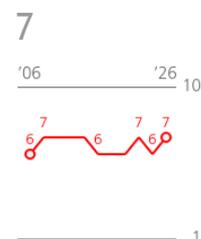
In recent years, Saudi Arabia has experienced several large-scale real estate scandals, some involving corrupt judges and notary officials, underscoring persistent vulnerabilities in the system. To address these issues, the government has initiated legal and institutional reforms to enhance the efficiency and integrity of property rights enforcement.

On foreign ownership, Saudi Arabia allows GCC nationals and GCC-based companies to purchase and own land and residential property, subject to certain restrictions. For non-GCC nationals and foreign companies, ownership rights are more limited and allow only the purchase of specific types of land and property. Nonetheless, Saudi Arabia's legal framework continues to evolve. The Saudi legal system supports and facilitates property acquisition and disposition in alignment with Islamic principles that uphold private property rights. Under the foreign investment code, non-Saudi corporate entities can purchase real estate, and foreign-owned corporate and personal property remains legally protected.

Efforts to modernize the land registry system are ongoing, including development of a more efficient mechanism for recording security interests. In 2017, the Ministry of Municipal, Rural Affairs and Housing introduced an annual vacant land tax of 2.5% of assessed value in urban centers to stimulate development. In 2018, Saudi Arabia's central bank raised the loan-to-value ratio for first-time homebuyers from 85% to 90% and increased subsidies for interest payments to enhance access to mortgages and housing finance.

Further liberalization of property laws is underway. In 2023, the government announced it was in the final stages of reviewing legislation that would allow foreigners to purchase a broader range of real estate, expanding beyond the single residential property permitted under 2021 regulations. These changes signal Saudi Arabia's ongoing commitment to reforming and strengthening its property rights framework in line with its broader economic diversification goals under Vision 2030.

### Property rights



The Privatization Program is a key initiative under Saudi Arabia's Vision 2030, aimed at fostering private sector participation in the kingdom's economy. By transferring state-owned assets and services to private sector operators, the program seeks to improve service efficiency, reduce government expenditures and drive economic diversification. For global businesses, the Privatization Program offers lucrative entry points in key sectors such as health care, education, transportation and municipal services. International companies can engage in joint ventures, acquisitions and public-private partnerships (PPPs) as the kingdom opens government-controlled sectors to private sector competition.

However, in practice, the privatization process has been gradual because the government remains cautious about relinquishing control of strategic assets. While smaller entities and services have been privatized, major state-owned enterprises, such as Saudi Aramco, have largely remained under government control. Authorities have been reluctant to fully privatize these enterprises due to concerns about national security, economic stability and the potential disclosure of sensitive financial information to the public.

## 10 | Welfare Regime

Saudi Arabia provides broad welfare services to its citizens, including pensions, monthly food payments and other financial assistance for low-income citizens. Water and electricity are heavily subsidized, particularly for those in lower-income brackets.

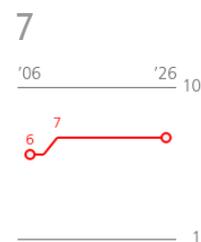
Saudi Arabia's social protection system is designed to foster a healthy, empowered society. The Ministry of Human Resources and Social Development (HRSD) plays a crucial role in ensuring economic and social stability, improving quality of life for citizens and mitigating social risks. In line with these efforts, the government has introduced preventive programs to strengthen support networks and meet the population's diverse needs.

According to the Asian Development Bank, Saudi Arabia allocates about 4.6% of its GDP to public health expenditure, a moderate level by global standards. The country also has a life expectancy at birth of 77.9 years, which is considered relatively high in the Middle East and North Africa.

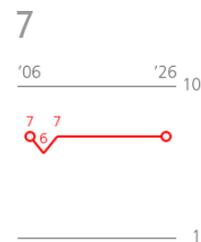
The social welfare programs serve vulnerable groups, including widows, divorced women, people with disabilities, older adults, orphans, anonymous descendants, the unemployed, the poor and those affected by disasters and pandemics.

Beyond direct financial assistance, the government invests heavily in public services, ensuring that all Saudi citizens have access to free education and health care. These initiatives contribute to higher living standards and improved quality of life for many Saudis.

### Private enterprise



### Social safety nets



Saudi Arabia has also enacted various pension regulations to secure the rights of retirees and their family beneficiaries. These regulations provide an insurance safety net to ensure a stable and decent standard of living for retirees. However, in the spirit of Vision 2030, public sector employment opportunities are no longer available to all nationals, and the government is systematically redirecting younger generations toward the private sector. Clientelism often plays a role in job allocation, with better-connected individuals securing more desirable positions. The Shi'a minority, in particular, tends to be disproportionately assigned to lower-tier public sector jobs.

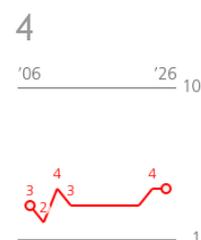
Family networks continue to play a crucial role in keeping people from falling into poverty. Many Saudis receive financial support from wealthier relatives, which helps mitigate economic disparities within the community. However, as the population grows, these networks are becoming increasingly strained. Alongside government initiatives, major private charities also provide assistance, particularly to noncitizens who do not benefit from the official welfare system. These charitable efforts help address gaps in the social protection framework and ensure that vulnerable groups, including expatriates, receive some support.

Noncitizens, who comprise approximately one-third of the population, are largely excluded from the welfare system. This exclusion creates a significant divide in access to social protection. They often earn significantly lower wages than their Saudi counterparts, with average expatriate salaries less than one-third of Saudi salaries. The ongoing Saudization policy in the private sector puts even greater socioeconomic pressure on noncitizens.

