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The political economy of regional development in post-World War II Saudi Arabia

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National cohesion and the political economy of regions in post-WWII Saudi Arabia

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This chapter discusses the role of the kingdom's main regions in structuring and defining a socio-economic pecking order that, despite increasing national integration, has lost little of its poignancy – an order that has led to strong rivalries and ill will on a quotidian level but that, at the end of the day, seems to allow the regime to keep the kingdom together through divide and rule strategies.

After a brief discussion of the infrastructural power of the Saudi state, the paper will measure regional inequality over time through a number of proxy variables, showing that there is a rather clear socio-economic hierarchy of regions within the kingdom. This fragments society materially. But as even the most disadvantaged groups remain strongly dependent on the state – and indeed tend to be the worst organized – it does not undermine the cohesion of the system, but rather creates an internal hierarchy that is very difficult to effectively challenge.

The subsequent pages specifically analyze regional inequality in private business over time, showing again that there has been a discernible shift of resources in favour of the more privileged central provinces. It also elucidates, however, the rather large degree of integration among top business elites across regions as evidenced by the mixed composition of boards of directors of various large enterprises. Saudi Arabia's national economy today is tightly integrated, and regional markets have lost much of their material importance, even if regionalism on a socio-cultural level is still strong among many businesspeople.

In both of the above sections, I will show that different from popular perceptions, the Western province has defended its material stakes relatively well in the course of the Saudi system's material expansion, while the South has been the main loser in the process and remains marginalized and voiceless until today.

Although I will briefly propose some hypotheses to explain the historical patterns of inequality, the core empirical aim of the chapter is descriptive. Much more research on the ground would be required to trace elite structures and the history of political integration in different regions to truly explain their diverging fates. This chapter will hopefully serve as a point of reference for such future work.

The data used here mostly come from Arabic language official documents since the 1950s – which are, if anything, likely to underreport regional inequalities. Comparisons over time can be difficult as full time series are lacking for many variables, and statistics can be inconsistent across different years and institutions. Some important sub-regional communities – such as the Shiites of the Eastern Province – cannot be discussed in this chapter, as we lack sufficient community-level data on public services and employment. Regionally differentiated figures on crucial categories, like household income, are lacking altogether. Yet the numbers available all broadly point towards the same conclusions, as do many more figures not presented here for space constraints.

The Saudi state's infrastructural power

The Saudi state is different from both typical developed and developing countries in a number of ways that are important for understanding its structural power over society: Although it commands resources equal to those of many developed countries, these resources are not extracted from an economically developed and differentiated local society, but are generated

externally. Conversely, although its patterns of rule are patrimonial and personalized as in many authoritarian developing countries, the regime's resources are far larger than in most of the developing world. These features together give the regime an almost unique degree of power over society, and leads to a very high degree of material dependence of the average Saudi on the state's formally and informally disbursed resources.

The reach of the state is reflected in its vast infrastructure and expansive service provision to the Saudi population. The highly centralized Saudi state touches its subjects' daily lives on many levels and very deeply, and supplies more services relative to those provided from within business and society than most other states in the world.

It is important to remember that this has not always been the case. In fact, the Saudi state's infrastructural power was very weak up to the 1960s. It was only during the 1970s, in the course of the first oil boom, that the state managed to expand its service provision and patronage to the vast majority of Saudi nationals. With its budget expanding fivefold from the first to the second five-year development plan from 1970 to 1975, this happened at an unprecedented pace. Not coincidentally, this was also a time when organized opposition in Saudi Arabia had virtually disappeared, as most Saudis were drawn into the orbit of the state apparatus and young, motivated nationals enjoyed a level of social mobility that has never again been reached – often as clients of individuals in the royal family.

Even without personalized patronage, the average Saudi's dependence on the state multiplied, as the bureaucracy managed to roll out subsidized services at a high pace: The length of paved roads quadrupled from 1970 to 1984, electricity generation capacity increased twentyfold and water desalination capacity eightyfold.¹

The number of primary school students more than doubled from the early 1970s to the early 1980s, that of intermediary school students quadrupled, while that of secondary school pupils multiplied sixfold. By the 1990s, full enrolment was reached, in a society where illiteracy had been estimated at 95% only four decades earlier – all thanks to state-provided free education.² Saudi schoolchildren became subject to a unified and centralized educational system in a social context that remained relatively closed to the outside world.

These are statistics not only indicate a rapidly improving quality of life. They are also tokens of how quickly a national bureaucracy, tightly controlled by the central government in Riyadh, managed to reach out into even remote villages of Saudi Arabia and to make Saudi nationals of various stripes structurally dependent on, and oriented towards, the state. Regional administration became increasingly standardized, and the average Saudi quickly found himself dealing with the bureaucracy on many levels of daily life.

Rates of sedentarization increased rapidly, and where there previous was very little presence of the bureaucracy outside of the major urban centers, the state soon was almost everywhere, employing nationals, providing them with subsidized goods, and – not necessarily by design – destroying traditional local economies. Traditional local leaders such as tribal sheikhs were often either sidelined or co-opted through, among other things, handing them administrative jobs.³ This does not mean that the state had perfect control over what everybody was doing or the capacity to monitor people tightly, but it had created systems of support and

¹ Ministry of Planning, *Achievements of the Development Plans*, various issues.

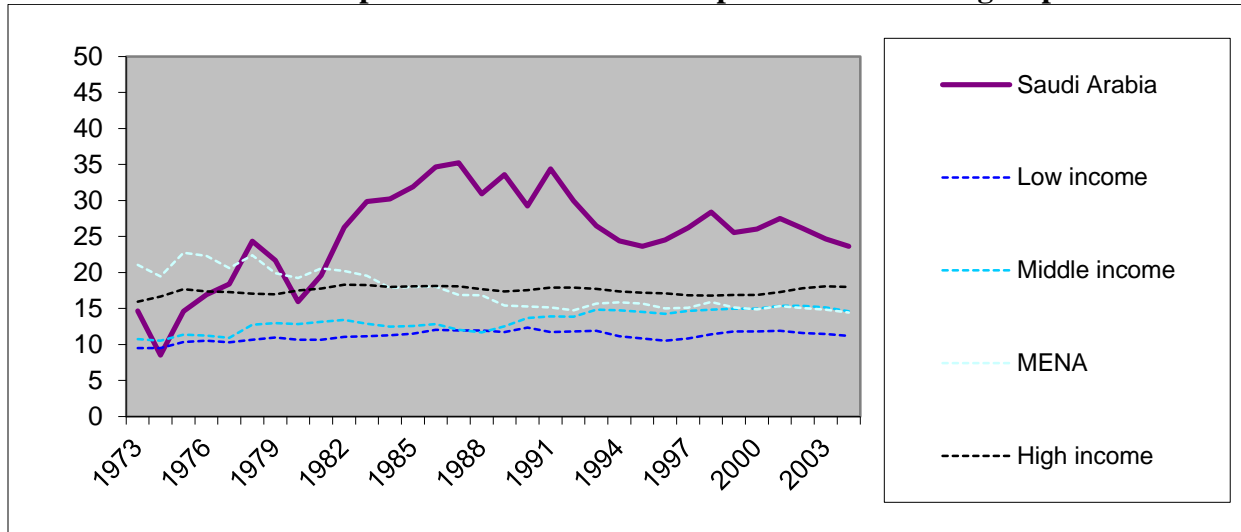
² *Statistical Yearbook*, various issues.

³ Ali Mashhor Al-Seflan, "The Essence of Tribal Leaders' Participation, Responsibilities, and Decisions in Some Local Government Activities in Saudi Arabia" (PhD diss., Claremont Graduate School, 1980).

material dependence that strongly decreased the organizational and economic autonomy of local actors – whose fortunes now often were decided in the ministerial offices of remote Riyadh.

Despite an organic growth of private economic activity in the kingdom since the 1970s, today's Saudi state still plays a disproportionate role in daily life of most nationals. A couple of indicators will serve to illustrate this. First of all, the sheer size of the state as economic player relative to non-state entities remains crushing.

