



## King Abdullah Economic City: Engineering Saudi Arabia's post-oil future



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### ABSTRACT

King Abdullah Economic City (KAEC) is a \$100 billion master-planned city under construction along Saudi Arabia's Red Sea coast. As part of a quartet of new planned 'economic' cities in the desert kingdom, the city's goal is to provide 1 million jobs for the kingdom's rapidly growing, youthful population and to diversify the Saudi economy away from the oil industry. The city is illustrative of a recent trend of mega-projects on the Arabian Peninsula and the Gulf designed for a post-oil era and fits into broader global trends of economic development strategies. Designed to accommodate 2 million people, KAEC aims to be a global logistics and manufacturing hub that will feature an education zone, 'industrial valley', business district, resort area, sea port, and residential areas for various income brackets. Conceptualized as a modern, international, and socially progressive city, KAEC represents a departure from current Saudi social values and governance and a shift in the ruling elite's priorities. In this paper we examine how the Saudi state seeks to re-invent itself through the construction of new cities and the recent pivot towards economic liberalism. We position the national and international ambitions manifested in KAEC within broader transnational trends in entrepreneurial urbanism and new master-planned cities. Though KAEC is still in the early construction phase, this paper offers a preliminary analysis of the master plan and potential challenges relating to governance.

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### Introduction

In the oil-rich states of the Arabian Peninsula and in much of the Muslim world, there is a burgeoning trend of building lavish planned cities from a *tabula rasa* (Moser, 2012). Flush with petrodollars, many Arab States can afford investment projects on a massive scale and have government structures that enable urban mega-developments. Building new planned cities is a strategy used by states to stimulate economic development (Keeton, 2011) as well as instill a sense of loyalty and pride in the population, communicate ideology and project a modern image to the rest of the world (Vale, 2008). In the case of Saudi Arabia, building new cities has also long been seen by the ruling elite to be a key to its survival. During the formation of the political system after World War II, the king felt that building lasting political structures based on nomadism and shifting allegiances posed an insurmountable challenge (Al-Ankary & El-Bushra, 1989). This is reflected in the rapid rate of urbanization in post-war Saudi Arabia; in 1950, 10

percent of the population lived in cities, while by 1985, city dwellers rose to 75 percent (Al-Ankary & El-Bushra, 1989). Meanwhile, oil and gas consumption in Saudi Arabia continues to skyrocket and recent studies estimate that Saudi Arabia could be an oil-importer by as early as 2030 (Bloomberg, 4 September, 2012). Beyond stimulating economic growth and creating jobs, new cities in Saudi Arabia, particularly in the aftermath of the Arab Spring,<sup>2</sup> may also be a strategy to stave off political and social dissent among a population eager for change (Al-Rasheed, 2010).

Cities can be understood as the language through which countries can communicate their wealth, power, and modernity to both a national and global audience. Yasser Elsheshtawy (2004) argues that cities are replacing nation-states as the centers for global economic interactions, and because of this increasingly powerful and autonomous role for cities, there is a widespread perception that cities are a product that needs to be marketed. City development is 'branded' for a global audience (Kavaratzis & Ashworth, 2005),

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<sup>2</sup> Barthel and Vignal's (2014) paper explains how the number of Arab Mediterranean megaprojects decreased after the Arab Spring and projects now receive much closer political scrutiny. In contrast, KAEC and other urban mega-projects in Saudi Arabia and the Gulf states have continued apace.

and an orientation towards elite international tourists drives cities to create iconic landmarks defined by superlatives (Kanna, 2009) often in the absence of democracy (Ponzini, 2011).

Dubai has enthusiastically adopted this strategy; the city's development was a self-conscious attempt to create symbolic power through urban form to project stability and brand itself as open for business. The Burj Khalifa tower in Dubai is the tallest building in the world at the moment, and followed on the heels of the iconic sail-shaped Burj Al-Arab, a seven-star luxury hotel on a man-made island. Next door to Dubai, Abu Dhabi is also seeking prominence on the global stage with the \$28 billion Saadiyat Island project, a cultural island that will feature a New York University campus, franchises of the Louvre and Guggenheim, and other elite cultural institutions in an attempt to capitalize on the 'Bilbao effect', garner international credibility, and attract further foreign investment (Ponzini & Nastasi, 2011).

All across the Arabian Peninsula and the Gulf, countries are implementing competitiveness and diversification strategies centered on glittering, modern metropolises (Tok, Al Mohammad, & Al Mereki, 2014). Qatar is at work on its newest planned city, Lusail City, which will feature massive football stadiums, hotels, residences, mass rapid transit, and a marina, all to debut when the country hosts the 2022 FIFA World Cup (Lusail City Government website, 2014). Kuwait's plans for the 'City of Silk' (Madinat al-Hareer), to be built opposite Kuwait City, include a tower that at 1001 m would dethrone Dubai's Burj Khalifa as the tallest in the world. In addition to Saadiyat Island, Abu Dhabi is also investing in a vision of a post-oil world with Masdar, a highly ambitious planned carbon-neutral, zero-waste sustainable city (Moser, 2013; Hopwood, 2010; Reiche, 2010).