The government asserts its commitment “to do justice to a person, regardless of their religion, race, gender or nationality,” thereby promoting a vision of equality and nondiscrimination. In principle, the state ensures that public services are widely available, including provisions for women and for regional and sectarian minorities. In practice, however, clientelist networks and personal relationships often play a significant role in administering and distributing public services. This informal system can create de facto inequalities in access to services and opportunities and potentially undermine principles of fairness and equal treatment.

As part of its broader efforts to enhance social and economic development, the Saudi Cabinet introduced a new national policy in 2024 to encourage equal opportunities and equitable treatment in employment and occupation within the KSA. This policy (the “Policy”) is a key pillar of the nation’s long-term strategic framework for fostering inclusivity in the workforce. It aligns with international anti-discrimination standards and seeks to systematically address disparities in the labor market. The policy does not constitute binding legislation; rather, it provides a strategic framework for addressing discrimination and guiding employers on best practices for equal opportunities.

Equal opportunity



Since MbS assumed power, women’s participation in the workforce has increased notably. Efforts have also been made to encourage Saudis who were previously dependent on welfare to seek employment. However, persistent disparities remain, particularly in work opportunities for Shi’ites and foreign workers. Saudi Arabia’s hierarchical work culture continues to shape employment practices, restricting certain nationalities to specific labor sectors. Although Vision 2030 introduced a policy to grant citizenship to highly notable and skilled individuals, implementation has been limited. These ongoing challenges suggest that, while progress has been made toward inclusivity, significant structural barriers to equal employment opportunities remain.

In terms of education, World Bank statistics from 2020 show a female-to-male literacy ratio of 98, indicating near parity and equal access to basic education. Enrollment ratios are also encouraging: female-to-male enrollment is 1.0 at both primary and secondary levels and 1.1 at the tertiary level, suggesting that Saudi women are slightly outperforming their male counterparts in higher education. Despite these advancements, female labor force participation remains relatively low at 22.6% as of 2023 – though it has shown a steady upward trend in recent years.

## 11 | Economic Performance

Saudi Arabia is a G-20 member state and currently ranks as the world’s 17th-largest economy in terms of purchasing power parity (PPP), with an estimated gross domestic product (GDP) of \$2.112 trillion in 2024. In nominal terms, Saudi Arabia’s GDP was \$1.067 trillion in 2023, accounting for 1.01% of the global economy. While the country enjoys significant oil wealth, economic diversification remains a major challenge. The Saudi Vision 2030 initiative aims to reduce the country’s dependence on oil, but its effects on economic inequality remain uncertain.

In 2024, Saudi Arabia’s economy showed resilience and adaptability amid fluctuating oil markets and global economic challenges. The nation’s real gross domestic product (GDP) grew 1.3% in 2024, driven primarily by a 4.3% expansion in the non-oil sector, while oil-related activity contracted 4.5%.

In the fourth quarter of 2024, the economy accelerated, with GDP increasing by 4.4% – the highest quarterly growth in two years. This surge was largely due to a 4.6% rise in non-oil activities, reflecting the effectiveness of the Vision 2030 initiative aimed at economic diversification.

Despite these positive developments, the International Monetary Fund (IMF) has adjusted its growth projections for Saudi Arabia, citing ongoing oil production cuts by OPEC+ members. The IMF now forecasts GDP growth of 3.3% in 2025, down from earlier estimates.

Output strength

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On the fiscal front, Saudi Arabia's public debt has been declining. After peaking at 33.4% of GDP in 2020 because of increased social spending during the pandemic, it decreased to 30.01% in 2021 and to 24.9% in 2022. Projections indicate further declines, with debt expected to reach 22.6% of GDP by 2025, supported by anticipated fiscal surpluses.

Foreign direct investment (FDI) remains a focal point for the kingdom. In 2021, FDI accounted for 3.31% of GDP, with significant contributions from countries including the United Arab Emirates, the United States, France, Singapore, Japan, Kuwait and Malaysia. The government continues to implement policies to attract and retain foreign investors to support its diversification objectives.

Inflation was relatively moderate, with the Consumer Price Index (CPI) rising 2.5% in 2022. The unemployment rate also improved slightly, decreasing from 7.45% in 2020 to 7.36% in 2021. For Saudi nationals, the unemployment rate in 2022 hovered around 9.9%, with further declines expected, contingent on sustained growth in non-oil sectors. According to World Bank data, Saudi Arabia's GDP per capita in 2023 was \$54,992, reflecting a relatively high income level. However, GDP per capita growth declined 2.2% in the same year.

The labor market struggles to absorb about 300,000 new entrants each year. Factors include wage disparities between expatriates and Saudi citizens and lingering effects of the COVID-19 economic downturn. The Saudization program has had initial success in increasing Saudi participation in the private sector, but concerns persist regarding their productivity and the private sector's capacity to integrate more Saudi workers without compromising profitability.

As of 2022, about 1.55 million Saudis were employed in the private sector, with men making up about two-thirds of the workforce. Historically, economic growth in Saudi Arabia has been closely tied to government spending. However, Vision 2030 seeks to cultivate robust public-private partnerships to build a more diversified and sustainable economic landscape.

