



British Government and Industry in Saudi Arabia. On this subject, Sir William emphasised the strong business ties between Britain and Saudi, “despite the global slowdown and the UK moving into recession our bilateral trading relationship with Saudi Arabia prospered in 2008. Overall our visible exports grew by 21% to £2.3 billion. This compares with an average growth of UK exports of 10% in the MENA region.

“We have continued to run a successful trade mission programme to the extent that many of our regular visitors are increasing the regularity of their visits. The number of UK professional companies investing in the Kingdom has increased and continues to grow; Norton Rose, Denton Wilde Sapte, Herbert Smith and others have set up this year. RSA has received their Royal Decree and BA has announced its return to the market after our ASA was renegotiated to massively increase flight frequencies between the two countries. We are working with many others wanting to establish themselves here.

Senior visitors in 2008 have included the Lord Mayor of London who returned last month and the Minister for Trade, Lord Digby Jones, who came in March 2008. Most significantly the Prime Minister came twice in 2008, for the Energy Ministerial Meeting in July and then in November accompanied by Lord Mandelson, Ed Miliband and probably the most powerful business delegation to cross these shores.

Trade Missions and group visits for the first half of the year are approaching record levels. There is at least one a week well into May. Direct flights between Saudi Arabia and the UK will be more than doubling.”

The presentation was very well received by the members who then addressed more serious issues in the Q&A session, such as, “could Sir William do anything about the current shortage of tonic water in the Kingdom?” Of course, time has resolved this issue as the flow of this particular beverage has returned to normal levels. My only disappointment of the evening was that this truly British affair was not complemented by clotted cream scones!

“By July oil prices which had started their upward climb in June 2007 had reached \$US 147 and Saudi Arabia was generating a staggering \$US 1 billion a day in oil revenues. Although oil prices fell back as global growth slowed and the financial crisis was recognised to be serious, how serious we have yet to see, Saudi Arabia reaped the whirlwind overspending its budget by £15 billion while still recording a record surplus of £80 billion. “Saudi Arabia managed 6% real GDP growth in 2008.” Sir William’s views on the Banking Sector were of particular interest to the audience. “One great American, Thomas Jefferson, famously said ‘that banks are more dangerous than standing armies and that spending money to be paid by posterity is nothing more than swindling on a large scale’. The banking sector is inherently cautious in Saudi Arabia and is believed to have relatively low exposure to toxic debt. Most banks will have been profitable this year, including SABB, but not all. The global financial crisis has however affected the Saudi Banks. Deposits have been lower than expected and the international banks have kept to their lending ratio of 85%, although it is not clear if the Saudi Banks have.

“Interbank lending has been affected as it has in the rest of the world. Not to the same extent but no one believes all the skeletons have come out of the cupboard yet. SAMA has acted to increase liquidity, a lower reserve requirement, and lower interest rates and capped Treasury Bills. This is helping but not eliminating the caution. Confidence has taken a knock. This is most clearly seen in the Tadawul which registered a 50% fall last year. It has nevertheless continued to liberalise opening this year to individual foreign investors through swap agreements. The lack of funding has seen some company casualties so there are continuing concerns.

Anyone connected with the Embassy would know the enormous amount of interest expressed by

