



1444 -2023

**Economic Challenges' impact of transforming Kingdom of Saudi Arabia to
a logistic hub in international Maritime transport sector (promoting the
content and goals of Vision 2030)**

**أثر التحديات الاقتصادية على تحول المملكة العربية السعودية لمركز لوجستي في قطاع
النقل الدولي البحري (تعزيز محتوى وأهداف رؤية 2030)**

A research submitted within the requirements of the Master of Project Management

AL Fujairah-United Arab of Emirates

Management College

DR. Walid Soliman

PMG597

Student Name	Academic Number
Mirfat Thabit Mubark	213000815
Maha Ibrahim Alyahya	20223006313
Shrouq Faraj Alzuaby	20223006349

Table of Contents

Page Number		#
4	Introduction	
4	Background and Context	1-1
5	Problem Statement	1-2
6	Research Objectives	1-3
6	Research Hypotheses	1-4
7	Research Variables	1-5
9	Research Importance	1-6
9	Research Terminology	1-7
10	Previous Studies	1-8
13	Study result	1-9
14	Research Methodology	1-10
15	Research limits	1-11
15	Research Organization	1-12
16	Recommendation	1-13
17	References	

Introduction

1-1. Background and Context

One of the GCC's largest economies, Saudi Arabia is working to establish itself as a regional logistics hub through its Vision 2030 programs, which is fostering expansion in the logistics industry. Due to its significant economic influence and advantageous geographic position, Saudi Arabia is determined to establish itself as a leading logistical hub in the region. "The Kingdom has the largest economy in the Arabian Peninsula, Levant, and Iraq. Which contributes about 38% of the gross domestic product and 21% of the population in this area" Ministry of Transport and Logistic Services (2021). The country is currently poised to launch a new stage of development and growth that will propel it into a prominent regional position, particularly in the international maritime transport industry and its related logistical services. This involves reviving the transportation sector, which would support the upcoming renaissance of the Kingdom and energize the expansion of public-private partnerships, strengthening the latter's contribution to the nation's total income. Driving economic development, maritime transport, and ports are considered the most significant pillars for facilitating the process of international trade in Saudi Arabia.

Moreover, the Kingdom strives to achieve the development of logistical services by activating current and future plans and projects. In addition to providing investment opportunities in the field of maritime transport industry by developing a constructive plan for the development of marine transportation, it is relying on the national forces working in the field through specialized training and interest in improving

maritime transport services that it represented in supplying ships with fuel, building and maintaining. While some problems have been resolved, other international maritime transport sector obstacles persist. Are these obstacles still have major impacts on Saudi Arabia's international maritime transport sector economically? Does Saudi Arabia have the ingredients that qualify it to become a leading logistical hub in the region in the international maritime transport sector?

1-2. Problem Statement

Maritime transport is one of the oldest means of transportation used by humans. In addition, global ports and the maritime merchant fleet play a major role in facilitating the movement of goods. The ocean shipping sector is the most basic way to ship cargo on a global level. More than 6000 container ships operate daily in the world's oceans. That means that ships distribute around 90% of the goods transported globally (Walker et al., 2019).

There are many ocean shipping sector obstacles. Therefore, this study came to answer the following main question:

- Does Saudi Arabia possess the qualities necessary to position itself as the region's top logistical hub for the field of global maritime transport?
- Are these challenges still having a significant economic influence on Saudi Arabia's international maritime transport sector?

A set of sub-questions branch out from this main question:

- What are the most significant challenges facing the Kingdom of Saudi Arabia in international maritime transport in recent years?
- What is the economic impact of the difficulties faced by the Kingdom in international maritime transport?
- What effect do these difficulties have on the Kingdom's status as a logistical hub?

1-3. Research Objectives

This research aims to:

- Recognize how Saudi Arabia become a leading logistical hub in the region in the international maritime transport sector.
- Recognize the Effect of the COVID-19 pandemic on the Saudi Economic in the international maritime transport sector.
- Understand that international maritime transport promotes the content and goals of Vision 2030.
- Recognize that some obstacles can help to raise the economics of the country and achieve great success.

1-4. Research Hypotheses

There is a substantial connection considering how the study problem was previously presented, and the following hypotheses can be made:

International maritime transit is one of the most crucial factors in the growth of international trade, and its significance comes from the fact that it influences the volume of exchange.

The establishment of a maritime transport fleet and logistical services at the ports would increase the state's capacity and play a significant role in all logistical operations related to international trade, where the cost of transportation influences the fee of the commodity for port activities such as shipping, unloading, transit, storage, and distribution, which provides a competitive edge and helps to revive international trade.

