

THE INFLUENCE OF NATIONAL POWER AND NATIONAL INTEREST TO SAUDI ARABIA LOW INVESTMENT IN INDONESIA

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Abstract

Indonesia as the world's most populous Muslim nation and Saudi Arabia as the "home of Islam" have close bilateral relations. Nevertheless, Saudi Arabia investment in Indonesia does not reflect the close relations. It is still low, even compared to its smaller neighbor, the United Arab Emirates. Meanwhile, Saudi Arabia has invested hugely in certain countries, such as the United States, the United Kingdom, China, Pakistan and India. Some parties have blamed Indonesia domestic situation causing the Saudi Arabia low investment. If the low investment of Saudi Arabia is influenced by Indonesia domestic situation, why some countries still invest a lot in Indonesia. They consider that investing in Indonesia is bringing profit although they also face various problems and challenges. Therefore, Saudi Arabia low investment in Indonesia is not only influenced by Indonesia national factors, but also by Saudi Arabia national factors. We argue that Saudi Arabia low investment in Indonesia is also influenced by Saudi Arabia's

national factors, such as national power and national interest. This article will further examine the Saudi Arabia national power and national interest as well as their influence to the Saudi Arabia low investment in Indonesia.

Keywords: *national power, national interest, Saudi Arabia, investment, Indonesia.*

Introduction

Indonesia as the world’s most populous Muslim nation and Saudi Arabia as the “home of Islam” have close bilateral relations. Indonesia has sent million people visiting Saudi Arabia to perform Haj and small Haj (Umroh). They spend million US dollar every year, except during Covid-19 pandemic. Million Indonesians have also been working in Saudi Arabia. They have been participating in developing Saudi Arabia economy and helping Saudi Arabia family. On the other hand, Saudi Arabia has established and operated Islamic and Arabic Colleges (Lembaga Ilmu Pengetahuan Islam dan Arab/LIPIA) in various cities in Indonesia since 1980 under the guidance of Islamic University of Imam Muhammad bin Saud in Riyadh. Saudi Arabia has also had surplus millions of US dollar in trading with Indonesia, as shown by the following table.

Table 1. Trade Between Saudi Arabia And Indonesia In 2014-2020¹

Number	Year	Trade between Saudi Arabia and Indonesia (US\$)	
		Export	Import
1.	2014	6,495,000,000	2,150,000,000
2.	2015	3,325,000,000	2,050,000,000
3.	2016	2,540,000,000	1,300,000,000
4.	2017	3,140,000,000	1,390,000,000
5.	2018	4,590,000,000	1,220,000,000
6.	2019	3,501,740,000	1,500,000,000
7.	2020	2,610,000,000	1,340,000,000

Source: Prepared by the authors (2024)

Nevertheless, Saudi Arabia investment in Indonesia does not reflect the close relations in various areas. It is still low, even compared to its smaller neighbor, the United Arab Emirates.

¹ <https://tradingeconomics.com/indonesia/exports/saudi-arabia>; <https://tradingeconomics.com/indonesia/imports/saudi-arabia>

For example, Saudi Arabia total investment in Indonesia in 2014-2020 was only US\$55 million; while, the United Arab Emirates’ total investment at the same period was US\$287 million, as described at the following table.

Table 2. Saudi Arabia And United Arab Emirates Investment In Indonesia In 2014-2020²

No.	Year	Saudi Arabia Investment in Indonesia (US\$)	United Arab Emirates Investment in Indonesia (US\$)
1.	2014	2,896,400	25,365,000
2.	2015	30,355,500	19,253,800
3.	2016	939,600	55,031,800
4.	2017	3,536,300	26,624,900
5.	2018	5,359,200	69,942,700
6.	2019	5,408,200	69,733,000
7.	2020	5,745,000	21,577,500
	Total	55,237,200	287,528,700

Source: Prepared by the authors (2024)

Meanwhile, Saudi Arabia, a high income country with GDP per-capita of US\$23,139 in 2019³, has invested million to billion US dollar in certain countries, such as the United States, the United Kingdom, China, India, Pakistan, Japan and South Korea. For example, in August 2017, Saudi Arabia and China signed investment agreements valuing US\$70 billion. Saudi Basic Industries Corp (SABIC) and Saudi Aramco built petrochemical complex in China. Saudi Aramco collaborating with Exxon Mobil and China Petroleum and Petrochemical Company Limited (Sinopec) has developed Fujian Refining and Petrochemical Industrial Complex in Fujian, and Sinopec Sen Mei Petroleum Industrial Complex in Fuzhou. Crown Prince Mohammed bin Salman agreed investment of US\$10 billion to build oil refinery and petrochemical industry complex in China.¹² Aramco agreed to establish a joint venture company with China conglomerate Norinco to build oil refinery and petrochemical industry complex in Panjin, China.