Economic forecasts for Saudi Arabia remain generally positive, with various institutions predicting stable growth. Fitch Ratings estimates Saudi growth at 2.6% to 3.3% in the near term, while Moody's is more optimistic, projecting about 4.6%. The International Monetary Fund (IMF) has raised its projection for the kingdom to 4%. In line with these forecasts, the Saudi Ministry of Finance's preliminary budget statement anticipates real GDP growth of 4.4%. These projections reflect the resilience of the Saudi economy despite fluctuations in oil production and global economic uncertainties.

Several factors contribute to the kingdom's optimistic economic outlook, including government policies and economic developments in 2023. Despite reductions in oil production, Saudi Arabia's revenues have increased, primarily due to rising non-oil

revenues. This trend is expected to persist as the country continues to push toward economic diversification. Over the past five years, non-oil revenues have grown steadily, and this growth is likely to accelerate in the coming years, driven by investments in infrastructure, tourism and technology.

Looking ahead, the IMF projects Saudi Arabia's economy to expand by 1.5% in 2024 and 4.6% in 2025. These figures suggest a steady recovery and continued momentum. The World Bank projects a 1.6% growth rate for 2024, accelerating to 4.9% in 2025. The Saudi pre-budget statement from September 30, 2023, estimated a GDP growth rate of 0.8% in 2024, with non-oil activities expected to expand by 3.7%. Credit rating agency S&P Global also highlighted the kingdom's economic resilience, predicting GDP growth of 1.4% in 2024 and 5.3% in 2025, supported by economic diversification efforts and private sector growth. Furthermore, anticipated interest rate cuts by the U.S. Federal Reserve are expected to benefit emerging markets such as Saudi Arabia, increasing capital inflows and further strengthening the economy.

In summary, Saudi Arabia's recent economic performance underscores a significant shift toward diversification and resilience. While challenges remain, particularly in labor market dynamics and dependence on oil revenues, ongoing reforms and strategic investments position the kingdom for sustained growth in the coming years.

## 12 | Sustainability

As the world's largest oil producer, Saudi Arabia faces international scrutiny over its environmental impact. The country is also a major producer of plastics, which are byproducts of its petroleum industry. Saudi Arabia's reliance on desalination plants – necessary to provide potable water – has raised concerns about water pollution. The kingdom's energy demands are substantial, and the average Saudi household generates large amounts of garbage.

In 2024, Saudi Arabia launched an ambitious solar energy agenda to transition toward renewable energy sources. However, progress has been slow, with domestic oil and gas consumption growing at an annual rate of up to 10%. To address these challenges, the government has taken steps to strengthen its environmental policies. In May 2019, the Ministry of Environment, Water and Agriculture signed a multimillion-dollar agreement with the U.N. Environment Programme aimed at bringing in U.N. experts specializing in environmental laws and regulations, climate change, waste management and air quality management, among other areas.

Saudi Arabia is also a regional leader in climate technology investment, accounting for 75% of overall investment in the Middle East in this sector. The kingdom has committed more than \$180 billion to foster a green economy and aims to produce 4 million tons of green hydrogen annually by 2035. A cornerstone of this initiative is NEOM, a futuristic megacity being developed as a hub of sustainable innovation. NEOM will host the world's largest green hydrogen plant, valued at \$8.4 billion, and will be powered entirely by renewable energy.

Environmental  
policy

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As part of the Saudi Green Initiative, Saudi Arabia has connected 2.8 GW of renewable energy capacity to its power grid. The plan sets an ambitious target for renewables to account for 50% of Saudi Arabia's total power capacity by 2035. The kingdom is preparing to host the Asian Winter Games in 2026, with all venues fully powered by renewable energy.

Although NEOM and the Asian Winter Games have drawn criticism from environmentalists, particularly over their ecological impact, Saudi Arabia offers a contrasting narrative. The kingdom promotes these initiatives as flagship projects powered entirely by renewable energy, in alignment with its broader sustainability goals. That claim has fueled skepticism about whether these ambitions will materialize.

Recent developments underscore Saudi Arabia's commitment to environmental sustainability. The inaugural Saudi Reef Forum has set new benchmarks for sustainable development and rural empowerment. The Research, Development, and Innovation Authority (RDIA) launched several strategic initiatives at the 2024 Sustainability Innovation Week. These initiatives aim to strengthen environmental sustainability research and innovation, aligning with Saudi Arabia's long-term goals for water and food security.

Among its key national missions, Saudi Arabia aims to achieve more than 50% self-sufficiency in food production by 2040, significantly reduce its dependence on non-renewable water sources by 90% and cut water production costs by 50% by 2035. These goals reflect the kingdom's broader efforts to transition toward a more sustainable and environmentally responsible economy.

While Saudi Arabia has actively promoted renewable energy under its Vision 2030 agenda and announced a net-zero emissions target by 2060 ahead of COP26, the transition away from fossil fuels has been slower than anticipated, highlighting the challenges of implementing such a large-scale shift.

As of 2024, Saudi Arabia had over 90% enrollment in primary and secondary schools. Under Vision 2030, Saudi Arabia's education system is undergoing significant transformation to address the skills gap and support economic diversification. Reforms focus on expanding private education, promoting international schools and increasing enrollment in technical and vocational education. The Ministry of Education and the Technical and Vocational Training Corporation oversee these initiatives, with efforts toward decentralization to improve school performance.

Public expenditure on education was 5.1% of GDP in 2023, according to World Bank statistics – reflecting a high commitment to the sector. Vision 2030 prioritizes aligning education with market needs, enhancing teacher training and expanding vocational opportunities. These reforms aim to foster innovation and equip students with skills for the evolving job market.