The Kingdom of Saudi Arabia deserves to be the best country in terms of logistics performance levels and maritime transport due to its significant geographic and strategic location. Moreover, Arab ports can play two crucial roles, namely transporting goods, especially oil, gas, and other materials to global markets on the one hand, and importing goods coming from various countries to local markets on the other.

Furthermore, the nation's ports connection index to international ports keeps track of the nation's connection to global navigation networks and considers the nation's location. The number of crucial ports and the geographic position of Arab logistics zones on international shipping lines is two of the most critical success factors for connecting Arab ports (Fathi, 2010).

1-5. Research Variables

1- Economic factor:

- Costs and prices.

The degree to which each of these elements influences trade costs and the context in which they are determined. Exchange rates are rising due to the high production costs of commodities, which raises their pricing on a global scale. Furthermore, compared to other products with high costs and limited demand, low-cost goods are more popular. Thus, their ability to compete is ultimately determined by price as one of the factors affecting the market.

As a result, countries that export goods with a high level of value ought to charge more per unit of weight. Yet, some products need unique transportation qualities, and as a result, their freight costs vary (Alejandro & Natalia 2001).

2 Natural factors:

Climate: A few aspects of the climate directly and significantly affect marine navigation. This effect could have a good or bad outcome. These are the influencing factors that are most crucial:

One of the factors that affect temperature indirectly is wind, and it has two effects on maritime navigation. The trade winds and the sail are the most significant winds employed in this industry.

The latter is detrimental, as shown by the following examples:

1. Damaging marine transportation equipment, especially if the wind speed is too high.
2. The halting of the movement of ships to and from the ports. During the blowing of the winds, especially during severe storms, the navigational activity stops near the port and the ships remain far out at sea out of fear that they may be destroyed as a result of the storms pushing them against the rocks and barriers surrounding the port (Fadel Ibrahim, 2023).

3 Factors related to the internal environment of the country's Political conditions:

The propensity of international shipping nations to trade with politically stable nations and steer clear of tumultuous political environments and conflicts where their interests can jeopardize those of their trading partners.

1-6. Research Importance

- The current research focuses on how international maritime trade affects Saudi Arabia's economic development.
- The study examines a crucial issue, such as the challenges that the Kingdom encountered in previous years concerning international maritime transport and their effects on the economy.
- Present study concentrates on these obstacles, such as the Covid-19 pandemic, cost raising, and new regulations.
- The current study concentrates on how international maritime transport promotes the content and goals of Vision 2030.

1-7. Research Terminology

- **Logistic Hub**

“The hub concept has been often introduced in various terms in accordance with functionality: for example, logistics center, logistics zone, freight terminal, distribution center, and warehouse.

Such a heterogeneous terminology on the concept of logistics hub seems still in usage by

practitioners and academics alike. Having recognized this rather ambiguous concept and definition in the literature” (Hyung-Sik Nam and Dong-Wook Song, 2011)

- **Vision 2030**

“Vision 2030 was launched, and a roadmap was drawn up by His Royal Highness the Crown Prince, to harness the strengths God bestowed upon us – our strategic position, investment power, and place at the center of Arab and Islamic worlds. The full attention of the Kingdom, and our Leadership, is on harnessing our potential to achieve our ambitions.”
(www.vision2030.gov.sa)

- **International Maritime transport sector.**

Maritime transport refers to a means of transport where goods (or people) are transported via sea routes.

1-8. Previous Studies

The following are several studies that dealt with the impact of economic challenges of the maritime transport sector on countries and the studies close to it to communicate points of similarity and difference with the current research.

1. ***A study by Tahar Jouili*** with the title “The Role of Seaports in the Process of Economic Growth” aims to evaluate the effects of public investments in seaports on economic growth from 1987 to 2014. This goal is achieved through an empirical investigation of the Cobb-Douglas production function, an econometric model. The findings demonstrate that public investments in seaports make good

contributions to the growth of the Tunisian economy, both directly through its added value and indirectly through the expansion of other economic activity (Tahar Jouili 2016).

In addition, research of G.S Dwarakisha, and Akhil Muhammad Salima with the title “Review on the Role of Ports in the Development of a Nation” aims to give a broad picture of the role ports play in the growth of a country by looking at research on the importance of ports and economic data from various ports throughout the world. The findings of the numerous port assessments from around the world obviously support the notion that ports are an essential component of a nation's economy. The development of ports would invariably strengthen the economy of the nation. Improved trade activity, better supply, larger foreign reserves, and lower commodity prices all result from the expansion and development of ports (G.S Dwarakisha, Akhil Muhammad Salima 2015).