² https://nswi.bkpm.go.id/data_statistik

³ GDP per capita (current US\$) – Saudi Arabia, data.worldbank.org

Not only in China, Saudi Arabia has also invested in the United States, India, South Korea, Japan and other countries. Saudi Public Investment Fund (PIF) has invested in the United States by buying shares of Boeing (US\$713.7 million), Disney (US\$495.8 million), Citigroup (US\$521.9 million), Bank of America (US\$522 million), Marriot International (US\$513 million) and Facebook (US\$521.9 million).⁴ PIF has also invested in India by buying stocks of Jio Platforms amounting of US\$1.5 billion.⁵ PIF acquired 38% stock of South Korea's Posco Engineering & Construction Co., around 5% of US\$3.5 billion Uber stock and almost 5% Tesla share. PIF and SoftBank Group from Japan established London based SoftBank Vision Fund with investment of US\$45 billion.⁶ In short, Saudi Arabia using its strong financial capability has invested hugely in certain countries.

With Saudi Arabia strong financial power and vast experience in overseas investment in one hand, and the close relations between Saudi Arabia and Indonesia on the other hand, Saudi Arabia should also have invested a lot of money in Indonesia. In the contrary, Saudi Arabia has not invested a lot in Indonesia.

Some officials, business people, journalists and academicians argue that Saudi Arabia has not invested hugely in Indonesia because of Indonesia less conducive factors of bureaucracy, regulations, labors and companies.

President Joko Widodo stated that ease of doing business, law enforcement and legal certainty in Indonesia are some factors which are necessary to be rectified in order to attract investment from Saudi Arabia and other countries.⁷ Lecturer of International Relations from Padjajaran University, Teuku Rezasyah stated that Indonesia should increase competitiveness, fight corruption, enforce law and promote internal reform to draw Saudi Arabia to invest in Indonesia.⁸ Former Chairman of Indonesia Chamber of Commerce and Industry, Rosan Roslani

⁴ Deena Kamel, "Saudi Arabia's Public Investment Fund invests billions of dollars in Boeing, Disney and Facebook shares", 16 May 2020, <https://www.thenational.ae/business/saudi-arabia-s-public-investment-fund-invests-billions-of-dollars-in-boeing-disney-and-facebook-shares-1.1020204>

⁵ Benjamin Parkin, "Saudi Arabia's PIF invests \$1.5 billion in Jio Platforms", 18 June 2020, <https://www.ft.com/content/aa7bc92c-8185-43f5-8c5a-ac080b046191>; and PR Sanjai, "Saudi Arabia to invest US1.5 billion in India's Jio Platforms", 18 June 2020, <https://www.bloomberg.com/news/articles/2020-06/18/sauudi-arabia-s-pif-to-inevest-1-5-billion-in-jio-platforms>.

⁶ Public Investment Fund of Saudi Arabia.en.m.wikipedia.org

⁷ CNN Indonesia. 15/04/2017. Jokowi Temukan Penyebab Raja Salman Malas Investasi di RI. cnnindonesia.com.

⁸ Bisnis. 2019. *Indonesia harus berbenah agar Arab Saudi mau investasi*. bisnis.com.

said the bureaucracy and regulations reform in Indonesia should be accelerated to entice foreign investors, including from Saudi Arabia and the United Arab Emirates.⁹

Meanwhile, some countries, such as China, Singapore, Malaysia, Japan, South Korea, the United States and India have invested a lot in Indonesia. For example, during period of 2014-2021, China total investment in Indonesia was US\$19 billion; America total investment in Indonesia was US\$8 billion; and India total investment in Indonesia was US\$633 million, as shown in the following table.

Table 3. China, Us And India Investment In Indonesia In 2014-2020¹⁰

No.	Year	China Investment In Indonesia (US\$)	US Investment in Indonesia (US\$)	India Investment in Indonesia (US\$)
1.	2014	800,029,300	1,299,543,700	37,143,000
2.	2015	628,337,300	893,156,500	57,178,400
3.	2016	2,665,297,100	1,161,938,700	55,039,200
4.	2017	3,361,230,500	1,992,844,100	286,615,200
5.	2018	2,376,537,600	1,217,623,500	82,124,000
6.	2019	4,744,508,600	989,312,700	58,272,300
7.	2020	4,842,405,800	749,730,900	57,625,900
	TOTAL	19,418,346,200	8,304,150,100	633,998,000

Source: Prepared by the authors (2024)

The above Table shows that in 2014-2021 total China investment in Indonesia was US\$19,418,346,200 or 300 times Saudi Arabia investment in Indonesia (US\$55,237), the US investment in Indonesia was US\$8,304,150,100 or 150 times Saudi Arabia investment in Indonesia and India investment in Indonesia was 633.998.000 or 12 times Saudi Arabia investment in Indonesia.

The previous explanation shows that China, US and India have still invested a lot of money in Indonesia. They consider that investing in Indonesia is still bringing profit although they face various hindrances and challenges from bureaucracy, regulations, labors and companies. In short, the low investment of Saudi Arabia in Indonesia is not caused only by

⁹ *Arabian Business*. 2019. *Indonesian president Jokowi courts UAE, Saudi Arabia in pursuit of investment*. Diakses melalui Arabian Business.com.