Government final consumption as % of GDP in comparison with other groups of countries



Source: World Bank Development Indicators

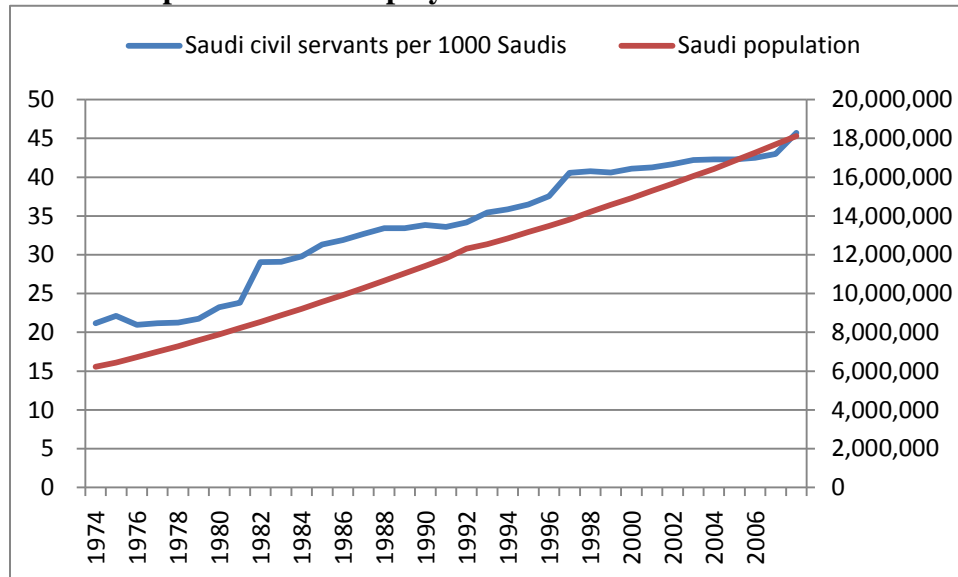
The share of government final consumption in GDP in Saudi Arabia has historically been higher than among most other countries of the world, whether rich or poor, indicating a dominant role of the state apparatus in national economic life. This is although the measure in fact severely understates the role of the government, as it excludes the oil sector, which is largely or wholly state-controlled and acts as important employer and contracting agency. Much of economic activity therefore depends on the state, directly or indirectly. In the Middle East region, it is only the small GCC states where relative dependence on the state is even higher.

A survey of specific sectors reveal the same picture: health and education are overwhelmingly state-provided, as are subsidized utilities, transport and infrastructure. While it is true that modern industrialized states have at times provided similarly expansive services to their citizens, they have done so at higher prices and, more important, provided them to a societies that have enjoyed much larger resources of their own. In Saudi Arabia, the provision is much more lopsided, as the expanding state encountered a poor, fragmented and underdeveloped society. This made it easy for the regime not only to take over national education, but also to dominate national media, allowing rather tight control over nationally unified information in what for many decades remained a relatively inward-looking society.

The most important measure of state dominance in Saudi society is probably the state's disproportionate role as employer: The official payroll in Saudi Arabia has increased every year since 1970, despite economic recessions in the 1980s and 1990s. In 2008 it officially counted almost 900,000 employees, while privately employed Saudis were estimated at only about 830,000 according to Ministry of Labour figures. This means that more Saudis work in the

bureaucracy than in the private sector, a phenomenon today only known in a couple of very rich oil states and the remaining few communist countries of this world. The share of public employees in the overall population moreover has been increasing for four decades despite rapid demographic growth.

Number of public sector employees in Saudi Arabia since 1970



What is more, the official figures on state employment from the Ministry of Civil Service seem to understate the phenomenon significantly, possibly by a factor of two or more. Several forms of state employment – most prominently in the security and religious sectors – go largely unrecorded by the Ministry. A recent independent report has given a figure for actual Saudi government employment of 1.8 million individuals. The Ministry of Interior alone is reported to employ up to 500,000 individuals.⁴ This would mean that for every Saudi in private employment, about two work for the government.

According to the estimates of the International Labour Office, public sector employment accounts for an average of 6% among total developing country employment, and even in the statist Middle East and North Africa region, the average in the is about 15%. The Saudi figure is at least three times as large. State employment serves as a huge, nation-wide patronage machinery that can be used to bestow and take away favors, a machinery towards which most individuals and interest groups orient themselves in the absence of comparably large resources in society.

Even if many Saudis might be unhappy with their bureaucracy, it is a powerful structural factor of national integration, a stable and deeply ensconced fact of Saudi life. Thanks to a domineering state, Saudis who used to live separate lives in largely local contexts now think and talk of the same national institutions and policies when thinking about their sustenance and material interests.

To be sure, the Saudi state is rather fragmented in itself, as different parts of it are dominated by patronage networks of different senior princes. Despite all internal squabbles, however, the presence of the family is a unifying rather than a dividing factor that guarantees the

⁴ John Sfakianakis, *Giving a Boost*, Saudi British Bank Notes, 7 February 2008.

basic coherence of the system thanks to the presence of hundreds of princes in the state apparatus who share a common survival interest.

Regional inequality: evidence

Given the enormous reach of the Saudi state, inequality in resource allocation can have momentous consequence for society, which has been fundamentally reshuffled through the oil boom. The terms on which the state has reached out into different parts of Saudi society have indeed been unequal on many levels. The dimension which is the most easily measurable, and in many ways the most politicized, is the regional one.

It is also the one about which the most persistent myths are perpetuated. Perceived regional inequalities have given rise to much resentment of the dominance of the Al Saud and the Najd, the central province from which they hail. Apart from the Shiites in the Eastern Province – a special social category not only in regional terms – the most vocal complaints have arguably come from sections of the elite in the Hijaz, Saudi Arabia's Western region. The general narrative is that historically the Hijaz has been more economically, administratively and culturally sophisticated, but has been marginalized by Najdi elites in the course of the state-building process. Recent years have even seen some talk about a revived Hijazi separatism in the face of oppression and discrimination by Central Arabian elites.

The following pages will weigh the discourse of discrimination and pro-Najdi favouritism against the available hard data about socio-economic development of Saudi Arabia's different regions. Our results will call into question the received wisdom of Hijazi marginalization, rather demonstrating that the real losers of national unification by and large live in the South of the kingdom, a large but politically less visible and vocal region.

There is good historical evidence that the central province has always been favoured in the course of Saudi state-building. Even in the pre-oil age, resources extracted from the Western and Eastern regions were redistributed towards central province towns and tribes who in turn contributed to the state-building enterprise through their military contributions.⁵ With larger-scale oil income entering the picture from the 1940s on, favoritism did not require resource extraction from the periphery anymore and started to occur on a bigger scale.

⁵ Alexei Vasiliev, *The History of Saudi Arabia* (Saqi, 2000), 122f.

Saudi Arabia: map of regions [I don't insist to have one here, but there should be one somewhere in the book]



It was not, however, the more developed West which was the main victim of unequal distribution policies. Instead, peripheral regions in the populous South suffered from far worse neglect. In the first national budget from the mid-1940s, moneys were approved for the Western Province (Hijaz) and the central region (Najd), but none was earmarked for any other region.⁶

A regional pecking order is also visible in early statistics on social security and pensions payments: Total disbursement Riyadh in 1962 amounted to 3.65 million Saudi Riyals, almost half of the national total of 7.5 million, although Riyadh according to a 1963 population estimate contained only about 16% of the national population (see graph below). The Western port city of Jeddah, at the time at least as big as Riyadh, received only 1 million.⁷ Several smaller towns in central Saudi Arabia, and the Qasim sub-region in particular, received disproportionate shares of social security payments (including Al-Rass, Shaqra, Buraydah, or Al-Majmah). These are villages from which an important share of senior administrators in the Saudi state have historically been recruited.

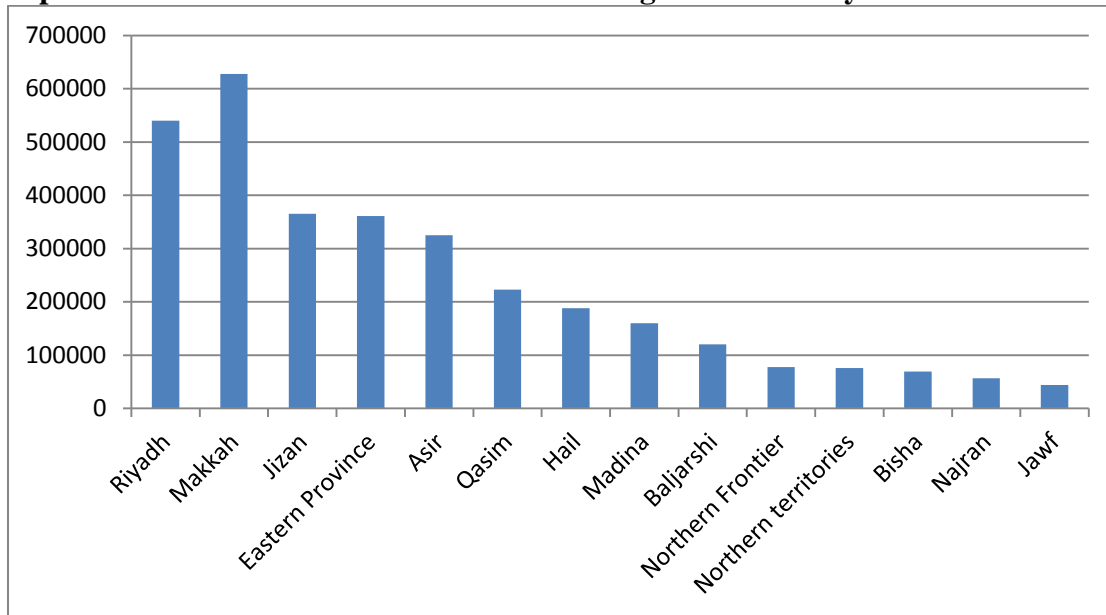
The main disadvantaged regions were not the oil-rich East (Dammam/Khobar/Al-Hasa) or the traditionally more developed Hijaz (Makkah/Jeddah/Medinah), however, but it was most of all the South: Jizan as the most strongly populated region outside of the main West-East axis received pensions payments only one tenth as large as the ones in Riyadh.⁸

⁶ Tariq Hassan Koshak, "The Saudi Budgetary Process: an Exploratory Case Study", (PhD diss, Leeds Business School, 2001), 81.