2. ***Dr. Ayman Muhammad*** Al-2009 Nahrawi's book Arab Sea Ports was published by Dar Al-Fikr Al-Jami in Alexandria. The fundamentals of transportation and seaports, economic globalization, international trade trends, as well as the characteristics of the growth of global marine transport in light of recent changes, were all topics covered in this study as the researcher addressed the broad framework. To compete in container terminals and seaports. Regarding the study's practical use, it provides a thorough overview of all Arab ports by discussing their capacity and facilities. The actual difficulties with sea transportation in Arab nation's Case study of a collection of Arab nations Students Bahi Muhammad Al-Arabi, Berwiya Ayman, and Razzaq Mohsen Hatem prepared the material. Memorandum filed in 2022 at the Martyr Hama Al-Khidr University in El-Wadi, Republic of Algeria, to fulfill the prerequisites for an academic master's degree (Dr. Ayman AL-Nahrwi ,2009).

Dr. Hisham Salah Mohsen's article, "Iraqi Ports and Their Role in the Maritime Transport Movement (Umm Qasr Port and Reality and Prospects Future)" appeared in the Journal of the Faculty of Basic Education, volume 73, published by Al-Mustansiriya University in 2012. By using the port of Umm Qasr al-Iraq as a special case to highlight the significance of this impact on maritime transport movement and its economic return, the research aims to highlight the significance of the commercial port's role in activating and stimulating the maritime navigation movement. It also discussed the historical principles of the concept of the port and its classifications according to economic activities and its temporal development and clarified that most important. Its fundamental growth is dependent on what accommodates the external changes in world trade and the various modes of transportation. The study also concentrated on the future prospects for the port of Umm Qasr, which is one of the most significant and essential ports in Iraq, as well as the most significant issues that the port faces and solutions to them in order to accomplish organized commercial maritime trade (Dr.Hisham Salah,2012).

The role of international freight forwarding companies to create a competitive advantage for industrial companies

Abstract this study aims to clarify the various stakeholders in the transportation process and the key services offered by freight forwarding businesses. It also demonstrates the crucial role that these businesses play in supporting industrial businesses as they concentrate on

developing their products and by providing all the necessary resources, they can become leaders in their industry and gain a competitive edge.

Transport plays a crucial and significant role in achieving the spatial advantage of various products, whether in the transfer of raw materials or the transfer of the final product, whether to the factory or to different markets. From here, it must be emphasized the significance of managing the transportation system, which is made up of a number of different elements. Included are the means of transportation, the operational management of those means, and the service providers that help to deliver improved transportation services, this is the function performed by freight forwarding firms, who categorize their functions based on the type of service they offer, ranging from facilities to shippers to stage of success partners for those industrial firms.

When shipping service providers assist industrial businesses with any aspect of the transportation service they require. For instance, reducing the cost of transportation, selecting the best and most appropriate mode of transportation that is commensurate with the quality of the transported goods, whether raw materials or a finished product and avoiding mistakes in selecting the inappropriate method, as well as calculating the true cost of the transportation (Hassan,2020).

Study result:

We are attempting to offer a number of recommendations that we believe are important and pertinent to our topic based on the data obtained, as follows:

1. All parts of the maritime transport industry in the Arab world must be taken into consideration in order to develop, whether that means establishing ports, a naval commercial fleet, or numerous road systems and transit options.
2. Striving to create specialized ports with all the necessary equipment, facilities, and stores to support shipping, discharge, and storage in order to develop international ports that can handle the commercial traffic between these nations and the rest of the world.
3. Put forth every effort to ensure the success of the logistical centers in international ports by modernizing the organizations that deal with them, the customs procedures, and the infrastructure, communications, and information network.
4. The requirement for a stable political system that aids in luring investors for the maritime transport sector and logistics services, which are currently lacking in the majority of Arab countries (Dr. Ayman AL-Nahrwi, 2009 and Dr. Hisham Salah, 2012).

1-9. Research Methodology

In analyzing the problem raised and proving the validity of the hypotheses adopted, we followed the descriptive analytical approach, in order to describe the reality of international maritime transport and to identify the most important problems and challenges facing it.

- **Research Method:** Researchers will use applied research.

- **Data collection tool:** The questionnaire will be used to identify the effect of economic challenges in transforming Kingdom of Saudi Arabia to a logistic hub in international Maritime transport sector (promoting the content and goals of Vision 2030)
- **Steps to build the questionnaire:**
 1. View the research literature and previous studies related to the subject of the study, and benefit from it.
 2. Including building the questionnaire and drafting its paragraphs.
 3. Identify the paragraphs that fall under each field.
 4. Determine the main areas covered by the questionnaire.
 5. Determine the paragraphs that fall under each field.
 6. The questionnaire will be presented to an arbitrator

1-10. Research limits

- **Spatial boundaries:** This study will be applied to the ports, factories and companies of the Kingdom of Saudi Arabia that deal with international transport maritime.
- **Temporal limits:** This study will be applied in March of the year 2023 AD.
- **Human limits:** This study will be applied to a random sample of private-sector employees who working in previous mentioned areas.