¹⁰ https://nswi.bkpm.go.id/data_statistik

Indonesia national factors. Therefore, we argue that Saudi Arabia national factors have also influenced to the low investment of Saudi Arabia in Indonesia.

The following sections will examine Saudi Arabia's national factors, such as national power and national interest and their influence to the low investment of Saudi Arabia in Indonesia.

Saudi Arabia's National Power And Investment

To answer, theoretically, the question of what and how Saudi Arabia's national power influences its investment in Indonesia, we borrow the opinion of Padelford and Lincoln on national power. They argue that "National Power is the sum totals of the strength and the capabilities of state harnessed and applied to the advancement of its national interests and the attainment of its national objections".¹¹

We also refer to Dinesh argument. He stated that "National power is often analyzed and evaluated in terms of the capabilities of a nation which are determined on the basis of several factors, like Geography, Population, Industrial Capacity, Diplomacy, Military Preparedness, Quality of Leadership and Government, etc." ¹²

There are a number of elements of National Power. Several political scientists have attempted to classify national power. Morgenthau, for example, has classified national power into two parts— permanent and temporary elements. Meanwhile, Organski has preferred to classify national power into the natural and social determinants—the former including geography, resources and population and the latter including economic development, political structures and national morale. ¹³

Based on the above explanation on the concept of national power, we argue that Saudi Arabia's national power is the strength and the capabilities of Saudi Arabia to advance its national interest and national objections that include geographical location, territory size, natural resources and population number as national power's permanent elements and leader

¹¹ Norman J. Padelford, and George A. Lincoln, *International Politics: Foundations of International Relations*, dalam Aby T Suresh, *International Politics*, School of Distance Education University of Kerala, http://ideku.net/resources/PPT_PS1431_ECSGHY.pdf.

¹² Dinesh, *National Power: Elements, Evaluation and Limitations*, <https://www.yourarticlelibrary.com/india-2/national-power-elements-evaluation-and-limitations/48489>.

¹³ U.R. Ghai, "International Politics, Theory and Practice", New Academic Publishing Co. 2010; Hans J.Morgenthau, "Politics among Nations: the Struggle for power and peace", Fifth Edition, New York, 1978.

and economic development including national companies as national power's temporary elements.

Strategic Geography Location

Saudi Arabia's geography location is very strategic. Saudi Arabia is located between Red Sea in its West border and Persian Gulf in its East border. The Red Sea, connecting Mediterranean Sea through Suez Canal and Indian Ocean, is located between East Africa, North Africa and Middle East countries. The Persian Gulf is used for transporting oil and other merchandise goods from Gulf countries, Iraq and Iran. In the North side, Saudi Arabia shares border with Jordan, Iraq and Kuwait. In the South side, it has border with Yemen and Oman.¹⁴

The Saudi Arabia's strategic location gives more benefit for Saudi Arabia to prioritize inbound investment rather than outbound investment. By investing in the industrial sector inside the country, it can produce goods that can be exported through Red Sea and Persian Gulf more easily, quickly and cheaply to other countries in the Middle East, North Africa, East Africa, Europe, Central Asia, South Asia, Southeast Asia and East Asia.

Saudi Arabia strategic location is also important in attracting foreign people to visit its tourist sites that have been developed to attract more people visiting Saudi Arabia. By developing tourist sites along the Red Sea, such as NEOM, Downtown Jeddah, and Amalaa Project, it is expected that more foreign tourists will come to Saudi Arabia.

Large Territory And Plenty Population

In addition to its strategic location, Saudi Arabia has also a large territory of 2.05 million km². With the large territory, it has more land to be developed. Therefore, it has more opportunity and benefit to invest inside Saudi Arabia. To utilize the vast territory, Saudi Arabia has developed many development projects for tourist, industry, new cities and special economic zones.

The number of Saudi Arabia population amounting of 34 million people in 2020 is plenty. 66% of the population is native Saudi Arabia, while 33% of them is expatriate. The expatriate comes from various countries such as India, Pakistan, Syria, Yemen, the Philippine, Bangladesh, Egypt, Indonesia, Myanmar, Sri Lanka and others. Few expatriates come from the Western countries, such as the United States, the United Kingdom, France, Germany and Australia.

¹⁴ <https://www.infoplease.com/atlas/middle-east>

The 34 millions of Saudi Arabia people are potential labors and consumers to support investment inside Saudi Arabia. Saudi Arabia has a large young population and increasing middle-age population ages 20-35 years. With a growing population reaching adulthood, the Saudi government has concerned that there are more Saudi seeking jobs than are available. With this demographic characteristic, it is more beneficial for Saudi Arabia to invest inside than outside the country.