King Abdullah Economic City (KAEC, pronounced 'cake'), a master-planned city under construction on the Red Sea coast of Saudi Arabia, is the first of Saudi Arabia's four new master planned 'economic cities'.<sup>3</sup> Launched in 2005 as part of a massive new investment strategy instigated by the recently-crowned king, Abdullah bin Abdul-Aziz Al Saud, KAEC has an area the size of Washington, DC. As the pilot and 'jewel in the crown' of the four economic cities currently being planned, no expenses are being spared in making KAEC a lavish experiment in economic engineering. King Abdullah anticipates that the economic cities will attract private capital and foreigners to invest in Saudi Arabia, help diversify the economy beyond the oil industry, and transform Saudi Arabia into a 'nerve center for global business' (Saudi Arabia General Investment Authority, 2012) (see Fig. 1).

The announcement of KAEC marks a major new phase in the kingdom's national development agenda. In an attempt to expand the economy beyond the export of crude oil, Saudi Arabia now aspires to become a global hub for industry, R&D, education, and tourism. The plans for KAEC are a microcosm of these goals and highlight the kingdom's strategy for transitioning to a post-oil future. The Saudi Arabian General Investment Authority (SAGIA)<sup>4</sup> boasts that 'each [Economic City] will be an exciting metropolis, designed to maximize investment potential and deliver huge advantages to businesses located there' (Saudi Arabia General Investment Authority, 2012). The cities will feature modern building design, 'world-class' services and infrastructure and 'ubiquitous connectivity', as well as offer residents 'the ultimate in 21st century urban living and working' (Saudi Arabia General Investment Authority, 2012). Whether the economic cities succeed according to plan or not, they offer fascinating insights into the ambitions of the ruling elite in

Saudi Arabia and represent a particular city-centric trajectory in global economic development.

While the unprecedented scale and cost of Saudi Arabia's urban growth plans may result in massive social and economic transformations in the kingdom, the planned cities have not received scholarly attention to date. Many short articles have been published in newspapers around the world on the new economic cities and KAEC has captured the imagination of contemporary fiction writer Dave Eggers, who sets his novel, *A Hologram for the King* (2012), in the city. This paper seeks to fill a gap in the literature on Saudi Arabia's new cities, explore the national and international ambitions manifested in KAEC, contextualize KAEC within the international new cities trend, and provide an overview and preliminary analysis of KAEC's master plan. We also critically examine challenges facing KAEC with regards to governance. This paper draws on several sources for material including KAEC's promotional material, Saudi government material, third party statistical information, and personal interviews conducted in King Abdullah Economic City in November 2013 and December 2014.<sup>5</sup>

### National and international ambitions

Saudi Arabia is an Islamic monarchy ruled by the descendants of founder Ibn Saud. Public spaces are sex segregated and Islamic religious police enforce norms of morality in line with Wahhabi<sup>6</sup> interpretations of Islam. With a population of just under 30 million people, Saudi Arabia's per capita gross national income was \$25,961 in 2013 (World Bank, 2015). It is a desert climate, and temperatures along the Red Sea coast where KAEC is being built hover around 36 °C (97 °F) in the summer and 17 °C (63 °F) in the winter (Jordan, 2011).

The largest economy in the Gulf region, Saudi Arabia had a Gross Domestic Product of 577 billion USD in 2011, for which petroleum and crude oil exports accounted for about half (World Economic Forum, 2011–2012). According to OPEC, Saudi Arabia sits on 18 percent of the world's proven oil reserves – the second largest share of any single country, after Venezuela (OPEC, 2012).<sup>7</sup> Oil export transformed the country from a politically disconnected and largely tribal desert society at the beginning of the 20th century into the wealthiest and most influential state in the Gulf region. In 2006, the year after KAEC was announced, Saudi Arabia was running a current account surplus of \$95.5 billion (Financial Times Special Report, 4 December, 2007).

<sup>5</sup> One of the authors traveled to KAEC in November 2013 and December 2014 for the Cityquest KAEC Forum (<http://www.cityquest.net/kaec-forum-2013/program/>), a high-level meeting for CEOs of new cities, investors, architects, planners, consultants, and others. The meeting was organized by the New Cities Foundation, a Paris-based NGO, and was closed to the media. While the author is free to use personal interviews from the meeting, the event followed Chatham House Rules, meaning that comments made in sessions can be shared but must remain unattributed. Personal interviews were held with Fahd Al Rasheed (CEO of KAEC), Phil Enquist (senior planner at SOM, which is consulting on KAEC's master plan), Uwe Nienstedt (KAEC's Head of Master Planning, employed through Emaar, The Economic City), Anil Menon (Deputy Chief Globalization Officer, Cisco) a number of Emaar employees and pioneering KAEC residents.

<sup>6</sup> Wahhabism is a puritanical, ultraconservative interpretation of Islam that emerged in Saudi Arabia in the 18th century. The House of Saud follows Wahhabi teachings and imposes them on the entire the country.

<sup>7</sup> According to official Saudi sources (<http://www.saudiembassy.net/about/country-information/energy/oil.aspx>), Saudi Arabia claims to have 25 percent of world reserves and the largest share of any country. However, more recent reports claim this number no longer holds true as new deposits have been found elsewhere (Australia, Canada, Venezuela, U.S.) and new extraction techniques have been developed (U.S. Energy Information Administration <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=5&pid=57&aid=6>).

<sup>3</sup> Initially, there were plans for six economic cities. Currently the Saudi Arabian General Investment Authority describes only on four on their website. The other two either remain in planning stages (Jordan, 2011) or may be cancelled.

<sup>4</sup> SAGIA was formed in 2000 as part of the state's attempt to promote and formalize economic liberalization.

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