Education policy /  
R&D

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In higher education, institutions such as King Abdullah University of Science and Technology (KAUST) and King Fahd University of Petroleum and Minerals (KFUPM) are recognized for their academic standards. However, challenges persist, including cases in which universities have hired foreign researchers primarily to boost publication counts and rankings. Saudi universities often offer lower salaries than those in other GCC countries, leading many Saudi nationals to prefer technical or professional education that provides better private sector pay. Saudi Arabia is also home to renowned Islamic institutions, such as the Islamic University of Madina.

Recent data indicate that in 2021, approximately 8.66 million students were enrolled in Saudi Arabia. Notably, the share of female graduates in tertiary education in the fields of natural sciences, mathematics and statistics was among the largest globally, at 70.6% in 2021. This reflects the kingdom's efforts to promote gender diversity in STEM fields.

Despite these advances, regional disparities in educational resources remain a concern. Rural areas often face challenges, including limited access to quality educational facilities and qualified teachers. Addressing these disparities is crucial to ensure equitable educational opportunities across the kingdom.

According to World Bank data from 2021, Saudi Arabia allocated about 0.5% of its GDP to research and development (R&D). While this level of investment is relatively high compared with many developing countries, it remains significantly lower than in most developed nations, where R&D spending often exceeds 2% of GDP. Saudi Arabia performs strongly in education. The adult literacy rate stands at 98%, indicating widespread access to basic education. Furthermore, the United Nations Development Programme (UNDP) assigned Saudi Arabia an Education Index score of 0.799 in 2022, suggesting a relatively high level of educational attainment and consistent investment in human capital development.

In summary, Saudi Arabia's education system is undergoing a transformation under Vision 2030. While significant progress has been made in enrollment rates and gender diversity in STEM fields, challenges including regional disparities and the need for higher academic standards persist. A continued focus on aligning education with market needs, enhancing teacher training and expanding vocational opportunities will be essential for the kingdom's future development.

## Governance

### I. Level of Difficulty

Structural constraints on governance in Saudi Arabia are relatively low, largely due to its vast natural resource wealth and strategic geopolitical position. As the world's largest oil producer, Saudi Arabia benefits from abundant petroleum reserves that are easily and cheaply extracted from the surface. This ensures a steady flow of revenue, allowing the state to invest heavily in infrastructure, social programs and economic diversification efforts. Saudi Arabia is also home to Islam's two holiest sites, Mecca and Medina, which draw millions of Muslim pilgrims each year. The Hajj and Umrah pilgrimages contribute significantly to the economy, further strengthening the state's financial position.

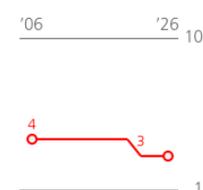
Historically, Saudi Arabia did not develop a strong educational tradition, as formal schooling only became widespread with the rise of oil wealth. As a result, the country continues to rely heavily on expatriate labor across both skilled and unskilled sectors. Many Saudis prefer government or managerial roles, while physically demanding or lower-status jobs are predominantly filled by foreign workers. Furthermore, the country's vast desert and relatively small population relative to its size necessitate substantial investment in infrastructure. However, thanks to its financial resources, the kingdom is able to fund such development, meaning these structural factors have not posed major constraints on governance.

Saudi Arabia faces significant structural constraints shaped by its geopolitically volatile region and vast desert terrain. Ongoing conflicts and political tensions in the Middle East, combined with arid landscapes and limited arable land, have historically influenced the kingdom's development, security priorities and domestic policy decisions.

Under Saudi Arabia's authoritarian tradition, civil society associations have little room to exist or operate. Before the onset of large-scale oil income in the 1950s, tribal civil society traditions existed in the kingdom, providing localized governance and dispute resolution mechanisms. These tribal structures, though informal, played a crucial role in maintaining social cohesion. In the modern era, the regime maintains a strong public security apparatus that suppresses opposition and enforces strict regulations on civil society. Any form of protest or public dissent is severely punished by the ruling family, reinforcing a tightly controlled political environment. All associations require official licensing and are subject to state supervision, effectively eliminating independent activism.

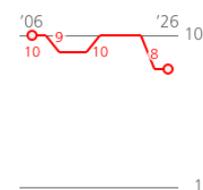
Structural  
constraints

3



Civil society  
traditions

8



Despite a restrictive environment, limited spaces for expression have begun to emerge in contemporary Saudi society. Social media, in particular, has enabled public discussion on reform, human rights, tolerance and cultural and religious pluralism. These online platforms have become important outlets for activists and intellectuals to raise concerns. However, digital expression remains tightly monitored, and the government continues to detain individuals for posts it deems critical or sensitive.

Saudi Arabia continues to experience pockets of low-level conflict driven by tribal, sectarian and gender-based divisions. Identity-related tensions, particularly between Shi'ite and Sunni communities, have historically been a key source of unrest.

The Eastern Province remains the institutional and cultural center of Shi'ite religious life, especially in Qatif, which has the highest concentration of Shi'ite Muslims in the country. The cities of Qatif and Hasa are the only places in Saudi Arabia where Shi'a mosques are officially recognized, highlighting the regional limits placed on Shi'a religious practice.