⁷ *Taqrir^c an wizarat al-^camal wa-sh-shu'un al-ijtima^ciyya 1383* (Report about the Ministry of Labour and Social Affairs, 1963/64), Institute of Public Administration documentation center, Riyadh, folder 181.

⁸ Cf. *Sixth Statistical Yearbook*, table 4-11.

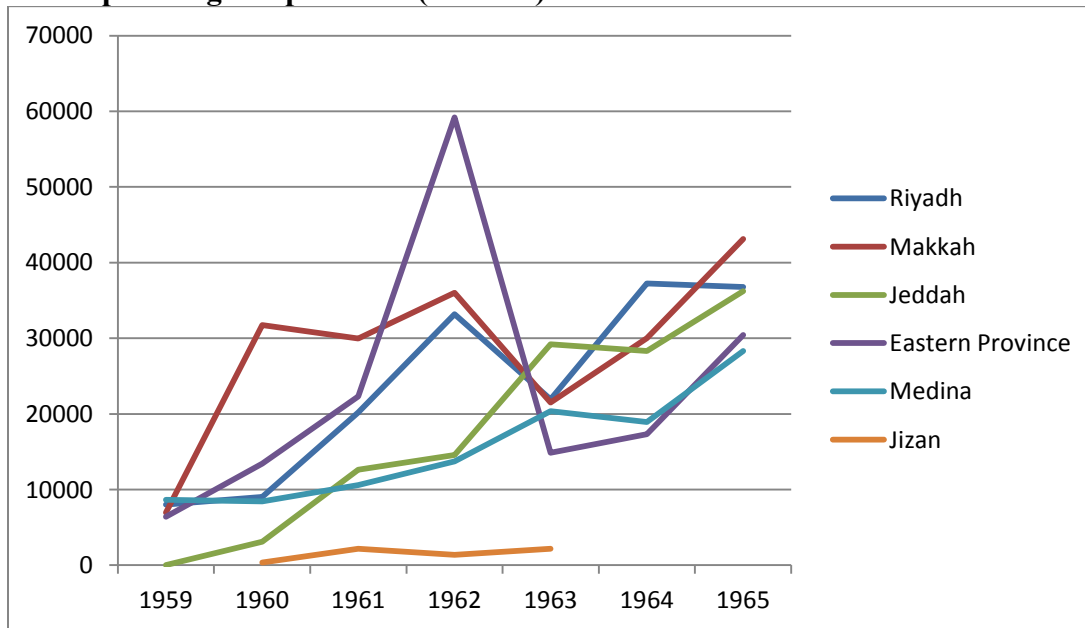
Population estimates in Saudi Arabia according to 1963 survey*



* “Makkah” here includes Jeddah, which constitutes the bulk of the count

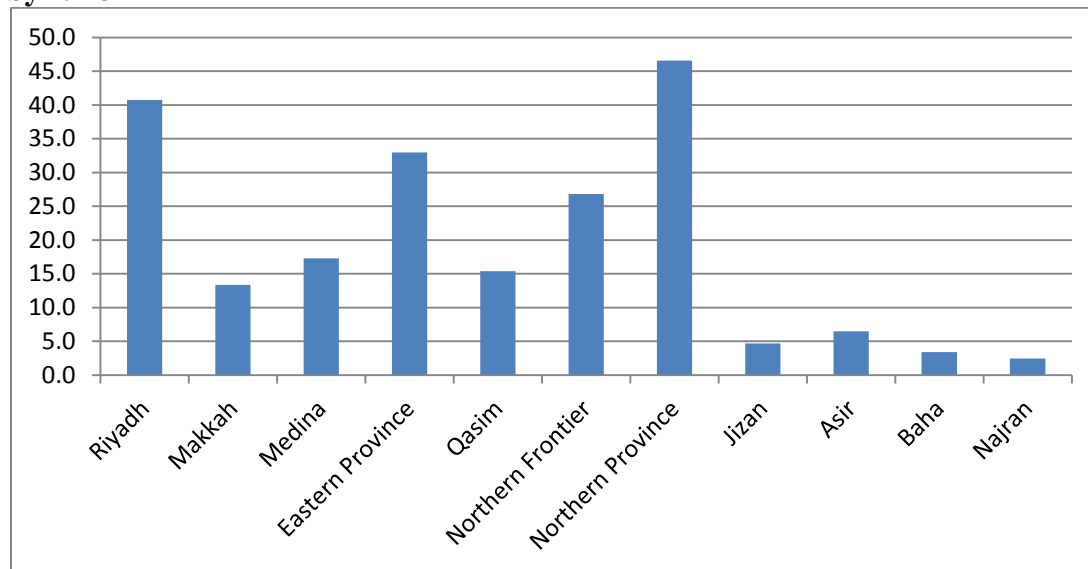
Statistics about municipal budgets in the 1960s reveal a similar picture, though one more favourable to the main urban centers in West and East: they profit from comparably large allocations than the centre. Jizan again has a much smaller allocation, although it was at the time still a comparable in population to the Eastern Province.

Municipal budgets up to 1965 (‘000 SR)



The oldest available statistics on state-provided real estate loans show a similar pattern. While the main regions of the kingdom – Western, Central and Eastern – do rather well together with a couple of smaller Northern regions, the South has been badly neglected.

Number of real estate loans given per 1000 residents by the Real Estate Development Fund by 1978⁹



The fragmentary data on public employment in the early phase of Saudi state-building lead us to similar conclusions. The bureaucratic build-up favoured the urban classes in general: of 252 middle managers sampled in a mid-1970s survey, only three had a nomadic background, 95 were from small villages and the dominant rest from towns.¹⁰ More important, employment at least on higher levels of the bureaucracy early on evinced a clear bias in favour of the Najd, i.e. of central Arabia. Already in the pre-oil age, many important positions in other provinces were taken by Najdis, such as regional governorships or the presidency and the vice-presidency of the Consultative Council, although the latter was a Western Province body. Most southern governors and mayors also were from Najd. In the Eastern Province, government in the 1960s was dominated by Hijazis and Najdis, not locals.¹¹ Even the Sunni elites of the Eastern Province, such as the clans of Hofuf (a town that grew far below its potential) were marginalized.

From the 1960s on, Najids caught up with more urbane Hijazis from the Western Province in getting degrees abroad and quickly worked their way up the bureaucratic ranks. There was even an informal network of young Najdi nationalists – called “Fatat Najd” – that promoted the interests of this new stratum.¹² It was far from a real political organization, however, and many of the adherents were subsequently adopted by Prince and later King Fahd to build his own patronage networks in the state apparatus.

⁹ Based on REDF figures in Middle East Economic Digest, 27 January 1978, 31.

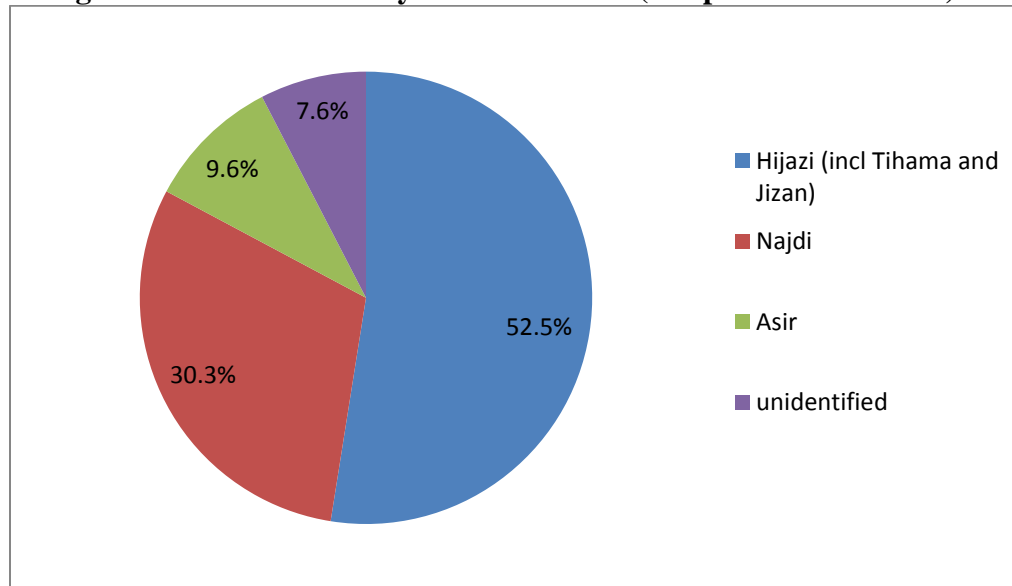
¹⁰ Mohammed Abdullah Madi, “Development Administration and the Attitudes of Middle Management in Saudi Arabia (Ph.D. diss., Southern Illinois University, 1975), 62f.

¹¹ Jidda to State, The Shi’a Community of the Eastern Province, 9 June 1969, U.S. National Archives and Records Administration, College Park/Maryland, Record Group 59, 250, 5-7, box 2472, folder POL 13 SAUD (1/1/67) .

¹² Interviews with former senior civil servants in Riyadh, 2003-2008.