Rich Natural Resources

Saudi Arabia has rich natural resources. In addition to oil and gas, Saudi Arabia has been endowed with precious and basic minerals, such as gold, silver, zinc, copper, chromium, tungsten, tin, aluminum and iron; industrial minerals, such as gypsum, feldspar, mica, sulfur and salt; and rare element earth, such as tantalum and niobium.¹⁵

Saudi Arabia that has oil and gas have valuing of US\$33,5 trillion is considered as "Super Power Energy" in the world. Aramco, Saudi Arabia oil company, is the largest oil company in the world with market valuation of US\$1.7 trillion. In 2018, Aramco produced oil of 10.3 million barrel per day. It is also the most profit company in the world with income of US\$111 billion in 2018.

It has focused on investing inside the country by exploring and exploiting its rich natural resources. It has developed oil refinery and petrochemical industries, chemical industries, and other industries, such as Aramco, Saudi Basic Industries Corporation (SABIC), Saudi Fertilizers Company (SAFCO), Yanbu National Petrochemical industries and Zamil Steel Holding.¹⁶

National Leaders

Saudi Arabia since January 2015 has been under the leadership of King Salman bin Abdul Azis Al Saud and his son, Prince Muhammad bin Salman Al Saud. He, born on 31 December 1935, was inaugurated as the seventh King of Saudi Arabia replacing King Abdullah bin Abdul Azis Al Saud. Following his inauguration, King Salman appointed his son as Minister of Defense and Deputy Crown Prince. Following that, he has been appointed as Crown Prince since 21 June 2017. Because of his health condition, King Salman bin Abdul Azis cannot perform fully his duty. Furthermore, Crown Prince Muhammad bin Salman born on 31 August

¹⁵ Saudi Arabia Natural Resources, ic.gov.sa

¹⁶ List of companies of Saudi Arabia, en.m.wikipedia.org

1985 has been de-facto leader of Saudi Arabia. This can be shown from many strategic positions held by Crown Prince Muhammad bin Salman, such as Deputy Prime Minister, Minister of Defense, Head of Economic and Development Council and Head of Aramco. He has also been greeting foreign leaders, heading regional summits, taking charge of presidential meetings and reception dignitaries.

Crown Prince Muhammad bin Salman in achieving Saudi Vision 2030 has given priority to invest inside Saudi Arabia than outside the country. He has also attracted foreign tourists and foreign investments to visit and invest in Saudi Arabia.

Indonesia hopes Crown Prince Muhammad bin Salman will follow up the historic visit of King Salman bin Abdul Azis Al Saud to Indonesia in March 2017, the first such visit by King of Saudi Arabia since the visit of King Faisal bin Abdul Azis Al Saud in 1970. Nevertheless, Crown Prince Muhammad bin Salman seems not put Indonesia as his priority. This can be seen, among others, from the postponement of his visit to Indonesia in 2019. He also did not mention explicitly Indonesia as Saudi Arabia's strategic partners in his interview with Al Arabiya television channel on Saudi Vision 2030. Its strategic partners include the Gulf countries, Arab countries, the United States, the United Kingdom, France, China, Russia and India.¹⁷ This may influence Saudi Arabia low investment in Indonesia.

Huge Economic Power And National Companies

Saudi Arabia economic power is categorized as high income country with GDP per-capita around US\$20,000 during the period of 2010-2020, as described at the following graphic:¹⁸

¹⁷ Saudi Crown Prince Mohammed bin Salman interview on vision 2030 (English subtitles) Part 1/3, minutes:17.56 – 18.50, Al Arabiya English