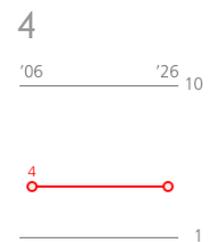
In recent years, conditions for Shi'a in the Eastern Province have shown signs of improvement. Previously, Shi'a citizens routinely faced confrontations with Saudi authorities at checkpoints, but they now experience greater mobility and reduced fear of being targeted. A notable gesture toward inclusion came in November 2024, when MbS appointed a Shi'a Muslim as chief executive officer of the ambitious NEOM project. This move was reportedly well received by many in the Shi'a community and signaled a shift in the government's approach to sectarian relations. In addition, during the Shi'a religious observance of Ashura, the Saudi government has increased security to protect worshipers from potential terrorist attacks, particularly those posed by extremist groups such as Islamic State (IS).

There have also been improvements in social services for Shi'a communities. Historically, Shi'a populations have had limited access to government resources, but the Ministry of Social Development now offers 36 programs available to Shi'a women. In 2024, the ministry opened a branch in Qatif, making government services more accessible to the region's Shi'a population.

Despite these advances, systemic discrimination against the Shi'a persists. Their representation in the Saudi judicial system remains limited, and Shi'a mosques remain restricted to the Eastern Province, preventing broader religious expression across the country.

Other sources of local discontent have emerged. Since 2023, the Houthi threat to Saudi Arabia has diminished after an agreement with the Yemeni rebel group. However, unrest has developed elsewhere, particularly among the Howeitat tribe, which was forcibly displaced to make way for NEOM's construction. Additionally, urban redevelopment projects in Jeddah have led to home demolitions, displacing many residents and fueling dissatisfaction among affected communities. These developments highlight the ongoing social and political challenges Saudi Arabia faces as it pursues modernization and economic transformation.

Conflict intensity



## II. Governance Performance

### 14 | Steering Capability

Saudi Arabia's pursuit of the ambitious goals in Vision 2030 has positioned project management as a crucial driver of transformation, ensuring that strategic planning translates effectively into tangible outcomes. Vision 2030 is designed to diversify the economy, reduce reliance on oil and promote sustainable development across multiple sectors, including tourism, entertainment, technology and infrastructure. Currently, more than 5,000 projects valued cumulatively at an estimated \$5 trillion are in progress, highlighting the kingdom's commitment to reshaping its economic and social landscape.

Given Saudi Arabia's highly centralized governance structure, strategic prioritization can be executed efficiently without significant opposition from various sectors of society. However, this centralization also results in regional disparities, with the Najd province – home to both the ruling family and the capital, Riyadh – receiving a disproportionate share of investment and resources. This advantage reinforces Riyadh's role as the political and economic hub of the nation, shaping the trajectory of Saudi Arabia's modernization efforts.

The government of Saudi Arabia has historically relied heavily on foreign consultancies to provide expertise in areas such as evidence-based policymaking, regulatory impact assessments and the establishment of strategic planning units. However, there is a growing effort to build and strengthen domestic institutional capacities to perform these functions independently.

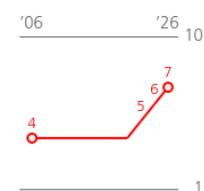
Policy implementation in Saudi Arabia, as measured by progress on Vision 2030, has shown mixed results. On the one hand, significant strides have been made in increasing women's participation in the labor force and enhancing women's freedoms, marking a major social transformation. On the other hand, labor reforms, particularly regarding foreign workers, have been less successful, as many continue to face difficult conditions despite policy changes.

Tourism outside the already robust religious sector has seen considerable growth, reflecting efforts to diversify the economy. However, specific statistics isolating nonreligious tourism remain scarce. The ambitious NEOM project continues to develop, but uncertainty surrounds its ability to attract substantial foreign investment. While Vision 2030 has driven notable advancements, a gap remains between the projected image of reform and the transformation on the ground. For instance, under Saudi Arabia's Vision 2030, public universities were expected to gain institutional

Question  
Score

Prioritization

7



Implementation

6

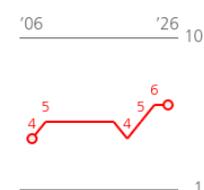


and financial independence, with legislation enacted in 2019 to support this transition. Nevertheless, leading institutions such as King Fahd University of Petroleum and Minerals continue to face significant bureaucratic, administrative and structural obstacles that hinder full autonomy. Saudi Arabia continues to grapple with challenges in fully transitioning to a modernized and diversified economy.

Most policy learning in Saudi Arabia is driven by international consulting, because the government and various institutions frequently hire global firms to advise on projects ranging from economic reforms to social policies. These consultants bring expertise and best practices from around the world, shaping decision-making and policy implementation. However, learning also occurs through direct experience, such as adaptations made in response to the COVID-19 pandemic. Despite these influences, the pace of learning and implementation remains relatively slow and is often hindered by bureaucratic processes, structural challenges and the complexities of translating foreign expertise into local contexts.

#### Policy learning

6

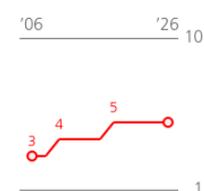


### 15 | Resource Efficiency

Saudi Arabia maintains a positive fiscal balance primarily because of its substantial oil revenues, which form the backbone of its economy. However, the country faces significant governance challenges, particularly its large and inefficient bureaucracy. The bureaucratic system is deeply entrenched, making modernization efforts slow and complex. Like many other rentier states, Saudi Arabia struggles with administrative inefficiencies, and removing bureaucrats is exceedingly difficult, further hindering institutional reform and economic diversification efforts.

#### Efficient use of assets

5



According to World Bank data, Saudi Arabia reported a positive fiscal balance in 2022. However, the national budget has consistently exceeded initial targets by more than 10% of GDP in recent years. This persistent overspending has raised concerns among technocrats and business leaders, many of whom argue that project costs have been artificially inflated. A prevailing perception of abundant state resources has enabled private contractors to engage in rent-seeking behavior, thereby driving up expenses. Moreover, budget allocations remain largely opaque because the government typically does not publish closing accounts, limiting public oversight.