At the beginning of the 1960s, Hijazis still dominated much of the bureaucratic class in the kingdom, thanks to their region's longer history of administration and economic development. Even among military officers, they constituted a majority – although this changed after a coup attempt in 1969 that involved Hijazi networks.

Background of Saudi military officers in 1965 (sample with 238 cases)¹³



The shift in favour of Najdi bureaucratic employment happened rapidly during the 1960s decade, however, and earlier than some historians would have it: already in a late 1960s sample of 271 high-level bureaucrats, 61% came from Najd, and most of the rest from the Western Province.¹⁴ The Hijaz remained important, but quickly became the junior partner in the process of regime-building.

Najdi dominance was further deepened after the killing of King Faisal in 1975, who had built up and relied on strong Hijazi clienteles during his time as viceroy in the region from the 1920s on, while his successors, Fahd in particular, relied more strongly on Najdi links.

According to statistics compiled by Nabil Mouline, Najdis have historically dominated the Council of Ministers (set up in 1953), the Council of Senior Ulama (created in 1971) and the Majlis Al-Shura (set up in 1992). 72%, 73% and 57% of the total membership of these three bodies respectively have hailed from Najd. The figures for the Southern regions are 1%, 6% and 7%. The remaining 20 to 30% of governing elites are mostly from the Hijaz (with the exception of the Ulama Council, where only 9% Hijazis have been present). The breakdown for ministers of state and senior bureaucrats is similar.¹⁵

At no time, then, was the Hijaz completely sidelined, as some Hijazi local patriots would make us believe. In the cabinet for example, Saudi kings perpetuated a regional key that would

¹³ Jidda to State, The Saudi Army Officer's Role in National Affairs, 27 November 1965, U.S. National Archives and Records Administration, College Park/Maryland, Record Group 59, 250, 5-7, box 1675, folder Folder DEF 6 SAUD 64-66.

¹⁴ Ibrahim Al-Awaji, "Bureaucracy and society in Saudi Arabia" (Ph.D. diss., University of Virginia, 1971), 169-176.

¹⁵ Nabil Mouline, "Les oulémas du palais. Parcours des membres du Comité des grands Oulémas," *Archives des sciences sociales des religions*, no. 149, 229-253.

reserve a minimum number of ministries for non-Najdis. The important Ministry of Petroleum was headed by Hijazi ministers until 1995, and the Ministry of Commerce and Industry has recently returned to Hijazi hands under Abdallah Alireza. The Al Saud's strategy was never to completely marginalize the Hijaz, but rather to co-opt it in a junior, but nonetheless important position. In this sense, it has been structurally integrated into the national system.

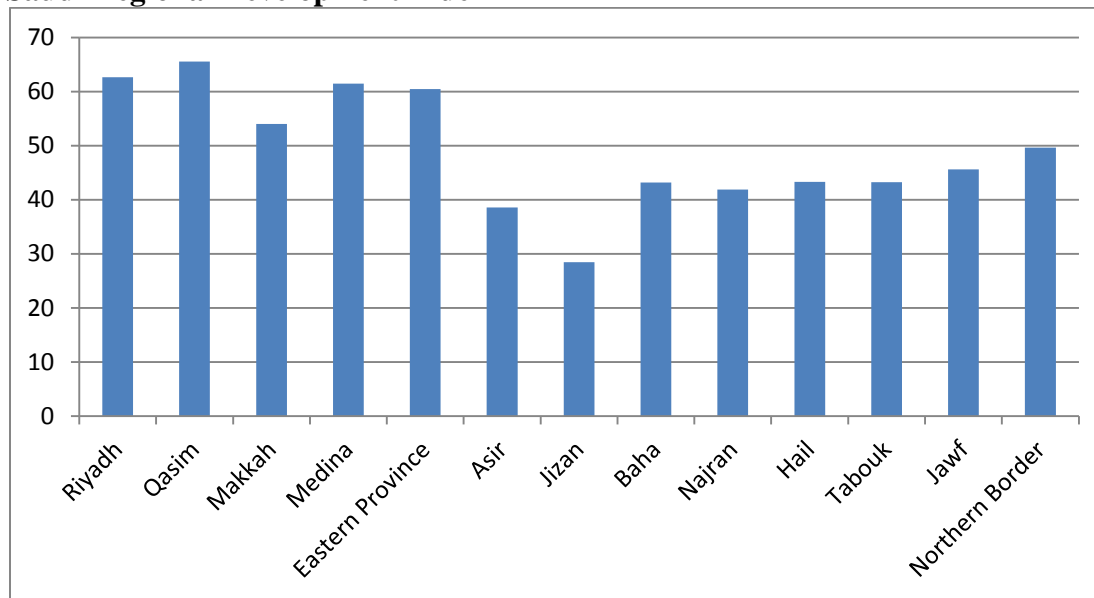
The South has been more marginalized in terms of cabinet positions, but even Jizan, Asir and Najran have provided a couple of deputy ministers and senior advisors to princes and are part of national patronage structures. Core technocratic portfolios such as finance or oil however have been off-limits to them. The only current minister of Southern extraction, minister of state Saud bin Saeed Al Mathami, is in charge of the rather inconsequential portfolio of "Majlis Ash Shura Affairs". His family is reported to have allied with King Abdulaziz' early on during his conquest of the Arabian Peninsula.

The one region that has been very much marginalized in terms of senior-level employment are the Shiite communities within the Eastern Province and the Ismailis in the South.¹⁶

A measure for regional development in Saudi Arabia recently developed by the World Bank indicates that the hierarchy of regions in the kingdom is essentially the same today as it was four decades ago when the state first engaged in development expenditure on a large scale. The measure includes, among other criteria, the number of teachers, electricity connections, hospital beds, telephone lines, industrial establishments, industrial employees, and expenditure on municipal infrastructure per capita. While the central regions lead, the Western and Eastern Provinces follow closely. The real laggards are Southern regions, most of all Jizan. It is probably no coincidence that Qasim, the Najdi region from which the most senior administrators have been recruited, enjoys the highest ranking.

¹⁶ For a useful discussion of the Eastern Province see Toby Craig Jones, "Rebellion on the Saudi Periphery," *IJMES* 38 (2), 213-233.

Saudi Regional Development Index¹⁷

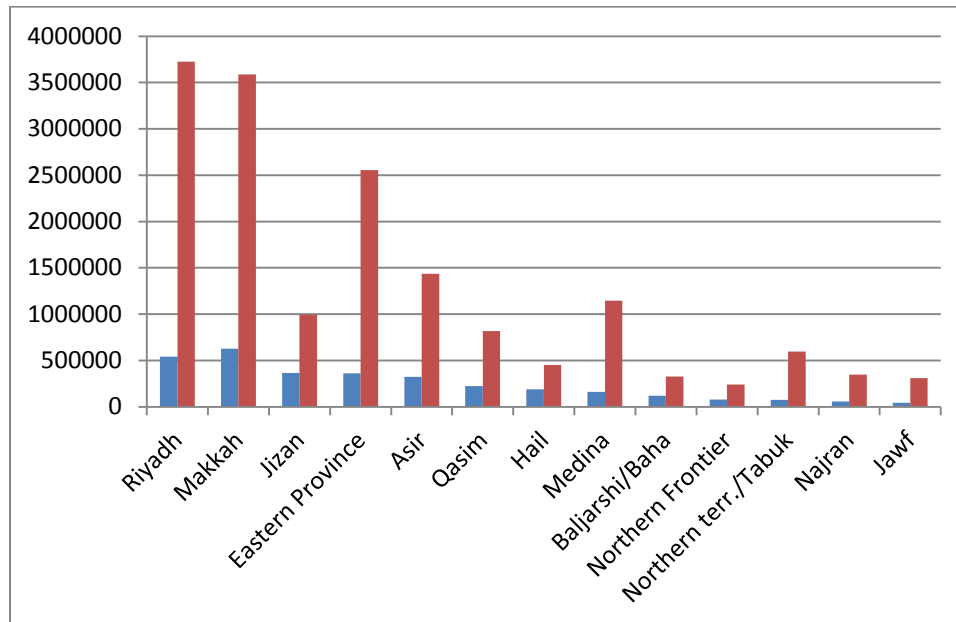


To some extent, differences between regions are likely to be differences between urban and rural development, as some regions – notably Riyadh, Eastern Province and Makkah – are more urbanized and large cities have benefited by far the most from the kingdom’s oil-financed development drive. Urban/rural disparities within governorates are probably as big as any inter-governorate differences. Yet, comparably rural regions still look fairly different: The very sparsely populated North for example is by and large better off than the South (we already saw above that it also has received many more real estate loans per capita). Qasim, moreover, the population of which is fairly dispersed, scores very well.

Regionally differentiated levels of development are also reflected in population movement since the 1960s.

¹⁷ Prajapati Trivedi, “Results-Based National Strategies,” presentation to the General Secretariat for Development Planning, Qatar, October 2008;
http://www.gsdp.gov.qa/portal/page/portal/GSDP_Vision_Root/GSDP_EN/GSDP_News/GSDP%20News%20Files/English_Dr%20Prajapati%20Trivedi_World%20Bank_QNV%20Seminar_Pane.pdf.

