

An Oasis in the Storm

Unlike its neighbors, Saudi Arabia has lived by conservative policies that have helped it weather a downturn in the global economy.

Imagine a city covering more territory than Paris suddenly sprouting out of the desert. About two million people would live in this city, which would be rich and energetic, embracing a seaport, an industrial district, a commercial business center, a residential section, an educational zone, and a beautiful seaside resort on the Red Sea.

Although not yet a full-blown reality, the city isn't a mirage, either. The beginnings of this immensely ambitious enterprise—King Abdullah Economic City—is under construction about 120 miles north of Jeddah in the Kingdom of Saudi Arabia. Five other cities with similar configurations but smaller dimensions are planned for elsewhere in the kingdom.

These metropolises are the geographic centerpieces of Saudi Arabia's goal of transforming itself from an economy that's almost entirely dependent on its vast oil reserves to a far more diversified one that will provide jobs for its 27 million people, almost half of whom are under the age of 20.



A rendering of King Abdullah Economic City, now under construction.

Within the six new cities, the kingdom plans to encourage development of five cluster industries in which it believes it has a strong global competitive advantage: the automotive industry, construction, metals processing, flexible packaging, and consumer goods.

"If you are looking for long-term profit potential, you cannot do better than look to Saudi Arabia," says Edward Burton, president and managing director of the U.S.–Saudi Arabian Business Council, which is dedicated to promoting trade and investment between the two nations.

The opportunities are not restricted to the world's elite brand names. One company that has succeeded in selling to Saudi Arabia is Gore Design Completions (GDC), one of the world's leading suppliers of custom aircraft interiors.

Company founders Jerry Gore and Kathy Gore-Walters list among their clients Saudi princes and Central Asian chiefs of state. At a client's request, GDC picks up a Boeing 767, say, as it comes off the assembly line and flies it to the GDC plant in San Antonio, where the interior is configured with staterooms, lounges, offices, and galleys.

"Everything we do is hand-built," says Jerry Gore. "It is flying sculpture." To protect privacy GDC will not identify the company's clients, but they're clearly wealthy enough to assume that every comfort and service they enjoy on land can be replicated in the sky. For one customer, GDC installed the first HDTV system ever put in a private plane that's able to store 1,000 movies on its hard drive.

Do the Saudis have different tastes and business

practices that Americans should be aware of? "The Saudis have excellent taste in design, and they want features that are cutting-edge," says Kathy Gore-Walters. And whatever issues Saudi men may have with the acceptance of Saudi women in commerce, they seem to have no trouble accepting foreign women as business partners.

What mistakes might an American make in dealing with a Saudi colleague? "A mistake would be to neglect building a personal relationship and rushing to do the deal," says Jerry Gore.

Will the worldwide economic retreat thwart Saudi Arabia's plans? Probably not. Unlike some of its neighbors in the Gulf, the kingdom has been cautious in investing its flood of oil revenues in past years, avoiding hedge funds, private equity firms, and Western banks. It has \$350 billion in foreign currency reserves and is still forecasting GDP growth this year. The faltering world economy may slow the Saudis down somewhat, but it won't distract them from their goals. Diversification is far too important to be put aside. —Lee Smith

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