¹⁸ <https://tradingeconomics.com/saudi-arabia/gdp-per-capita>

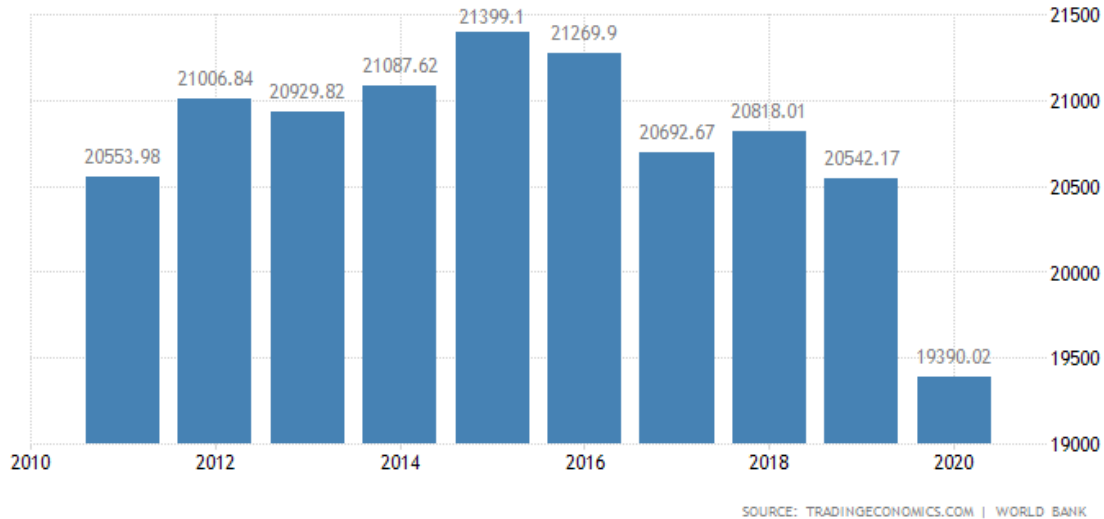


Figure 1: GDP Per-capita Saudi Arabia

Saudi Arabia economic power is supported, among others, by its big companies, such as Aramco and Public Investment Fund (Saudi Arabia’s sovereign wealth fund). The Fund at the end of 2020 has around US\$400 billion in assets under management. It has focused on contributing billions of dollars to the Saudi’s non-oil gross domestic product since 2017 when the Saudi government chose the Fund to lead the charge in building a national economic transformation. Several non-oil sectors have been identified as priority in its diversification plan, such as tourism, housing, healthcare and financial services.¹⁹

The total value of Aramco in January 2020 was approximately US\$1.87 trillion. Aramco was ranked as the most profitable company worldwide according to its credit rating, leaving behind Exxon mobile and Apple. Aramco began trading its share amounting to 1.5% of its value on December 11, 2019. The IPO raised nearly US\$25.6 billion by selling 3 billion shares at 32 riyals (US\$8.53) a share.²⁰

In addition to Aramco and Public Investment Fund, Saudi Arabia has also some big companies, such as Saudi Telecom Company, Saudi Electricity Company, Maaden, Dallah Al Baraka, Al Rajhi Banking & Investment Corp., Al Faisalia Group, Al Marai, Saudi Cement

¹⁹ One Carlo Diaz, PIF – driving force behind economic diversification: year in review, Arab News, January 01, 2022, arabnews.com

²⁰ Samantha Gross, The Saudi Aramco IPO breaks record, but falls short of expectations, Brookings, December 11, 2019, brookings.edu; Hamad I Mohammed, Saudi Aramco raises IPO to record \$29.4 billion by over allotment of shares, Reuters, reuters.com.

Co., The Saudi Investment Bank, Alhamrani Group of Companies and Aggad Investment Group.²¹

Several Saudi Arabia companies have shown their interest to invest in Indonesia. For example, Aramco had agreement with Pertamina, Indonesia state owned oil company to upgrade oil refinery in Indonesia. However, the agreement could not be realized since the two companies had different calculation on the value of the project. Even worse, Public Investment Fund did not have any plan to invest in Indonesia. Meanwhile, Aramco and Public Investment Fund have invested million-billion US dollar inside Saudi Arabia and to certain countries, such as the United States, the United Kingdom, China, India and Pakistan. It seems that Saudi Arabia has not had enough interest to invest in Indonesia compared to invest inside the country and to certain countries.

From the above explanation, we conclude that considering its National Power - including geographical location, population, natural resources, national leaders, economic capability and national companies – Saudi Arabia has given more priority to invest inside than outside the country. Saudi Arabia outbound investment is also directed to certain countries, such as the United States, the United Kingdom, China, India and Pakistan. This has influenced Saudi Arabia low investment in Indonesia.

Saudi National Interest and Investment

The low investment of Saudi Arabia in Indonesia may also be influenced by Saudi Arabia national interest. To examine this, theoretically we borrow concept of national interest.

The Concept of National Interests is one of the key concepts in the international relations. National interest covers political interest, security interest, economic interest, cultural interest and other interests of a country.²² A state's national interest are its primary goals and ambitions (economic, military or cultural). National interest depends on various factors, such as state Leaders, the form of country (monarchy, democracy or communist), time, location, situation, condition and others. National interest is created from country's needs in the form of economy, politic, social cultural, security and other needs. A country's need is different with other country's need. In fulfilling the country's need, it is needed bilateral and multilateral cooperation to achieve national interest. According to Han Wu (2017), every country has

²¹ List of largest companies in Saudi Arabia, en.m.wikipedia.org; Top 100 Saudi Arabia Companies, the-saudi.net

²² Zongyi Liu. 2014. The Concept of National Interests, China's Diplomacy. Pp 121-189. worldscientific.com.

different national interest covering security interest and economic interest. National security interest covers alliance/coalition and national defense. Meanwhile, national economic interest includes trade and investment.²³

Based on the above explanation on the concept of national interest, we argue that Saudi Arabia national interest including national security interest and national economic interest could influence Saudi Arabia investment to other countries in accordance with its national need. In this connection, Saudi Arabia national interest covering national security interest and national economic interest has influenced Saudi Arabia investment in Indonesia.

