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Saudi Arabia Steps Up Effort to Replace UAE and Qatar as Go-To Regional Hub

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EXECUTIVE SUMMARY: Saudi Arabia has stepped up efforts to outflank the UAE and Qatar as the Gulf's commercial, cultural, and/or geostrategic hub.

Riyadh has recently expanded its challenge to the smaller Gulf states by seeking to position Saudi Arabia as the region's foremost sports destination once Qatar has had its moment in the sun with the 2022 World Cup. At the same time, it is trying to secure a stake in the management of regional ports and terminals currently dominated by the UAE and, to a lesser extent, Qatar.

Saudi Arabia kicked off its effort to cement its position as the region's behemoth with an announcement in February that it would [cease doing business by 2024 with international companies](#) whose regional headquarters were not based in the kingdom.

With the UAE ranking 16 on the [World Bank's 2020 Ease of Doing Business Index](#) as opposed to Saudi Arabia at number 62, freewheeling Dubai has long been the preferred regional headquarters of international business.

The Saudi move "clearly targets the UAE" and "challenges the status of Dubai," said a UAE-based banker.

The port control game is dominated by Dubai's DP World, which operates 82 marine and inland terminals in more than 40 countries, including Djibouti, Somaliland, Saudi Arabia, Egypt, Turkey, and Cyprus. The kingdom's expansion into port and terminal management appears to be less driven by geostrategic considerations.

Instead, Saudi Arabia's Red Sea Gateway Terminal (RSGT), which is backed by the Public Investment Fund (PIF), the kingdom's sovereign wealth fund, said it was targeting ports that would service vital Saudi imports like those related to food security.

In January, PIF and China's Cosco Shipping Ports each took a 20% stake in RSGT.

The Chinese investment fits into China's larger Belt and Road strategy, which involves the regional acquisition of stakes in ports and terminals in Saudi Arabia, Sudan, Oman, and Djibouti, where China has a military base.

RSGT CEO Jens Floe said the company plans to invest in at least three international ports in the next five years. He said each investment would be up to \$500 million.

"We have a focus on ports in Sudan and Egypt. They weren't picked for that reason, but they happen to be significant countries for Saudi Arabia's food security strategy," Floe said.

Saudi Arabia's increased focus on sports, including a potential [bid for the hosting of the 2030 World Cup](#), serves multiple goals: It offers Saudi youth, who account for more than half the kingdom's population, a leisure and entertainment opportunity; it boosts Crown Prince Muhammad bin Salman's burgeoning development of a leisure and entertainment industry; it potentially allows Saudi Arabia to polish a national image tarnished by human rights abuses, including the 2018 killing of Saudi journalist Jamal Khashoggi; and challenges Qatar's position as the face of Middle Eastern sports.

A recent [report by Grant Liberty](#), a London-based human rights group that focuses on Saudi Arabia and China, estimated that the kingdom has invested \$1.5 billion so far in the hosting of multiple sporting events, including the final matches of Italy's and Spain's top soccer leagues; Formula One; boxing, wrestling and snooker matches; and golf tournaments. Qatar is currently the Middle East's leader in the hosting of sporting events, followed by the UAE.

Grant Liberty said further bids for sporting events worth \$800 million had failed. This did not include an unsuccessful \$600 million offer to replace Qatar's beIN TV sports network as the Middle Eastern broadcaster of European soccer body UEFA's Champions League.

Saudi Arabia is reportedly continuing to ban beIN from broadcasting in the kingdom despite the lifting in January of the 3.5-year Saudi-UAE-led [diplomatic and economic boycott of Qatar](#).

Prince Muhammad's [Vision 2030](#) plan to diversify and streamline the Saudi economy and wean it off dependency on oil exports "has set the creation of professional sports and a sports industry as one of its goals... The kingdom is proud to host and support various athletic and sporting events which not only introduce Saudis to new sports and renowned international athletes but also showcase the kingdom's landmarks and the welcoming nature of its people to the world," said Fahad Nazer, spokesperson for the Saudi Arabian embassy in Washington.

The increased focus on sports comes as the kingdom appears to be backing away from its intention to reduce the centrality of energy exports for its economy.

Energy minister Prince Abdulaziz bin Salman, Prince Muhammad's brother, recently ridiculed an International Energy Agency (IEA) report that "there is no need for investment in new fossil fuel supply" as "the sequel of the La La Land movie." The minister went on to ask, "Why should I take [the report] seriously?"

Putting its money where its mouth is, Saudi Arabia intends to increase its oil production capacity from 12 million to more than 13 million barrels a day on the assumption that global efforts to replace fossil fuels with cleaner energy sources will spark sharp reductions in US and Russian production.

The kingdom's operating assumption is that demand in Asia for fossil fuels will continue to rise even if it drops in the West. Other Gulf producers, including the UAE and Qatar, are following a similar strategy.

"Saudi Arabia is no longer an oil country, it's an energy-producing country ... a very competitive energy country. We are low cost in producing oil, low cost in producing gas, and low cost in producing renewables and will definitely be the least-cost producer of hydrogen," Prince Abdulaziz said.

He appeared to be suggesting that the kingdom's doubling down on oil is part of strategy that aims to ensure that Saudi Arabia is a player in all conventional and non-conventional aspects of energy. By implication, Prince Abdulaziz was saying diversification was likely to broaden the kingdom's energy offerings rather than significantly reduce its dependence on energy exports.

“Sports, entertainment, tourism, and mining alongside other industries envisioned in Vision 2030 are valuable expansions of the Saudi economy that serve multiple economic and non-economic purposes,” “ said a Saudi analyst. “It’s becoming evident, however, that energy is likely to remain the real name of the game.”

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