1-11. Research Organization

The current research will be organized into five chapters.

First chapter: It deals with the entrance to the study in terms of the introduction, the problem of the study, its objectives and questions, the importance of the study, its assumptions and limits, the terminology of the research and structure.

Second Chapter: It deals with the theoretical framework of the research and previous studies that dealt with the subject of the research.

Third Chapter: It deals with the study methodology and procedures in terms of the study population and sample, the research method used, data collection methods, and tools for verifying the validity and reliability of the study tool.

Fourth Chapter: It deals with presenting, interpreting, analyzing, and discussing the results of the research.

Fifth Chapter: It deals with the conclusions and recommendations.

Recommendations

-We are attempting to offer a number of recommendations that we believe are important and pertinent to our topic based on the data obtained, as follows

-All parts of the maritime transport industry in the Arab world must be taken into consideration in order to develop, whether that means establishing ports, a naval commercial fleet, or numerous road systems and transit options

- Striving to create specialized ports with all the necessary equipment, facilities, and stores to support shipping, discharge, and storage in order to develop international ports that can handle the commercial traffic between these nations and the rest of the world.
- Put forth every effort to ensure the success of the logistical centers in international ports by modernizing the organizations that deal with them, the customs procedures, and the infrastructure, communications, and information network.
- The requirement for a stable political system that aids in luring investors for the maritime transport sector and logistics services, which are currently lacking in the majority of Arab countries.
- Take care to lower expenses for transport firms with government subsidies.
- Protect marine transport from piracy by implementing stringent rules that protect transport ships.
- Speeding up administrative processes for government agencies and making it easier for transportation firms to do their jobs.

References:

- Al-Khidr, Hama(2022). *A memorandum submitted to complete the requirements: academic master's degree*, at the University. Algeria.
- Al-Nahrawi, Dr. Ayman Muhammad (2009). *Arab Sea Ports* Dar Al-Fikr Al-Jami. Alexandria.
- Al-Nahrawi,Dr.Ayman(2014). *The Economics and Policies of Maritime Transport* Dar Al-Fikr University.

- Al-Nahrawy, Ayman(2004). *The logistical role of seaports on the outskirts of the twenty-first century*: paper presented to the Arab Academy for Science, Technology and Maritime Transport.
- Al-Nahrawy,Dr.Ayman(2012). *Gulf seaports and future challenges*. Alexandria
 - Fathi, Abdel Qader(2010). *Modern Concepts in the Management of Transport and Logistics Services,p2, Arab Organization for Administrative Development, Egypt.*
- Ibrahim, Fadel(2023). *Factors affecting maritime transport - natural factors - climate - winds*,
- Alejandro M., and Natalia P. (2001). *(Maritime Transport Costs and Port Efficiency)*
- Al-Mulhim, Ali Abdullah (2007). *Maritime piracy on ships, a fundamental comparative applied: Study* Naif Al-Araba University for Security Sciences,
- Hyung-Sik Nam and Dong-Wook Song (2011). *Defining maritime logistics hub and its implication for container port*
- Mohsen, Dr.Hisham Salah (2012). *Iraqi ports and their role in the maritime transport movement Umm Qasr Port and Reality and Prospects: Journal of the College of Basic Education, seventy-third, Al - Mustansiriya University.*
- Hassan, Ibrahim Hassan (2020). *Competitive Advantages: Journal of Financial and Commercial Studies, Third Issue 2020.*
- Tahar, Jouili(2016). *The Role of Seaports in the Process of Economic Growth.*
- Walker, T.R., (2019). *Why decarbonizing marine transportation might not be smooth sailing. The Conversation.*
 - KSA Logistic Hub (2023)
<https://mot.gov.sa/en/AboutUs/Pages/Logisticsplatform.aspx#:~:text=Saudi%20Arabia's%20insistence%20to%20become,Arabian%20Peninsula%2C%20Levant%20and%20Iraq> (Accessed: February 23)
- G.S Dwarakisha, Akhil Muhammad Salima (2015). *Review on the Role of Ports in the Development of a Nation.*
<https://almerja.com/reading.php?idm=180671+%28Accessed%3A+March+1%2C+2023%29.++%28Accessed%3A+March+1%2C+2023%29.> (Accessed: March 1, 2023).