Result And Discussion

Defeating Shia Houthi In Yemen

One of Saudi Arabia national security interests is to protect Saudi Arabia from Shia threat and expansion. Since 2015, Shia through Houthi has seized power in Yemen. Houthi has defeated the legitimate Yemen government under President Abdur Rabbuh Mansur Hadi. Houthi, taking control Sanaa, capital of Yemen, forced President Mansur Hadi leaving Sanaa to Aden in January 2015 and then to Riyadh, Saudi Arabia in March 2015.

Fulfilling President Mansur Hadi request to the UN Security Council on 25 March 2015, Saudi Arabia since 26 March 2015 has launched “Decisive Storm” military attack to Houthi. In the military attack, Saudi Arabia has formed coalition of eight Muslim Sunni countries, namely the United Arab Emirates, Bahrain, Qatar, Kuwait, Egypt, Jordan, Morocco and Sudan, supported by the United States.

Saudi Arabia, mostly Sunni followers, shares border with Yemen. It, having around 10% of its population are Yemen descendants, considers that Houthi as a threat for Saudi Arabia security and stability as well as the existence of Al Saud dynasty in ruling the country. It is also worried that Houthi will control the trade traffic passing through Bab El Mandeb Strait, strategically located between Yemen and Djibouti in the end of Red Sea towards Indian Ocean.

Saudi Arabia has accused Houthi to be supported by Iran, main proponent of Shia expansion. Iran has rejected the accusation. However, it has recognized Houthi as Yemen ruler by sending Ambassador Hassan Irloo as Iran ambassador to Yemen.²⁴

²³ Charles Chong Han Wu. 2017. Understanding the Structures and Contents of National Interest: An Analysis of Structural Equation Model, *The Korean Journal of International Studies* Vol.15, No.3 (December 2017), 391-420.

²⁴ Bruce Riedel. January 11, 2021. “A Pragmatic View on Yemen’s Houhtis”. [brookings.edu](https://www.brookings.edu)

Meanwhile, according to Stenslie, Saudi Arabia has some benefits in conducting military operation against Houthi in Yemen, He stated that “For Saudi Arabia’s new king, Salman, the military operation is beneficial for several reasons. First, the King hopes that the campaign against the Houthis will strengthen the standing of his son, Muhammad bin Salman, and that a successful end result will make the young prince respected as an effective leader. Second, Salman sees the attack on the Houthis – portrayed as clients of Iran – as an opportunity to rally support among Saudis for the new king and the monarchy. Third, by building a broad coalition behind the military campaign, King Salman seeks to establish Saudi hegemony in the Sunni Muslim world.”²⁵

Saudi Arabia Defense Minister and Crown Prince Muhammad bin Salman Al Saud stated that” the humanitarian problems in Yemen would’ve been worse if the Saudi-led coalition didn’t act. Sometimes the Middle East, not all the choices it will be between a good and bad choice. Sometimes we are between a bad and worse choice.”²⁶

Saudi Arabia has also spent a lot of money in the military operation against Houthi. David Ottaway, senior expert at Wilson Center in Washington in December 2015 estimated that military coalition led by Saudi Arabia spent around US\$200 million per-day for sustaining the air, ground and sea operation for the military operation in Yemen.²⁷ Saudi Arabia is the highest contributor of the cost for the war against Houthi.²⁸ Until November 2021, military operation against Houthi starting from January 2015 has occurred for around 2,500 days. Saudi Arabia has spent billion US dollar as the cost of military operation against Houthi.

Countering Saudi Arabia and its coalition attack, Houthi has sent drones and missiles to some targets inside Saudi Arabia that destroyed some facilities and buildings as well as killed and hurt several people. For example, Houthi using weaponized drone and cruise missile attacked Aramco oil refinery in Abqaiq and Khurais on 14 September 2019. The attack caused Saudi Arabia to halt temporarily half of its oil production. Saudi Arabia stock market value also declined because of the attack.²⁹ Houthi has also attacked some cities in Saudi Arabia, such as

²⁵ Stig Stenslie. May 2015. “Decisive Storm”: Saudi Arabia’s attack on the Houthis in Yemen”. Norwegian Peacebuilding Resource Center (NOREF).

²⁶ W.J. Hennigan. April 6, 2018, “The Saudi Crown Prince Is Pledging Aid to Yemen Even as He Hits It with Airstrikes”. time.com/5231166/mohammed-bin-salman-saudi-arabia-yemen

²⁷ David Ottaway. December 2015. “Saudi Arabia’s Yemeni Quagmire”, Wilson Center.

²⁸ Glen Carey. 21 December 2015. “The Saudi Town on the Frontline of Yemen’s War”. Bloomberg News.

²⁹ BBC, 17 September 2019, “Saudi oil attacks: Drones and missiles launched from Iran - US”.

