

Saudi-U.S. Relations

Information Service

Item of Interest

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Political, Social and Economic Reform in Saudi Arabia Interview with Usamah Al-Kurdi

EDITOR'S NOTE:

We have been pleased from time to time to feature presentations by Engineer Usamah al-Kurdi made to various conferences and panels. He is a member of the Saudi Arabian Majlis Ash-Shura, the Consultative Council and a leader in Saudi-US business relations.

The Council, established in 1993, advises the government and the King on a broad spectrum of issues. It consisted of 60 members initially but the membership was increased to 120 members and a chairman in 2001. Its charter includes expressing its opinion on the general policies of the State such as: general plans for economic and social development; the review and interpretation of laws; the review of international treaties and agreements and concessions; and the review of annual reports provided by the government.

In September he participated in the National Council on US-Arab Relations' conference for policymakers in Washington and a forum on reform sponsored by the Middle East Institute and *Foreign Policy* magazine. As he was preparing for the latter event he took time to talk with us on the issues of US-Saudi relations and reforms in the kingdom.

Engineer al-Kurdi's interview with SUSRIS is provided in two parts. Today, we feature his comments on the progress of reforms in Saudi Arabia. Last week, we featured his interview on the U.S.-Saudi relationship.

Follow the link below to read part 1 of this interview with Usamah Al-Kurdi.

<http://www.saudi-us-relations.org/newsletter2004/saudi-relations-interest-12-09.html>

Political, Social and Economic Reform in Saudi Arabia Interview with Usamah Al-Kurdi

**Washington, DC
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SUSRIS: We're talking today with Usamah Al-Kurdi, who is a member of the Majlis Ash-Shura, the Consultative Council in Saudi Arabia. He has graciously given time to talk about reform in Saudi Arabia. Thank you for joining us today.

Usamah Al-Kurdi: You're welcome.

SUSRIS: Can we start with an overview of the reform efforts that have taken a number of different areas -- political, economic and so forth -- in Saudi Arabia in recent years?

Usamah Al-Kurdi: Reform has become a policy of Saudi Arabia -- no less than 10 years ago. Many people are surprised to hear me say that. About 10 or 11 years ago, the first political reform steps took place in Saudi Arabia when four decisions were taken by the government.

One was the creation of the Shura Council or the Consultative Council. The second is the issuance of Saudi Arabia's Basic Law of governance. The third was the law that created the regional councils. There are 13 different regions of Saudi Arabia, and now, as a result of that law, each region has a council. The fourth law was the law that stipulated a term for ministers of four years.

So, since 1993 when these laws were issued and the Shura Council was created, reforms have continued to take place. I try to keep a diary of all the reform steps that were taken in Saudi Arabia. The King's annual address to the Shura Council, the one that was delivered about two years ago, left no doubt of the fact that this is becoming the policy of the government and that it would continue reform.

Now, in response to questions relating to international pressure to reform, I say that people need to understand Saudi Arabia a little bit more before trying to impose reform from outside. This is not only for Saudi Arabia, but I think it applies to all countries, particularly Middle Eastern countries. In my opinion, these initiatives to impose reform on other countries that are coming from the United States and other countries might do more harm than good.

What we need at this time is to learn from the experience of others. What we need at this time is to take our time with reform because you can't go too fast with reform. We have seen bad experiences around the world. We don't need more pressure. There is already dialogue and discussions in the country. Again, we've been doing that for 10 or 11 years. Do we need the experience of others? Yes, we do. We're soliciting that when we need to. Reforms have started to happen in Saudi Arabia, are happening, and there is a commitment to continue doing so.

SUSRIS: The U.S. put forward a number of initiatives, as you referred to. However, Secretary of State Powell recently mentioned that the countries in the region should embrace reform at their own speed and in their own way. Are Saudi Arabians satisfied now about the United States's government's views of the process of reform in Saudi Arabia, or is there still anxiety between the two governments?