Population of Saudi nationals by region, 1963 (blue) and 2004 (red)¹⁸



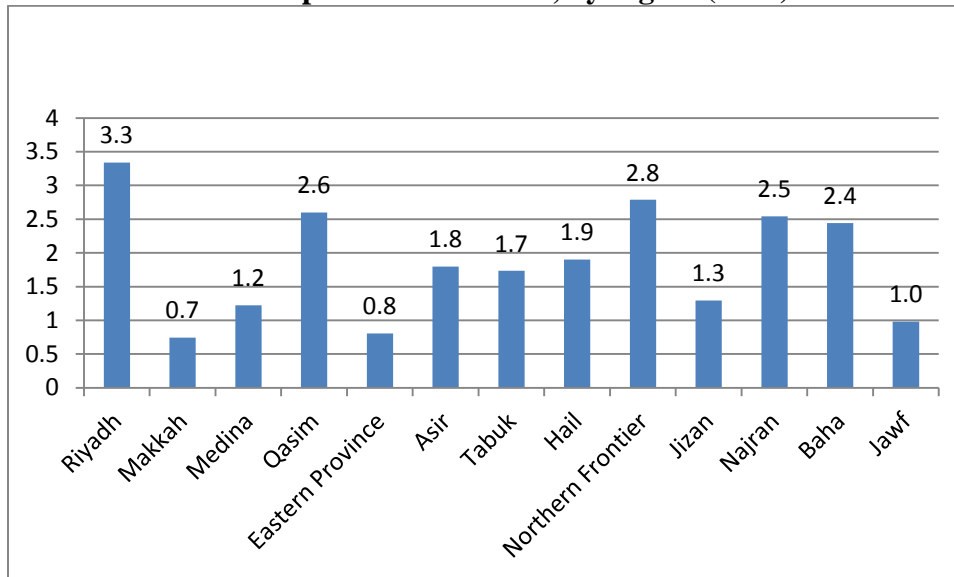
While the population has grown sevenfold in Riyadh, it increased less than three times in Jizan. Poor as it has always been, Jizan is unlikely to have had much lower fertility rate. Instead the main cause of slower growth probably was internal migration to the economic growth axis of Jeddah-Riyadh-Eastern Province, where nowadays one meets many Saudis with Southern surnames.

One important driver of such migration has been government employment, of which the central region has historically been providing the largest share.¹⁹ The below figures on the number of civil service entrants in 2007 confirm that Riyadh continues to have the highest intake while Western and Eastern Province lag far behind even peripheral regions. The latter might be seeing a recruitment drive as result of King Abdullah's new regional development policy (see below). One notes however that within the peripheral group, Jizan (in addition to Jawf) is once again a laggard.

¹⁸ The sources are the 1963 population survey and the 2004 census. Care has been taken to make sure territorial designations in the two sources were commensurable; in some cases sub-regions had to be added up.

¹⁹ Over longer stretches of time, Riyadh has had more than 4 times as many entrants than any other city; Ministry of Civil Service, *Al-khidma al-madaniyya bi-l-arqam 2005* (The civil service in figures 2005), 69.

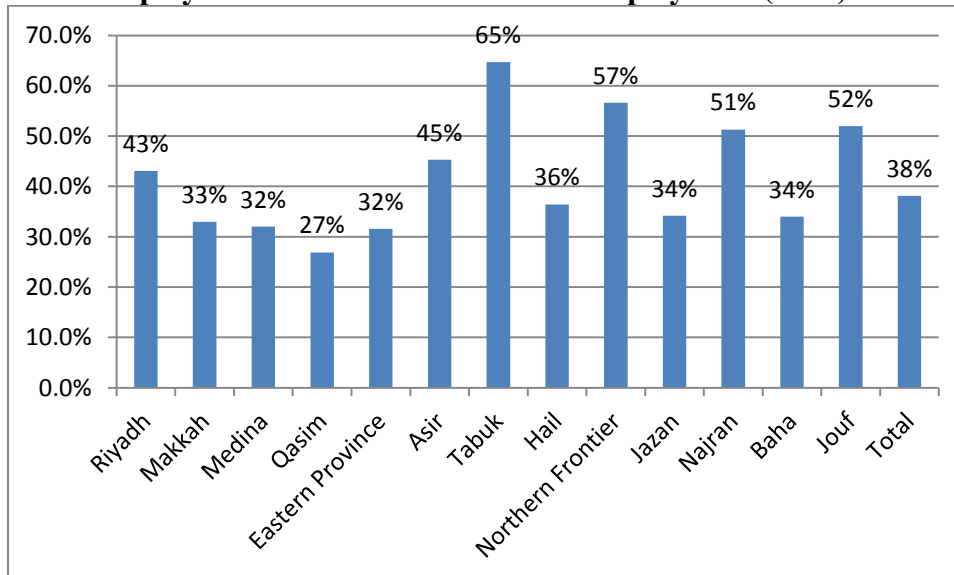
Civil service entrants per 1000 nationals, by region (2007)



Source: Ministry of Civil Service, SAMA

With government as the dominant employer, public job creation can be crucial for the economic fate of regions. The graph below shows the share of public employment in total Saudi employment in 2007, demonstrating that among the big urban conglomerations Riyadh enjoys the largest public employment ratio. The peripheral regions, in which private business tends to be weak, profit significantly from state employment, but to quite different degrees. Again, the North seems to be somewhat better off than the south, especially Jizan.

Public employment as share of total Saudi employment (2007)

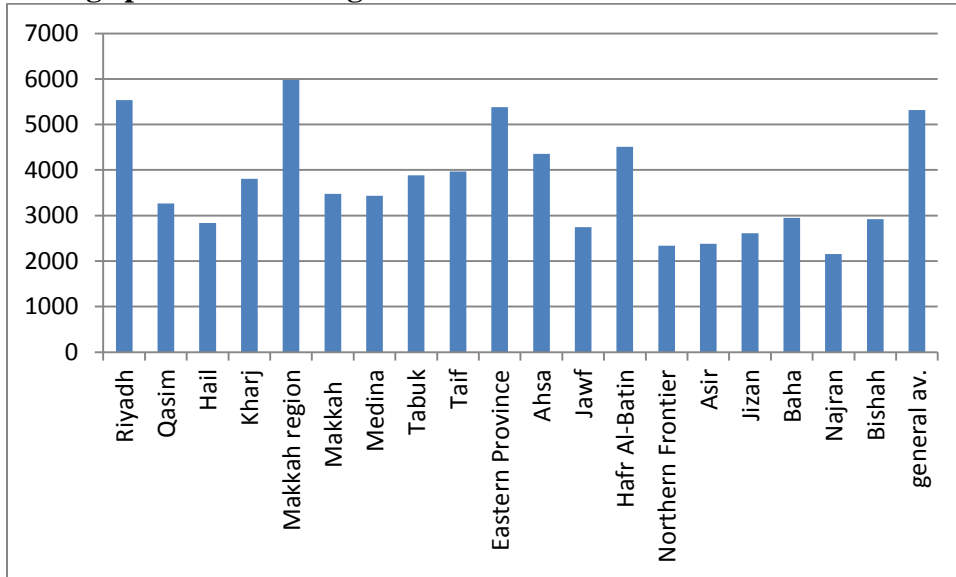


Source: Labour Force Survey, Central Department of Statistics

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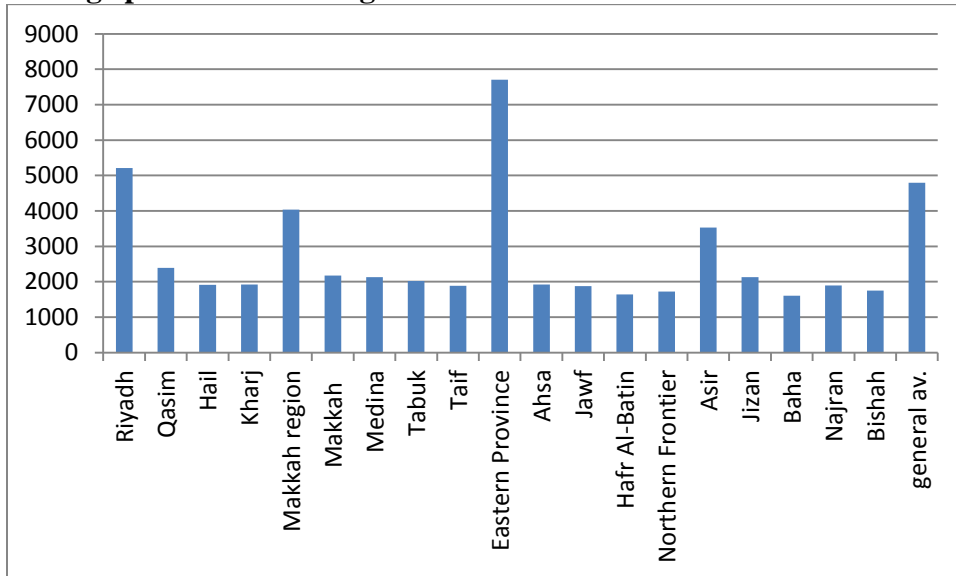
The division between urban and peripheral regions is also reflected in public and private sector wage data; in this case, it seems to dominate all other distinctions.