Dammam, Najran, Jizan, Abha, Jeddah, Riyadh and others. The attack has caused building destruction and people wounded and death.³⁰

Saudi Arabia military attack to overcome Houthi in Yemen has been one of Saudi Arabia national security interest. In the military attack, Saudi Arabia has spent billion US dollar, wasted time and energy, as well as lost hundreds military officers and civilians, and some buildings and oil refineries because of Houthi counter attacks. Therefore, Saudi Arabia cannot give full attention to its overseas activities, including investment in other countries. Furthermore, Saudi Arabia investment in Indonesia is still low.

Achieving Saudi Vision 2030

The low investment of Saudi Arabia in Indonesia may also be influenced by its national economic interest. One of Saudi Arabia national economic interest in 2015-2030 is to realize Saudi Vision 2030. It was formulated in 2015 and formally launched by Crown Prince Muhammad bin Salman Al Saud on 25 April 2016.

Saudi Vision 2030 is a strategic framework to minimize Saudi Arabia's reliance on oil, diversify its economy, and develop public service sectors such as health, education, infrastructure, recreation, and tourism. Its key goals include reinforcing economic and investment activities, increasing non-oil international trade, and promoting a softer and more secular image of Saudi Arabia. It also consists of increasing government spending on the military, as well as manufacturing equipment and ammunition.³¹

There are three pillars of Saudi Vision 2030, namely: Saudi Arabia status as the heart of the Arab and Islamic World, determination to become a global investment powerhouse and transforming its strategic location into a global hub connecting three continents (Asia, Europe and Africa). Saudi Arabia transforms Aramco from an oil producing company into a global industrial conglomerate and transforms the Public Investment Fund into the world's largest sovereign wealth fund. It provides better opportunities for partnership with the private sector through the three pillars.³²

Research Method

³⁰ Reuters, 23 June 2020, "Yemen's Houthis say they launched missile, drone attack on Riyadh"; Arab News, 12-06-2019, "International condemnation of Houthi attack on Saudi Arabia's Abha airport"; Reuters, 22-04-2020, "Yemen's Houthi hit Saudi airport, killing one, wounding: 21: Saudi-led coalition".

³¹ https://en.wikipedia.org/wiki/Saudi_Vision_2030

³² <https://www.vision2030.gov.sa/v2030/leadership-message/>

Saudi Vision 2030 envisions a strong, thriving and stable Saudi Arabia that provides opportunity for all. Saudi Arabia will be a tolerant country with Islam as its constitution and moderation as its method. It welcomes qualified individuals from all over the world and respect those who has to join its journey and success. It will improve the business environment, so that its economy grows and flourishes, driving healthier employment opportunities for citizens and long term prosperity for all. This promise is built on cooperation and on mutual responsibility.³³

To achieve Saudi Vision 2030, Saudi Arabia has launched various development projects. Some of the development projects are as follows:

Table 4. Main Development Projects in Realizing Saudi Vision 2030³⁴

Projects	Location	Total Area (km²)	Launching date	Estimation Project Completion	Cost
New Taif project	Taif	1,250	1 March 2017	2030	\$3 billion
Diriyah Gate project	Diriyah	1,5	20 July 2017	2030	Not Available
Al-Qiddiya project	Al-Qiddiya, south-west of Riyadh	334	8 April 2017	2022	\$2.7 billion
Al-Faisaliah project	West of Makkah	2,450	26 July 2017	First stage, end of 2022	Not Available
Downtown Jeddah	Jeddah	5,2	27 September 2017	First stage, end of 2022	\$4.8 billion
NEOM	Tabuk	26,500	24 October 2017	First stage, end of 2025	\$500 billion

³³ ibid

³⁴ https://en.wikipedia.org/wiki/Saudi_Vision_2030

Renewable Energy Project	Multiple locations	Not available	27 March 2018	2030	\$200 billion
Amaala Project	Along the Red Sea	3,800	26 September 2018	First stage, end of 2020	Not available
King Salman Energy Park	Between Dammam and Al-Ahsa	50	5 December 2018	First stage, end of 2021	\$1,6 billion
Al-'Ula Vision	Al-'Ula	22,500	11 February 2019	2030	Not available
King Salman Park, Sports Boulevard, Green Riyadh, and Riyadh Art	Riyadh	>149	19 March 2019	Not available	\$23 billion
Great Mosque of Mecca	Mecca	250	2017	Mid 2018	\$21.3 billion
Mall of Saudi	Riyadh	8,666	2017	First stage, end of 2022	\$3.2 billion
The Red Sea Development	Tabuk	28,000	2018	2022	\$3,2-\$3,7 billion

Source: Prepared by the authors (2024)

To realize Saudi Vision 2030, some new government institutions have also been established and existing institutions have been reorganized or merged. For example, it was established Ministry of Commerce and Investment. The Ministry was then divided into two ministries, namely Ministry of Commerce and Ministry of Investment. Previously, Saudi Arabia had Saudi Arabia General Investment Authority (SAGIA). SAGIA is then merged into Ministry of Investment of Saudi Arabia (MISA). MISA has mission to promote Saudi Arabia

as a world class investment destination, attract and maintain investors and expand their investment for the benefit of sustainable national economic growth.³⁵