Usamah Al-Kurdi: I think the importance of reform is that it satisfies the needs and aspirations of the people themselves. It should not have anything to do with any relations between any two countries. The first principle of democracy is people managing themselves.

No other country can come into Saudi Arabia and say this is the kind of reform you should be

pursuing or whether or not this other country is happy about the reform that is happening in Saudi Arabia. This is an issue that should be left completely to the Saudis. In my opinion, we are doing very well.

SUSRIS: Can you discuss the specific steps that have been taken since reform was introduced as a policy in Saudi Arabia?

Usamah Al-Kurdi: Let's look into the area of politics for example. I mentioned earlier the four laws that have been issued. I think these are really important political reform steps -- again, the creation of the Consultative Council, the issuance of Saudi Arabia's law of governance, the term of four years for ministers, and the regional councils.

Another very important reform step that was taken was the change that has occurred in the Consultative Council law, giving it more power and giving it more authority. This is another step in the reform in the political area.

A very important step was the decision to proceed with municipal elections. Municipal elections will take place in Saudi Arabia soon. The timetable says that the voting day for the region of Riyadh will be the 10th of February next year. The Eastern Province of Saudi Arabia and the Southern Provinces' voting day is the 3rd of March. The area of Mecca and Medina, Jeddah and the North regions -- the voting day is the 21st of April. So, this is the level of commitment that the government has to reform.

Let me also mention the membership of the Consultative Council in the International Parliamentary Union, signifying that they recognize the Consultative Council as a parliament for Saudi Arabia.

Another area that I have been watching for the past 10 years is the emphasis on the creation of civil society. There have been many organizations were created in Saudi Arabia that operate in many different areas of society. I think this is going to be a factor in reform moving forward. It will make a big difference for Saudi Arabia.

Look at the list of initiatives that Saudi Arabia has put forward: the peace initiative of Crown Prince Abdullah at the Arab Summit in Beirut in 2002; the peace initiative for Iraq also; the GCC Educational Reform Initiative. Let's not forget that over 20 years ago, Saudi Arabia submitted the first peace initiative with Israel in Fez.

These are all areas that Saudi Arabia feels the need to reform and the need to help. The creation of civil society committees for human rights -- one in government and one private -- in Saudi Arabia and the fact that these two committees are now operating is another big step forward.

A major decision, in my view, was the airing of the Consultative Council sessions on TV. I think this will create more interaction between the people and the Consultative Council -- in light of the fact that the Council is appointed. In my view this is a very important step.

There was the creation of the National Dialogue Center, which meets every few months. The

coming session is in about a month and will address the issue of children in Saudi Arabia. So, there are plenty of areas, as you can see, that are being addressed in the area of political reform.

SUSRIS: Can we talk a little bit about the press in Saudi Arabia? At the most recent annual Arab-U.S. Policymakers Conference, a panelist commented they had talked with a diplomat who had been out of the Kingdom for a number of years, and when he came back, the thing he noticed most was the proliferation of media and some of the ideas that were being expressed. How would you characterize the press in Saudi Arabia?

Usamah Al-Kurdi: I am amazed at the development that is taking place in our media in the past 10 years. The media participates in real discussions, addresses serious issues in the country and covers events that they did not used to cover in the past. I am delighted at what has happened to our media and in their ability and interest in covering many reform issues in Saudi Arabia. The change is dramatic. Again, the experience of this diplomat is a clear example as to one of the major changes that took place in Saudi Arabia. I'm very happy with it.

SUSRIS: Can you talk a little bit about women's issues in political reform? Many American observers are interested in the current state of women's development in the public and private life.

Usamah Al-Kurdi: Let me repeat what I said earlier that democracy is the people governing themselves the way they see fit. My opinion -- and the opinion of many people in Saudi Arabia - is that all issues should be decided by Saudis.