Structural inefficiencies remain entrenched in the state apparatus. Many government agencies are overstaffed. Despite fluctuations in oil revenues, dismissing redundant personnel is politically and socially sensitive and therefore rarely pursued. The public sector continues to employ more than twice as many Saudis as the private sector, despite long-standing Saudization initiatives. While these efforts have increased private sector employment, they are also believed to have negatively affected productivity.

Institutionally, the bureaucracy remains centralized, opaque and weakly accountable. However, compared with other oil-producing states, the Saudi administration displays moderate efficiency, particularly within select high-priority sectors that enjoy a degree of operational autonomy. Crown Prince Mohammed bin Salman has introduced administrative reforms, though progress has been measured and gradual.

Since assuming power, MbS has successfully consolidated authority by bringing key power structures under his direct control. His trusted brothers, Khalid and Abdulaziz, oversee the strategically vital defense and energy ministries, reinforcing his grip on essential sectors. Unlike previous monarchs, MbS no longer contends with rival branches of the royal family, giving him unprecedented autonomy in decision-making and policy execution.

This concentration of power presents an opportunity to streamline government operations by addressing inefficiencies and eliminating redundancies across ministries and lower administrative levels. Centralized control could enhance the effectiveness of Vision 2030, the ambitious reform plan aimed at diversifying the economy and reducing dependence on oil. However, whether such reforms will materialize remains uncertain as entrenched bureaucratic obstacles persist.

Traditionally, coordination among ministries has been weak, favoring vertical over horizontal communication. Policies that require cross-ministerial collaboration often suffer from inconsistencies, with top-down directives implemented but not always fully understood or embraced at lower levels.

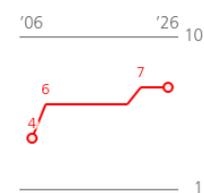
Saudi Arabia's Council of Ministers has enacted a stringent new law to tackle corruption among government employees, marking a significant step in the kingdom's efforts to promote transparency and accountability in governance. The "Saudi Oversight and Anti-Corruption Authority (Nazaha) Law" (the "New Law"), approved on July 23, 2024, introduces strict penalties, including immediate dismissal of any government employee found guilty of corruption. The law was officially published in Umm al-Qura, the kingdom's official gazette, on August 9, 2024, and took effect on November 7, 2024.

This legislative move represents a notable departure from standard prosecutorial practices, as it aims to prevent corruption proactively rather than merely address it retroactively. A key provision of the "New Law" states that if a public official's wealth increases to a degree disproportionate to the official's legitimate income or declared financial resources after assuming office, the official must provide evidence to prove the legitimacy of the official's assets, whether in cash or in kind. Failure to do so could result in legal action and dismissal.

However, the law's effectiveness in practice remains uncertain. While it establishes a clear legal framework, its implementation may be subject to political considerations. Historically, those with close ties to influential members of the royal

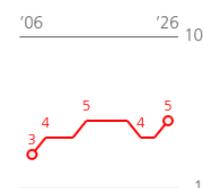
#### Policy coordination

7



#### Anti-corruption policy

5



family have often been shielded from legal consequences, raising concerns that the law may disproportionately affect lower-ranking officials while leaving well-connected individuals unscathed.

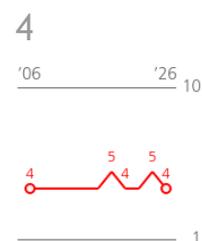
## 16 | Consensus-Building

Given the dominance of a single political actor in contemporary Saudi Arabia, there is little visible contestation over national goals. Power is highly centralized, and dissenting voices are systematically repressed – an approach the regime justifies as necessary to advance the sweeping social and economic transformations currently under way. For example, municipal elections, reintroduced during the reign of King Abdullah as part of modest political reforms, have been indefinitely postponed, reflecting the broader rollback of participatory mechanisms in governance. Saudi Arabia generally opposes democracy as a political system. Historically, Saudi governance was based on a Wahhabi-royal consensus, in which the ruling House of Saud controlled political affairs while the Wahhabi religious establishment oversaw religious and social matters. However, this arrangement is shifting under MbS, who advocates a broader, more moderate interpretation of Islam. His vision includes reducing the influence of hard-line clerics and promoting social and economic reforms. While small groups, such as some Shiites or elements of the Muslim Brotherhood, may support democratic governance, they represent a tiny minority. Overall, democracy remains widely unpopular in Saudi Arabia, where the ruling monarchy maintains strong control over political and social structures.

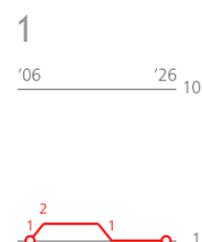
Saudi Arabia largely embraces a market-driven economy. However, despite the push for economic diversification and privatization, competition remains limited because many key industries are dominated by state-owned enterprises or elites with close ties to the government.

Saudi Arabia remains an absolute monarchy in which political dissent is heavily repressed. While a few democracy activists reside abroad, no high-ranking government officials openly advocate democratization. The authorities continue to arrest and imprison citizens for peacefully criticizing the government, expressing dissent on social media or participating in demonstrations. MbS has advanced significant societal, cultural and economic reforms, such as expanding women's rights and diversifying the economy, but he remains staunchly opposed to political liberalization. Rather than pursue democratization, he consolidates power through strict authoritarian control, silencing opposition with an iron grip.