Average public sector wage for Saudis in 2007



Source: General Organization for Social Insurance

Average private sector wage for Saudis in 2007



Source: General Organization for Social Insurance

Looking back on five decades of government development policy, we can conclude that while the regime seems to have privileged the central region in terms of direct handouts and government employment, it tried to roll out public services on a larger scale in the three main urban centers of the country in a concerted effort at integrating the national infrastructure. The

Southern periphery suffered from relative neglect on both accounts. Nonetheless, all regions of the kingdom have become part of a highly centralized system of distribution as reflected in high dependence on state employment and other public services.

King Abdallah has recently embarked on a new campaign of regional development, aided by greatly increased oil receipts since 2003. He has shown a particular interest in issues of poverty, which in the Saudi context is to an important extent a problem of regional equity, and the first national poverty strategy is currently in the making. He has framed these efforts rather explicitly in terms of granting equal rights to everyone and has made a point of touring neglected regions. Recent infrastructural spending, road-building efforts and the announcement of new provincial universities are all part of this campaign, as are the new “economic cities” that Abdallah has – rather consciously – been promoting in all regions but the central one, and the “national dialogue” sessions that have happened in various locations all over the kingdom.

The king’s pronouncements seem to be given credence by a majority of Saudis, also as he himself is somewhat peripheral to some of the central province networks that have dominated the state in the past under his half-brothers. It is too early however to measure the results of the new development drive, and even the best of intentions are likely to get bogged down in bureaucratic red tape and particularistic agendas of local administrators. A certain disenchantment with Abdallah’s inclusive rhetoric was palpable already at the peak of the recent boom.

For the time being, however, regional disquiet about uneven development has not led to any significant secessionist or anti-government ferment. Instead, most dissident elites from deprived regions want to leverage Abdallah’s inclusive and paternal rhetoric to claim their full share of the national project. As citizenship in Saudi Arabia has less to do with political rights than with material entitlements to be received from the state, this constitutes an essential component of full citizenship.

Equal treatment by the state is a staple demand in political petitions that the king has received from regional delegations in recent years, and it is perhaps the core component of regional political agendas as far as they exist. They thereby underline shared citizenship in the Saudi system rather than to demand dissociation from it.²⁰ Due to the crushingly large role of the central state in Saudi nationals’ life, this appears a rational strategy, not least as such political projects probably stand a better chance under Abdallah than under any other Saudi king. In any case, there is little by way of autonomous political organization in most of the Saudi regions, especially in the disadvantaged South, that could fundamentally challenge the existing system.

In the South the absence of a powerful historical narrative of regional identity seems to have prevented political mobilization over regional inequality, despite the very raw deal the region has gotten in the course of state-building. The one community in the South that is reasonably mobilized, the Ismailis of Najran, are socio-culturally very distinct from the Najdis; one might hence expect to them to lose out particularly badly in the distribution game. Instead, their region gets average scores on many indicators of development, or at least scores better than most Southern neighbouring regions. This might show that it is not cultural affinity to the Najd, but a common identity, articulated through tribal and sectarian cohesion, which allows a region to claim its share in the national pie. Other parts of the South follow the Hanbalo-Wahhabi creed of the Al Saud regime much more diligently than most of the Hijaz or the Eastern Province, and different from Shiites and urban Hijazis are often of tribal stock like the majority of Najids. No other bit of Saudi Arabia would appear socio-culturally closer to the central region. Yet they appear worse organized and hence are effectively marginalized.

²⁰ For Shiite demands along these lines, see for example Laurence Louër, *Transnational Shia Politics* (Hurst, 2008).

Regional inequality: regional shifts and national integration of business

The following section will engage in more depth with an aspect of regional hierarchy around which a particularly elaborate mythology has grown: the shifting fortunes of different regions' business sectors. When it comes to business, the image of a marginalized Hijaz, and of continuing separate regional business classes, is particularly strong – at least in the some of the academic literature.²¹

As in the case of public services and infrastructure in general, the business elites of central Arabia have indeed profited more from the state than those of other regions. But by no means has the Hijaz been sidelined: Its share of the system as junior partner of the Saudi regime has remained substantial. Once again, the South has been the biggest loser of the national economic integration process, as it has produced few big names in business. More generally, although important socio-cultural differences remain between the business elites of different Saudi regions, their actual activities nowadays are in fact quite closely integrated, as they have been organized around a dominant state.

In the Saudi context, there is no ideal measure for measuring the size of regional business, as we lack reliable data on turnover and there is no systematic taxation. We therefore have to rely on a proxy measures. In the following, a number of diachronic comparisons will serve to show how central region businesses have gradually acquired a dominant position.

The easiest way to measure the size of business activity in Saudi Arabia is simply by counting the number of commercial registrations. The table below does exactly that, showing the share of commercial registrations in the national total broken down by region in 1967 and 2007 in comparison. The most important finding is that Riyadh has increased its share from barely a fifth to almost a third of total business activity, mostly at the expense of the Western region. Population movement towards Riyadh, which itself is partially explained by pro-Riyadh government policy, explains some of this. However, even accounting for demographic growth, all other things being equal Riyadh's share in total national businesses should still only be about 26% in 2007, while the share of the Makkah region, whose population has also grown above the national average, should be almost 40%. Instead, Makkah's economic activity has shrunken to 25.6% and Riyadh's has mushroomed to 30.7%.

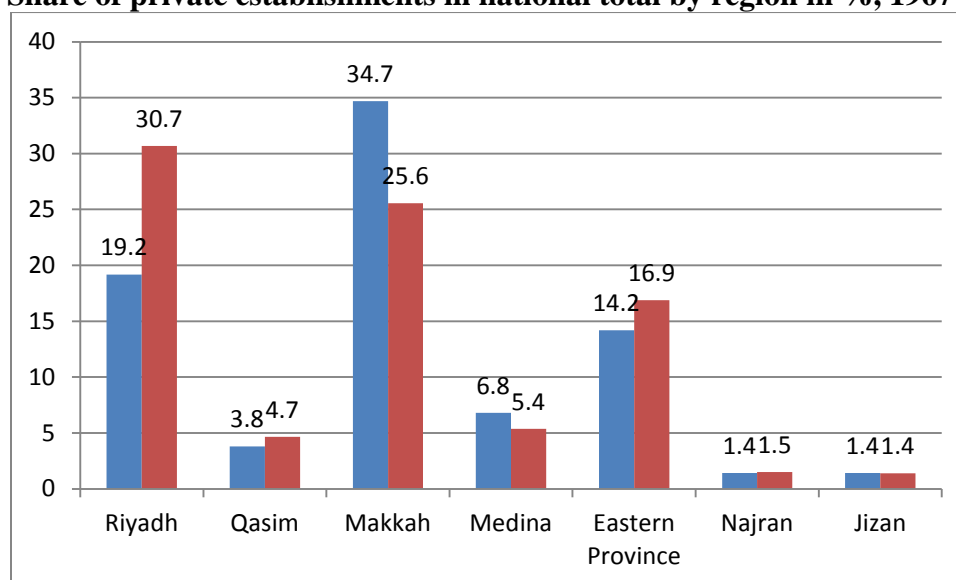
The Southern regions, by contrast, have not lost out in relative terms – considering the population decline in most of the South, they have even gained a bit relative to other regions. But in both absolute and per capita terms, business activity remains much weaker than either in the central regions or in the West or East, as the below table and bar graph shows. The relative gains are worth little, as the South has started from such a low baseline.

²¹ Kiren Chaudhry, *The Price of Wealth* (Cornell University Press, 1997).

Share of private establishments in national total by region, 1967 and 2007

	1967		2007	
		Sums		
Riyadh	19.18%		Riyadh	30.68%
Unayzah	2.71%	3.80%	Qasim (incl. Unayzah and Buraydah)	4.66%
Buraydah	1.08%			
Makkah	15.73%	34.68%	Makkah (incl. Jeddah)	25.55%
Jeddah	18.96%			
Medina	6.79%			
Dammam	4.95%	14.18%	Eastern Province (incl. Dammam, Al-Khobar, Hofuf, Qatif)	16.89%
Al-Khobar	2.49%			
Hofuf	4.93%			
Qatif	1.82%			
Najran	1.43%		Najran	1.50%
Jizan	1.41%		Jazan	1.40%

Share of private establishments in national total by region in %, 1967 (blue) and 2007 (red)



There is some fragmentary data indicating that the shift in favor of the central regions already started before 1967. The following table shows how many of the commercial establishments in different cities had been set up before 1960. The share is particularly small in Riyadh and the Qasimi towns Unayzah and Buraydah, indicating that these places got an extraordinary boost in the 1960-67 period, which is when state expenditure embarked on a long-term growth path.