Now, having said that, I also say that most Americans think women in Saudi Arabia are being deprived of their rights, but one needs to look closely at what is happening for women in Saudi Arabia and recognize the fact that this may be how the people want to be ruled.

Having said that, I look at the women in my family, and I see how highly educated they are and that all of them have careers and have jobs. So, I say that the system that allowed these women in my family to actually do that is a system that existed for many years.

Despite this fact, there is always wanting and hoping to improve and develop and do better. One major step that the government has taken is what I call the "women empowerment" decision, which included more educational opportunities for women, more job opportunities for women, more services by the different government departments for women, and the Labor Department has announced that they will pay a lot more attention to women's employment than they did in the past. So, I foresee this resolution taking effect, and the results will be seen quickly.

SUSRIS: Can you give us a forecast on the political side of the reform question? How you see the situation developing in the next couple of years in Saudi Arabia?

Usamah Al-Kurdi: I see improvements in all areas of life. For example, the social area. I have seen a lot more attention to the issue of child abuse than had happened in the past, and in the issue of domestic violence. Look at the changes that have taken place in the area of education and textbooks. Look at the testimony given to the Congress by Congressman Cunningham, who

visited Saudi Arabia recently. He realized that textbooks in Saudi Arabia, including the changes made to them, are not what others are trying to portray them as. His testimony was quite positive.

Look at the attention we are paying to the issue of employment and job creation in Saudi Arabia, not only through economic development but also through the funds and organizations that are expected to pay more attention to the issue of placing more Saudis in the job market and lessen dependence from the expatriate labor market.

Look at the restructuring that we went through for charity organizations. Most are now obliged by law to direct their attention to domestic issues. All international charity work is done now through one organization, which coordinates all foreign charity work.

Look at the creation of the small and medium enterprises funding bank. That in my view will dramatically impact our society because of the sudden increase in monies that are being allocated for this matter.

The most recent thing that is happening in Saudi Arabia is the census. We are now going through and counting everyone in Saudi Arabia. I think that will affect the development projects and also the elections that I mentioned earlier.

The reason I listed all these things -- and these in my view are the reform steps taken in the social area, -- is because I wanted to demonstrate that these are not simple steps, which will have an impact in a couple of days. These are long-term steps that will impact the development of the whole country over many decades to come.

SUSRIS: Turning to economic reform, can you be more specific about the steps taken in the last five or 10 years to reform the economy in Saudi Arabia?

Usamah Al-Kurdi: I think the area of the economy is the most comprehensive reform sector in Saudi Arabia. That reform is on three axes. One axis was the issuance of new laws and the upgrading or updating of other laws. So, in that area, we saw the labor law being rewritten. We saw the new law of insurance being issued. We saw the capital markets law being issued. And, a few other laws have been rewritten to accommodate the 21st-century. In the areas of laws, quite a bit of work has been done.

In another axis is the area of creation of new organizations to support economic development. We saw the creation of a Supreme Economic Council, which in my view is an excellent tool to fast-track economic decision-making. We saw the creation of the tourism organization. We saw the creation of the investment organization, and we saw the creation of a few other organizations. This was the second axis where organizations were created to support economic growth.

The third axis, which in my view is most important, is the opening up of new areas of investment, whether through privatization or completely new areas of investment. For example, we haven't given the area of mineral resources too much attention in Saudi Arabia. In my view,

we were just too busy with the production of oil.

So now, we are doing a lot of work there. The mining code is being rewritten, and the area of investment there is being opened for international and domestic investors. We are trying to develop our transport network, so we saw the opening up of air travel for privatization. We are seeing new roads being built either through privatization or by the government. The railroad is taking priority in Saudi Arabia. We also saw an increased interest in private-sector investment in higher education as well as in power generation and water desalination. A whole host of new areas are being opened up for investment in Saudi Arabia.

Privatization has been declared the policy of the government, and we see steps in that direction. I would like to see further steps taken, but I am satisfied that this is a policy that will impact our economy and further develop it.