### Consensus on goals



### Anti-democratic actors



MbS is working to unite the Saudi population behind his Vision 2030 by promoting a new wave of nationalism and shifting away from the kingdom’s previous reliance on pan-Islamic rhetoric. This nationalism emphasizes loyalty to the state and its leadership while suppressing any form of dissent. Those who challenge the government’s policies face severe repercussions, including imprisonment and, in some cases, capital punishment. The most recent tally of executions, based on figures from the human rights organization Reprieve and confirmed by Reuters, represents a notable increase compared with previous years, hitting a record high of 330 executions in 2024. According to Reprieve, this was the highest on record.

Following the failed Arab Spring protests in Saudi Arabia’s Eastern Province, overt conflict with the Shi’a population has notably diminished in recent years. However, this apparent easing of tensions may partly reflect a climate of fear, as the Shi’a minority remains wary of harsh reprisals for any perceived dissent.

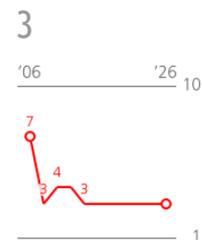
In Saudi Arabia, policymaking largely takes place without extensive consultation with civil society. While public participation remains limited, there may be some engagement with influential business interests, particularly in shaping economic policies that align with the country’s Vision 2030 goals. However, direct input from the broader population is rare. Although there are some indirect avenues for consultation, such as through the Shura Council, questions remain about how much the Shura Council influences decisions.

Past injustices in Saudi Arabia are rarely openly acknowledged, let alone reconciled. This applies to various groups, including the Shi’a minority, marginalized tribes from the Hejaz region and political dissidents. Historical grievances often remain unaddressed as the state prioritizes national unity and stability over public discussion of past oppression or systemic discrimination.

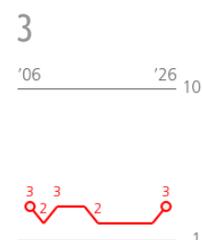
### 17 | International Cooperation

Saudi Arabia’s Vision 2030 fosters collaboration with international partners, including states and global organizations, to drive economic transformation and sustainable development. The kingdom prioritizes strategic alliances to diversify its economy, attract foreign investment and enhance trade relations worldwide. These partnerships extend across key regions such as the United States, China, Europe and Africa, covering vital sectors including technology, infrastructure, tourism, education and renewable energy. While Saudi Arabia opposes external interference in its domestic affairs, it remains open to constructive engagement on global issues, technological advances and knowledge exchange to support its long-term development goals.

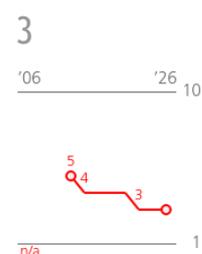
Cleavage / conflict management



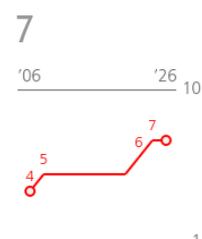
Public consultation



Reconciliation



Effective use of support



International assistance in Saudi Arabia commonly takes the form of technical advice and the acquisition of advanced technologies to support development and governance initiatives. For instance, the kingdom collaborates with international organizations such as the World Health Organization (WHO) to manage public health and logistical challenges during the annual Hajj. However, Saudi Arabia remains cautious about external assistance perceived as promoting societal or cultural changes, carefully balancing cooperation with the preservation of national values and sovereignty.

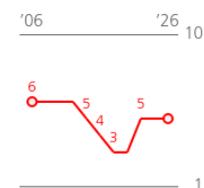
Saudi Arabia has largely maintained a credible relationship with the United States, aside from periods of heightened tension, particularly after the murder of Washington Post journalist Jamal Khashoggi at the Saudi consulate in Istanbul in October 2018. The kingdom remains highly sensitive to foreign interference and does not permit international non-governmental organizations (INGOs), especially those with a political agenda, to operate within its borders. This reflects its broader caution toward external influences that could challenge its internal stability. In recent years, Saudi Arabia has sought to diversify its strategic partnerships, reducing its heavy reliance on the United States by engaging more actively with regional actors and strengthening economic and diplomatic ties with China. When MbS initially consolidated power, the kingdom's foreign policy appeared unpredictable, especially in relation to Yemen, Qatar and Iran. However, it has since adopted a more pragmatic and calculated approach. While Saudi Arabia is generally regarded as a credible international actor, certain actions in its foreign policy can still be seen as unpredictable.

Saudi Arabia has demonstrated compliance with certain international organizations, such as the World Bank and the United Nations Development Programme (UNDP), and more recently increased its engagement with global institutions focused on climate change. However, the kingdom has a less favorable track record of cooperation with international and non-governmental organizations that advocate for human rights, including Amnesty International and Human Rights Watch.

Saudi Arabia has actively promoted regional and international cooperation, positioning itself as a leading country in both the Middle East and the broader Islamic world. It has played a pivotal role in the Gulf Cooperation Council (GCC), though its dispute with Qatar from 2017 to 2021 significantly strained the organization's unity. Additionally, Saudi Arabia was instrumental in founding the Organization of Islamic Cooperation (OIC) to advance its pan-Islamic narrative and counterbalance the Egyptian-dominated League of Arab States (LAS). However, the kingdom's leadership ambitions have faced challenges, particularly when its increasingly nationalist rhetoric conflicts with regional cooperation efforts. While Saudi Arabia continues to champion regional initiatives, its approach often centers on maintaining leadership within these cooperative frameworks rather than fostering entirely equal partnerships. Despite these tensions, its strategic role in the GCC, OIC and other international organizations highlights its ongoing commitment to shaping regional politics and promoting Saudi-led cooperation.