Commercial establishments in 1967

	total	set up before 1960	Ratio
Riyadh	8367	1478	17.66%
Unayzah	1184	229	19.34%
Buraydah	472	97	20.55%
Makkah	6860	2269	33.08%
Jeddah	8269	2370	28.66%
Medina	2962	972	32.82%
Dammam	2158	489	22.66%
Al-Khobar	1085	367	33.82%
Hofuf	2149	887	41.28%
Qateef	793	188	23.71%
Abha	424	125	29.48%
Najran	625	93	14.88%
Jizan	614	189	30.78%

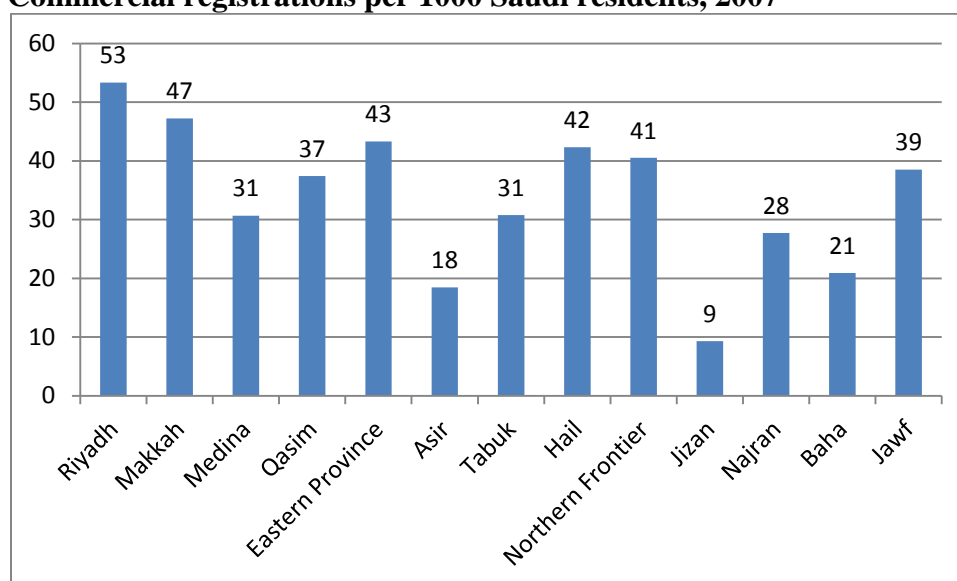
Source: 1967 Establishment Survey

In 1967, construction was one of only a few categories in which Riyadh had more companies than Jeddah (148 as compared to 111). This is further evidence that state activity was the main driver of business growth in the central region, as contractors at the time mostly served government construction demand.²²

Relative to the size of the population, business activity in the South, Jizan in particular, remains very weak even today – further underlining these regions' continuing dependence on government largess, which is not always forthcoming.

²² 1967 Establishment Survey, Institute of Public Administration documentation center, Riyadh, table 4.

Commercial registrations per 1000 Saudi residents, 2007



Patterns over time are rather similar when one looks at the number of workers in private establishments: The number of workers in Riyadh has increased significantly above proportion, while the Western provinces have lost out. In the South, the number of workers has grown quickly, but from a very low baseline of little formal economic activity in the 1960s.²³

Workers in private establishment as share of national total

	1967		2005	
		Sums		
Riyadh	21.33%		Riyadh	30.68%
Unayzah	1.77%	2.34%	Qasim (incl Unayzah and Buraydah)	4.95%
Buraydah	0.58%			
Makkah	11.48%	39.13%	Makkah	24.58%
Jeddah	27.65%			
Medina	5.16%			
Dammam	6.61%	15.84%	Eastem Province (incl. Dammam, Al-Khobar, Hofuf, Qatif)	21.14%
Al-Khobar	4.38%			
Hofuf	3.82%			
Qateef	1.04%			
Najran	0.91%		Najran	1.36%
Jizan	1.22%		Jazan	1.43%

Source: 1967 Establishment Survey and 2005 Statistical Yearbook

²³ The divergence is even stronger regarding licenses for importing foreign labour, which are reported in official Ministry of Labour documentation.

There has been a discernible shift from the Western to the central regions also in the area of industry, which has been heavily reliant on state-provided infrastructure and cheap inputs. Whereas in 1970, the Western Region of Saudi Arabia hosted many more industrial establishments than the Central Region, the position had reversed in 2007, as many more industries were active in the central regions (the higher levels of financing for East and West are mostly explained with the presence of public or foreign-owned heavy industry at coastal industrial cities).²⁴ Southern and Northern regions have made relative gains starting from an extremely low baseline. In absolute terms, these gains are so small, however, that the periphery has by and large been left out of the national industrialization drive – a fact that King Abdallah has only recently tried to change with the initiation of the (possibly ill-fated) Jizan Economic City.

[this could be cut and summarized in a sentence or two if the chapter is too long:]

Industrial establishments in 1970 and 2007: absolute numbers

1970				2007			
	number	paid-up capital ('000 SR)	employment		number	financing (million SR)	employment
Central Province	85	96843	2574	Riyadh	1515	54467.55	164011
				Qaseem	150	5498.522	10811
Western Province	149	221560	5666	Makkah	1063	53254.69	118869
				Madinah	151	53836.82	19196
Eastern Province	55	443290	4304	Eastern Region	904	161009	110291
Other	5	87	61	Aseer	96	2570.032	5149
				Tabuk	34	1700.33	3127
				Hail	31	337.866	1271
				Northern Fronties	9	42.56	243
				Jazan	37	1569.576	1792
				Najran	20	156.833	568
				Al-Baha	15	84.97	439
Jouf	23	233.6	912				

Source: Ramon Knauerhase, *The Saudi Arabian Economy* (Praeger, 1977), 143 and *Statistical Yearbook 2007*

Industrial establishments in 1970 and 2007: percentage shares in national total

1970				2007			
	number	paid-up	employment		number	financing	employment

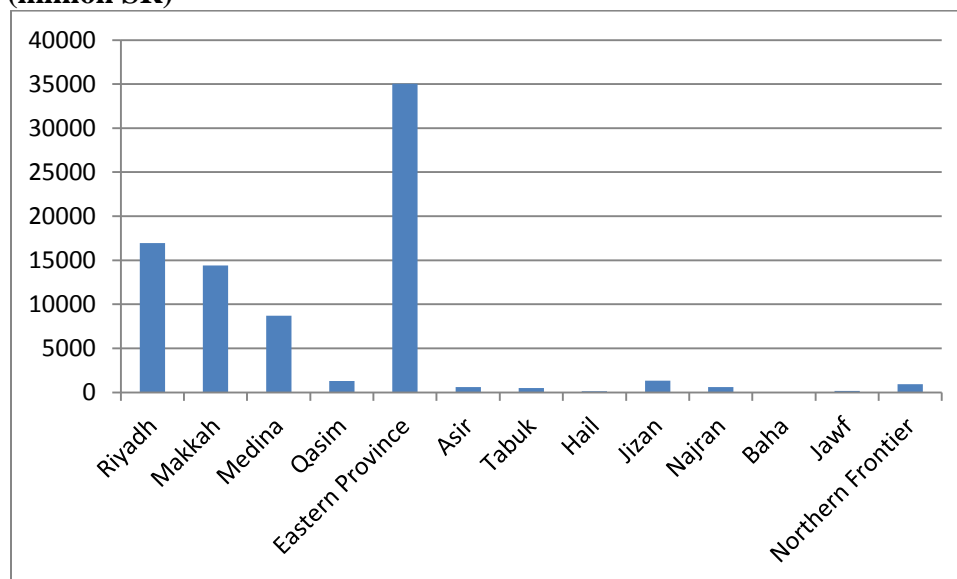
²⁴ The high level of financing for Medina is mostly explained with the location of Yanbu industrial city in the Medina governorate, which is located at the sea for logistical reasons. The same is true with the Eastern Province and Jubail industrial city as well as other oil- and gas-related industries related to national oil company Aramco, whose facilities are located in the East.

		capital					
Central Province	28.91%	12.71%	20.42%	Riyadh	37.43%	16.27%	37.56%
				Qaseem	3.71%	1.64%	2.48%
Western Province	50.68%	29.08%	44.95%	Makkah	26.26%	15.91%	27.22%
				Madinah	3.73%	16.08%	4.40%
Eastern Province	18.71%	58.19%	34.15%	Eastern Province	22.33%	48.10%	25.26%
Other	1.70%	0.01%	0.48%	Aseer	2.37%	0.77%	1.18%
				Tabuk	0.84%	0.51%	0.72%
				Hail	0.77%	0.10%	0.29%
				Northern Frontiers	0.22%	0.01%	0.06%
				Jazan	0.91%	0.47%	0.41%
				Najran	0.49%	0.05%	0.13%
				Al-Baha	0.37%	0.03%	0.10%
				Jouf	0.57%	0.07%	0.21%

Source: s.a.

Manufacturing in particular is a business activity that would not have come into being without extensive state support in terms of infrastructure, cheap input and soft loans. We have some historical data on the latter broken down by region:

Cumulative loans disbursed by the Saudi Industrial Development Fund from 1974 to 2009 (million SR)



Source: SIDF

The dominance of the East-West axis is crushing and in line with the supply infrastructure for industrial feedstock that has been built from the 1970s on. The dominance of the Eastern Province is due to the local availability of oil and gas inputs and the presence Jubail Industrial

City, while most of the funds registered in Medinah governorate have gone into Yanbu Industrial City. Interestingly, the total funds made available in both West and East are larger than those accrued in Riyadh. It remains to be seen whether King Abdallah's new economic cities can change anything about the absence of industries in North and South.