SUSRIS: Can you just give us a snapshot of how the Supreme Economic Council and the Investment Authority are constituted, how they operate, and where they are going in the future?

Usamah Al-Kurdi: Well, that can't be done very quickly. But again, the Supreme Economic Council is a fast-track organization for economic decision-making. It puts together the organizations in charge of the economy in the government plus participation by the private sector. We have seen the Supreme Economic Council spearhead many of the important decisions, including the issue of privatization and the indigenization of the labor force. The Investment Authority [SAGIA] is there primarily to help foreign investors until they are up and going. I'm delighted at the performance of these two organizations.

SUSRIS: In what areas of economic development should American businesspeople have a better appreciation?

Usamah Al-Kurdi: In addition to all these other areas of investment that I mentioned earlier, and they are extremely important and have tremendous moneymaking possibilities, let me give you some numbers to indicate to you the economic or investment possibilities in Saudi Arabia.

Saudi Arabia in 2003 exported a total of \$100 billion worth of goods and imported \$30 billion worth of goods. So, you can see the trade balance is very high in favor of Saudi Arabia. But, more importantly, the current account of Saudi Arabia in 2003 was positive at the level of \$30 billion. This is the first time we have a positive current account that high in the past 20 years. I expect all these numbers to go even higher for 2004.

All these numbers tell you that there are plenty of investment opportunities. There is plenty of capital available for investment in Saudi Arabia and the business community of the United States needs to pay more attention to this.

SUSRIS: Are there any implications in the state of the relationship between Saudi Arabia and the United States that could impact business connections in the future?

Usamah Al-Kurdi: I don't think so. I think what we are going through now is a temporary phase that will end very soon, and there will be a better understanding between the two countries. But,

what is most important, I think, for the business community of both countries who want to engage in business activities, is to recognize the future challenges that face Saudi Arabia. They need to be able to support these challenges so that we all succeed in overcoming them.

Some of these challenges include, as I mentioned earlier, the privatization process. I think we should continue in that area. We still need to resolve the issue of our public debt and the government budget deficit. Although this is being taken care of to a large extent by the increased oil prices, we don't expect this to be the way we deal with these things.

The third challenge would be to create enough economic growth that should exceed the population growth of 3.5 percent. We should continue to achieve better economic growth. Our accession to the World Trade Organization [WTO], in my opinion, is a very important matter that should be looked at very closely by both business communities. They should make use of the advantages that will come out of Saudi Arabia's accession to the WTO. Of course, consider the issue of improved cooperation between Saudi Arabia and the other GCC countries, in the form of the customs union that they now have in effect, and improved cooperation between Saudi Arabia and the other 21 Arab countries as a result of the free-trade zone that has been signed and will become effective early in 2005. These two things will create even more business opportunities.

SUSRIS: Thank you Usamah Al-Kurdi for speaking with us today. You've given us a great deal to think about in terms of the political, social and economic developments in Saudi Arabia.

Usamah Al-Kurdi: Thank you very much. I hope this is useful for your readers.

ABOUT USAMAH AL-KURDI

A member of Saudi Arabia's Consultative (Shura) Council, an important force for change in the Kingdom, **Usamah Al-Kurdi** served as Secretary General of the Council of Saudi Chambers of Commerce from 1997 - 2001. He is a Member of the Board of Saudi Arabian Airlines and was Vice President of the Saudi Consulting House, a forerunner of the Saudi Arabian General Investment Authority (SAGIA). Mr. Al-Kurdi also served on the boards of Saudi Arabia's National Industrialization Company and the Royal Commission on Jubail and Yanbu (industrial cities).

Majlis al-Shura Web Site

<http://www.shura.gov.sa/EnglishSite/Ecv/MemENSer.asp?MemNo=10>

World Economic Forum

<http://www.weforum.org/site/knowledgenavigator.nsf/Content/Kurdi%20Usamah%20M>.

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June 4, 2004

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