To achieve Saudi Vision 2030, Crown Prince Muhammad bin Salman launched National Investment Strategy (NIS) on 11 October 2021. According to Prince Muhammad bin Salman, NIS revolves around “empowering investors, developing and providing investment opportunities, providing financing solutions, and enhancing competitiveness.” It also contributes to increasing the effectiveness of the partnership between the public and private sectors. He explained that achieving Saudi Arabia ambitious investment goals will be through concerted efforts, and the participation of a number of entities, such as the Public Investment Fund (PIF).³⁶

When launching Vision 2030, Crown Prince Muhammad bin Salman said: “Our country has huge investment capabilities, and we will seek to be an engine for our economy and an additional resource for our country.” The strategy will also achieve the vision’s goals of increasing the proportion of non-oil exports from 16 percent to 50 percent of the total non-oil GDP, reducing the unemployment rate to 7 percent, and advancing the Kingdom to one of the top ten positions in the global competitiveness index by 2030.³⁷

The Crown Prince stressed that the next phase of the strategy includes the development of detailed investment plans for different sectors, including the renewable energy sector, the transport and logistics sector, the tourism sector, and others. The Crown Prince said that more than 12 trillion riyals (US\$3.2 trillion) will be injected into the local economy up until 2030. The economy will receive another 10 trillion riyals (US\$2.67 trillion) of government spending through the state’s general budget during the next ten years, and another 5 trillion riyals (US\$1.33 trillion) of private consumption spending for the same period, bringing the total spending to nearly 27 trillion riyals (US\$7.2 trillion).

The National Investment Strategy aims to raise net foreign direct investment flows to 388 billion riyals (US\$103.46 billion) annually and increase domestic investment to reach about 1.7 trillion riyals (US\$0.45 trillion) annually by 2030. It is expected that the investment-to-GDP ratio of the Kingdom will rise from 22 percent in 2019 to 30 percent in 2030, which will contribute to the growth of the Saudi economy to become one of the 15 largest economies in the world.

³⁵ MISA at a glance, <https://misa.gov.sa/en/about/>

³⁶ The Embassy of the Kingdom of Saudi Arabia in Washington DC, HRH Crown Prince Launches the National Investment Strategy, A Key Enabler to Deliver on Vision 2030, saudiembassy.net.

³⁷ Ibid

The realization of Saudi Vision 2030 has become the main Saudi national economic interest. Saudi Vision 2030 will be achieved, among others, through increasing domestic investment and attracting foreign direct investment to invest in Saudi Arabia. Therefore, Saudi Arabia has been investing more inside than outside the country. Its outward investment has also been directed to its strategic partners, such as the United States, the United Kingdom, China and India. Indonesia has not been included as Saudi Arabia strategic partner. This has influenced Saudi Arabia low investment in Indonesia.

Conclusion

The above explanation shows that Saudi Arabia low investment in Indonesia has been influenced, among others, by Saudi Arabia national power and national interest. Saudi Arabia's national power includes strategic geography location, vast territory, plenty population and rich natural resources as national power's permanent elements, as well as national leaders, high economic capability and national companies as national power's temporary elements. Besides that, Saudi Arabia national interest influencing Saudi low investment in Indonesia consist of defeating Shia Houthi in Yemen and achieving Saudi Vision 2030.

Considering its national power and national interest, Saudi Arabia would not invest hugely in Indonesia since Saudi investment priority is inside the country and Saudi outbound investment in large amount is directed to its strategic partners, not including Indonesia.

However, there is still possibility of changing Saudi investment to Indonesia that is by exploiting Saudi national power's temporary elements particularly national leaders and national companies, and Saudi national economic interest which is achieving Saudi Vision 2030.

In this regards, Indonesia could approach directly Saudi national leaders, such as Crown Prince Muhammad bin Salman as Saudi de facto leader, and Saudi national companies, such as Aramco, Saudi Public Investment Fund, Saudi Telecom Company, Saudi Electricity Company, Maaden, Dallah Al Baraka, Al Rajhi Banking & Investment Corp., Al Faisalia Group and Al Marai.

Indonesia Leaders, high ranking officials and CEOs of Indonesia Investment Authority (INA) and related state-owned and private companies could be more proactive in approaching their counterparts in Saudi Arabia. The proactive approach has been done successfully by other countries, such as the United States, the United Kingdom, China, Japan, South Korea, Pakistan and India that have received huge investment from Saudi Arabia.

In particular, Indonesia could support the realization of Saudi Vision 2030 which is Saudi national economic interest and Crown Prince Muhammad bin Salman personal ambition. This,

among others, could be done by elevating Indonesia relationship with Saudi Arabia into strategic partnership, increasing Indonesia outbound investment to Saudi Arabia and sending more professional/skill workers to Saudi Arabia.

Conflict Of Interest

The Author declares that there is no conflict of interest.

Fundings

None.
