

## OPINION SAUDI ARABIA

# Postcard from Saudi Arabia: Canada's relationship is on the rocks, but there's still time

Commercial diplomacy is the key to restore a more balanced relationship with Riyadh, writes Omar Allam.



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Last month, I travelled to Saudi Arabia with Canadian executives to take the next step in advancing and strengthening our ties with Canada's largest trading partner in the Middle East—not as a diplomat, but as a Canadian business executive. When you have a strong network of connections that go back 42 years, that are vital to the benefit of Canadian exporters, investors, and global consumers, you do everything you can not only to maintain it, but build on it.

Here's what stood out from my conversations:

**Public sector reform and austerity measures:** Vision 2030 and the National Transformation Program, largely driven by Deputy Crown Prince Mohammed bin Salman, is the \$2-trillion project aimed at reducing Saudi Arabia's addiction to oil revenue by 2020. With austerity measures in full swing, the government announced cuts to the public sector by 40 per cent, with the goal of boosting private sector employment.

What is being introduced in the kingdom is similar in a way to the Canadian situation in the mid-1990s, when the Chrétien government implemented austerity plans. The historic Liberal budget in 1994 saw the former prime minister and finance minister Paul Martin make big cuts (which included trimming down the public service by 45,000 jobs) and relatively small tax increases. The economy recovered, and Canada had a budget surplus within four years. Some of Canada's lessons are applicable to Saudi Arabia, since we have world-class expertise among G20 countries in managing fiscal re-

form, public-private partnerships, and foreign direct investment across key sectors of the economy.

**Health-care education and technology transfer:** Health care is one particular sector that is seeing the benefits of Saudi Arabia's efforts to open up its economy to new entrants in the market. The kingdom is looking for various delivery alternatives in all services, including digital health care, health insurance, health-care education, and e-government. The ministry of health is looking at privatizing certain hospitals, as it continues to build new facilities. The ministry intends to add 100,000 technical and nursing staff by 2030. Bottom line: there are private sector opportunities in digital health care (electronic patient records and health information systems), nursing training, curriculum development, trauma, psychiatry, simulation laboratory centres, and facility management, to name but a few.

**Canada is not a priority in Saudi Arabia:** It would appear that Canada continues to view Saudi Arabia with an outdated ideological lens, and there is an enormous sense of disappointment and frustration on the part of Canada's friends in the kingdom that the relationship has not been restored to the level of trust, respect, and mutual comfort that they had hoped for.

What makes matters even worse is that Canada is not even ranked in the top 10 countries that Riyadh considers a priority partner. Instead, the young architect behind the kingdom's national transformation, the deputy crown prince, is looking to China, Japan, Korea, the United States, Turkey, and Russia as long-term partners in a \$646-billion economy, leaving Canadian companies on the outside.

Ottawa's defensive strategy is weakening Canada's position with the 29th (out of 138) most competitive country in the world, as ranked by the World Economic Forum in 2016. Compare that to other countries where Canada (ranked 15th) has considerable trade assets: Mexico (51st), Philippines (57th), and Colombia (61st), to name a few. What's clear is that senior Saudi government officials and business executives are unaware of Canadian exporters' capabilities, let alone what greenfield and brownfield investment opportunities exist in Canada. This problem gets back to a lack of a coordinated Canadian international trade and investment



Saudi Ambassador Naif Bin Bandir Al Sudairy, left, and Canadian Foreign Minister Stéphane Dion, seen here following a dinner hosted by the Saudi Embassy in March, have been the point men for the sometimes contentious relations between the two countries. *The Hill Times* photograph by Sam Garcia

strategy that is aligned to Canada's overall vision in the world.

**Timing is key:** In discussions with members of the royal family, the Shura Council, the highest levels of the Saudi government, and business leaders, the message was crystal clear: "you've come at the right time, committed Canadian companies are welcome to do business in Saudi Arabia; but Canada has a lot of work to do [here]." What we are seeing is strained relations between Ottawa and Riyadh. Ignoring this may end up hurting Canadian companies that are pursuing multi-million-dollar (non-defence-related) contracts in Saudi Arabia, and firms currently active there. What's clear is that Saudi Arabia's economic transformation offers Canadian exporters much to benefit from as a long-term partner that can serve as a hub to European, Asian, Middle Eastern, and African markets.

**What must be done to get Canada back on track?:** The current Saudi generation is "grown-up" and "Western educated," in that they know far more than given credit for, so are less willing to simply accept someone else's ideas on how things need to be done. I stopped counting the number of times people congratulated me on "Prime Minister Trudeau." And yes, it makes me proud to be Canadian, but we aren't perfect. The Trudeau government has done a remarkable job

over the last 12 months by leading Canada back onto the world stage, and that's where we belong—from signing the world's most comprehensive free trade deal with the European Union, to leading on climate change, to humanitarian and relief efforts, to considering United Nations peacekeeping missions, and even a renewed partnership with China. But there is a real disconnect with Canada's international trade, foreign policy, development, and defence agendas.

On the other hand, if Canada wants to be a *real* global trading contender and not a pretender, Ottawa needs to develop a comprehensive Canadian engagement strategy for Saudi Arabia, and the private sector needs to be involved from day one. In this day and age of technology and instant information, "rubber-stamping" and "wired consultations" won't work when dealing with a country like Saudi Arabia. Currently, the Canadian government lacks power and influence there, and doesn't have the ability to effectively support Canadian companies in a relationship market like Saudi Arabia (it pains me to write and even say the previous statement, as a former public servant and diplomat who proudly served Canadian companies).

Commercial diplomacy is the key to restore a more balanced relationship with Riyadh, and this can be done with the help of the Canadian

business executives with local insights, deep contacts, and experience doing business in the market.

It would go a long way if Prime Minister Trudeau and key ministers made a strategic visit to Saudi Arabia in 2017 with Canadian business executives. Such a *raison d'état* would help create the opportunity to meet with the deputy crown prince to reassess and redefine the relationship. Obviously there are common areas of interest like trade and investment, energy security, defence, counter-terrorism, public-private partnerships, entrepreneurship, and human rights that allow our two countries to discuss and reach mutual understandings.

Saudi Arabia perhaps is the most important relationship for Canada in the Islamic world, in terms of the Middle East and Gulf Cooperation Council countries. However, if we continue on the current path, Canada will merely be one relationship for Riyadh, among several other more strategic relationships with countries whose companies have a competitive advantage over ours.

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