More generally, however, Riyadh is now the business capital of Saudi Arabia and the Hijaz has lost out in relative terms. In the early 2000s, Riyadh hosted 38% of the top 1000 Saudi companies, while 37% were located in the Eastern Province and only 24% in the West. But again, only a measly 1% were based in the South.²⁵ In specific sectors such as state-supported agricultural production, the central provinces, and Qasim in particular, have benefited from particularly blatant favouritism, despite the South's much better natural potential for agriculture.²⁶ Even today, Jizan receives a much smaller share of agricultural loans from the state-run Saudi Arabian Agricultural Bank (SAAB) than would be warranted by its large national workforce in agriculture.²⁷

Regional disparities in business development as measured by numbers establishments or workers employed appear even worse than those in the provision of public services. Redistribution of state resources through the private sector seems to have been the most unequal part of the Saudi state-building process – for there is little doubt that most of the original Saudi business fortunes were made with and through the state and connections with networks in the state apparatus. Some of the divergence might be explained through different levels of entrepreneurialism and pre-oil business traditions of different regions. But given the top-down nature of much of the rent distribution process, the agency of major players within regime and bureaucracy must have played an important role. Business favouritism has been most directly visible in the field of agricultural support policies, which created a new class of agricultural entrepreneurs in the Northern Najd, where there was no tradition of large-scale agriculture to speak of, while leaving established agricultural regions in the South to fend for themselves.

It might not be coincidental that the one direct consumer support mechanism that is closest to discretionary business subsidies – that of real estate financing – has also been the most unequal according to our data.

The fact that central Arabia has been favoured by development policies often is often conflated with two other, faulty hypotheses: that the Hijaz has been economically sidelined, and that the Saudi economy remains regionalized, dominated by specific provincial networks. The first is not true since Hijazi business by most measures remains the second most important regional grouping in Saudi Arabia, whose leaders have access to the most senior princes and who sit on the boards of many leading national companies. In absolute terms, Hijazi business has flourished over the decades. Relative to Northern and Southern elites, and to the indigenous business groups of the Eastern Province, Hijazi business leaders remain in a very comfortable position. Hijazi notables often cling to the myth that they saw eye to eye with King Abdulaziz in

²⁵ World Bank, "Administrative barriers to investment in the Kingdom of Saudi Arabia" (study for SAGIA, Riyadh, 2002.), 70. The South until recently also did not have an industrial city, *ibid*, 73.

²⁶ See Chaudhry, *infra*, for a detailed discussion of agriculture in the 1980s and 1990s.

²⁷ SAAB annual reports, Central Department of Statistics Labour Force Surveys, various. Historical data is reported in early Statistical Yearbooks and confirms the anti-Southern bias.

the pre-oil era, while in fact their indigenous political institutions were gradually sidelined through Najdi administrators early on in the late 1920s and 1930s.

The second assumption, of regionalized markets, was true up to the early 1980s but is much less true today. The Saudi national market is well integrated thanks to a highly developed infrastructure and rather strong competition between companies from different regions, which became salient especially after the budget crunch of the mid-1980s, when business suddenly had to cater to private demand to survive. Although some trading and contracting, specifically on a smaller scale, is still regionalized, most larger companies today operate nationally.

It is true that the regional business communities in Saudi Arabia have their own local cultures and sometimes speak of each other in derogatory terms behind closed doors. This has led some observers to reify regional elites as closed and static categories. This is a fundamental misunderstanding. In fact the historical links between business elites of various regions are strong, and different regional clusters in Saudi business are far from watertight categories. Historical outmigration of merchants and enterprising workers from Najd has led to the presence of Najdi-rooted businesspeople in both East and West, and these have often taken on some of the cultural accoutrements of the local elites. It is hence difficult to tell where leading Western province families such as Juffali or Sulaiman really belong, as their origins are Najdi. The same is true about families active in the Eastern Province like Gosaibi, Zamil, and Ulayan (and the same incidentally is true about many business and notable families in the rest of the GCC too, who often have central Arabian origins). The Hijaz itself has historically been a migrant melting pot and has a mixed and composite identity.

It is true that the smaller Northern and Southern business elites have been more systematically excluded from national development, but by the same token, they have always been politically marginal and had few organizational structures to draw on. More fundamentally, all traditional economic structures in the kingdom's regions apart from trade and pilgrimage business suffered very heavily after the onset of oil production and large-scale importation of industrialized goods. Therefore, the decks have been reshuffled for everyone in Saudi business, and most business leaders owe much of their fortune to the state and the ruling family, two structurally unifying factors.

The hub-and-spoke patronage system around the Al Saud has undermined the autonomy of pre-oil economic networks in the kingdom's different regions – and long ago marginalized those economic elites who were not willing to be co-opted by the ruling family. It has also created strata of newcomers in business with (originally) indistinct or foreign background who were patronized by the Al Saud. This boomtime social mobility has further contributed to the creation of a new kind of nationally integrated business elite that is deeply tied up with the Al Saud system.

The national integration of Saudi business elites is reflected in the board membership of leading Saudi companies: The Saudi Industrial Investment Group for example, the largest private industrial enterprise in the kingdom, has leading Western (Bin Zagr, Juffali), central (Al-Rajhi, Zamil), and Eastern Province (Gosaibi) business families represented on its board.²⁸ In fact, several of the families mentioned straddle different regions themselves. The boards of other large industrial ventures are similarly mixed. It is true that ownership of large Saudi banks is somewhat less spread across regions, but nonetheless all banks compete on the national level and have at least one representative from a second region.

²⁸ See <http://www.siiig.com.sa/english/page.php?i=members>.

Demands of business towards government tend to be rather similar in each region, focusing on protection against foreign competition and reduction of red tape. The regionalism of Saudi business at least in the elite is more of a cultural veneer than an actual political strategy. The economic dissociation of different regions is not thinkable due to close links of cooperation, cross-ownership and dependence on the same markets and sources of income, including the government.

Hijazi business has indeed lost its national pre-eminence, but they are still doing better under the Al Saud than they could under any other conceivable dispensation. They are part of a national notability that is defined through its attachment to the Al Saud family and the state that they run. On the ground, the Saudi system leaves little scope for effective particularism. Lower-level particularism in the business elites does exist in the form of specific networks of mutual help and lower-scale patronage – be they regional or tribal – but all of these operate in the shadow of the larger-scale, centralized patronage of the ruling family, functioning in a tightly integrated national market. Unless there is a fundamental shift in political circumstances, it is unlikely that the existing networks of Hijazi separatists would enjoy broader backing in the region's merchant community.

Conclusion: regional identity, regional organization, and resource distribution

This chapter has documented the drastically differing socio-economic fate of Saudi Arabia's different regions in some detail. A thorough historical explanation of why these differences have emerged is beyond the scope of this research. I will however conclude by outlining the hypothesis which, at first glance, seems to fit the observed patterns the best: Regional differences seem best explained by the relative coherence of regional identity narratives and the capacity of regional elites to organize on this basis.²⁹

This would explain best why Hijazi elites, culturally very different from those of the central region, managed to sustain their privileged position as junior partners in the Saudi regime, and why the South failed to capitalize on the oil boom despite its cultural affinities to the centre. It would also explain why the one Southern region that is very different from the Najd – Najran – seems to have suffered relatively less socio-economic discrimination than other parts of the South. Finally, it might account for the silent demise of some of the old Eastern Province merchant and notable elites, who have had less of a distinct regional (as opposed to town-based) identity to draw on.

Drawing on a strong regional identity and tight elite networks, Hijazi elites have entered the Saudi realm as the result of collective bargaining and were accorded their own state institutions early on – even if the latter were often part-colonized by Najdis. The South, by contrast, appears more fragmented and lacks a regional narrative. In the course of Saudi state-building, Southern elites seem to have been conquered or co-opted on a more individual basis.

Historical memory of elite alliances and tributary relationships runs deep in Saudi Arabia and still strongly influences the status of particular families. Parts of the Hijazi elite continue to enjoy access to important royal brokers such as the governor of Makkah Khaled bin Faisal – linkages that go back to the presence of his father, the later King Faisal, as viceregent in the Hijaz. Southern elites never had access to players of that status and were instead for a long time governed by members of Al Saud vassal clans like the Al-Sudairi family.

²⁹ I would like to thank Stephane Lacroix for useful discussions that have helped me to formulate this argument.

Other explanations of regional divergence seem to be unable to account for the economic geography mapped out in this chapter: Relatively higher pre-oil levels of economic development might have helped the Hijaz to continue growing, but they failed to do so in the case of old Eastern Province elites. In any case, given that post-oil development was almost completely state-dominated, resources could easily be channelled into less developed regions – as has indeed happened in the case of Qasim.

Similarly, socio-cultural affinities between the Najdi conquerors and their new vassals systematically fail to explain the lot of different regions: In fact, with the exception of the marginalized Eastern Province Shiites, a distinct but well organized identity seems to rather have helped regional elites in the bargaining with the austere but pragmatic new overlords.

[discuss North? Military/strategic reasons for supporting stronger infrastructure and settlement there?]