#### Credibility

5



#### Regional cooperation

6



Saudi Arabia's relations with both Yemen and Iran have shown signs of improvement following diplomatic agreements in 2022 and 2023, respectively. While underlying tensions persist – given that both countries remain historical and strategic rivals – these developments mark a notable shift in regional dynamics. In response, Saudi Arabia has scaled back its involvement in several sectarian conflicts, particularly in Iraq and Syria, reflecting a broader recalibration of its foreign policy. In the wake of the Arab Spring, the kingdom has also strengthened ties with key regional allies such as Egypt and Jordan, countries that have frequently relied on Saudi financial and political support. As one of the region's leading donors, Saudi Arabia continues to exert significant influence not only in the Arab world but also across a broader range of Islamic countries in Africa and South Asia.

A recent event that shaped Saudi politics in the region was Hamas' October 7, 2023, attack on Israel. Before then, there was significant momentum toward normalization between Israel and Saudi Arabia, with many believing such a development would reshape the regional order. Saudi Arabia had shown openness to establishing diplomatic relations with Israel as part of a broader effort to integrate the kingdom into a new Middle Eastern framework, potentially backed by security and economic agreements with the United States. However, since Israel's military response to the attacks, normalization talks have faced a significant setback.

The primary reason was the Saudi public's overwhelming sympathy for the Palestinian cause. Despite the Saudi royal family's long-standing opposition to Hamas, which it views as an extension of its ideological rival, the Muslim Brotherhood, the government was slow to issue a strong condemnation of the attack. This cautious approach stemmed from the need to balance diplomatic priorities with domestic public opinion, which has consistently favored Palestinian statehood.

As a result, Saudi Arabia has reaffirmed its position that normalization with Israel is contingent on meaningful progress toward a Palestinian state. This stance aligns with the Arab Peace Initiative of 2002, which originally proposed full diplomatic recognition of Israel in exchange for establishing a sovereign Palestinian state. In the aftermath of October 7, Saudi Arabia's role in the regional order remains uncertain as it navigates a complex geopolitical landscape. With the current Israeli government's hard-line policies, Saudi Arabia appears hesitant to engage deeply in the conflict, maintaining a cautious approach toward both Israel and the Palestinians.

## Strategic Outlook

After 10 years of remarkable reforms in Saudi Arabia under Mohammed bin Salman, the central question is whether these transformations will prove sustainable or face resistance from deeply entrenched interests within the kingdom. Vision 2030 has prioritized economic diversification and expanding women's participation in the workforce. Although notable progress has been made, fundamental questions remain about the durability of these changes.

The recent agreements with the Houthis and Iran have eased long-standing security threats from Yemen. By contrast, the Hamas attacks of 2023 significantly complicated Saudi plans for normalization with Israel. What once seemed like an imminent Abraham Accords-style agreement now appears far more difficult to achieve. Strong domestic condemnation of Israel's actions, coupled with shifting regional dynamics, suggests that Saudi Arabia is unlikely to advance normalization in the near term. This raises broader questions about the kingdom's regional posture and whether its strategic alliances may shift as circumstances evolve.

Renewed instability in the region has also raised questions about the future of ambitious projects such as the futuristic city NEOM, which MbS had hoped would attract significant international investment. The success of these grand initiatives may depend on Saudi Arabia's ability to navigate regional instability and maintain economic momentum. This is especially true because enthusiasm for the project is not universal. Financial constraints, logistical hurdles and skepticism from domestic and international investors already pose challenges to NEOM's realization. A failure to meet expectations could undermine the credibility of Vision 2030 and the crown prince's wider agenda for the kingdom.

Yet the crown prince has consolidated his power domestically, silencing opposition through arrests and crackdowns. While his leadership initially faced resistance, many Saudis now appear to have accepted him as the kingdom's future king. However, the question remains: Could regional or domestic pressures lead to a different trajectory for Saudi Arabia's governance? External pressures – including shifting alliances and economic dependencies – may ultimately shape the kingdom's political future in unpredictable ways.

The awarding of the 2034 FIFA World Cup to Saudi Arabia marks a significant milestone and has generated national anticipation. This global sporting event is expected to serve not only as a celebration of soccer but also as a strategic opportunity for the kingdom to bolster its international image and boost foreign tourism. Building on its growing portfolio of high-profile events, Saudi Arabia views the FIFA World Cup as a catalyst to establish itself as a regional and global tourism hub. Beyond the economic and logistical dimensions, the event may also help dispel long-standing misconceptions that the kingdom is closed or insular. By welcoming fans from across the globe, Saudi Arabia aims to project a more open, dynamic and modern image to the international community.

On the geopolitical front, Saudi Arabia is also positioning itself for closer cooperation with the United States following Donald Trump's presidency. Areas of focus include economic development, military collaboration and possibly a civilian nuclear agreement. The kingdom has expressed interest in acquiring nuclear technology for peaceful purposes, in line with its broader energy diversification goals.

Despite considerable reforms over the past decade, including efforts to modernize the economy and enhance social freedoms, internal challenges remain. Bureaucratic inefficiencies, a lack of transparency and entrenched nepotism continue to hinder progress. As the country moves forward with its Vision 2030 initiative, further institutional reform and more effective policy implementation will be essential to realizing the country's long-term ambitions.