

were able to increase oil production to compensate for virtually all of the export production (from Kuwait and Iraq lost), i.e. Saudi Arabia, the United Arab Emirates and Venezuela, will themselves be after a larger chunk of OPEC production.

Saudi Aramco's ambitious US \$6 billion expansion plans announced a year ago will likely be cut back pending the shake-out in the world oil market. Saudi Aramco continues to find new, high-quality sources of crude and can afford to wait to bring them on to the world market, although proven reserves do have an influence on the oil quota.

Military expenditure by Saudi Arabia, already in excess of 30% of the 1990 budget, are expected to rise considerably as Saudi Arabia acknowledges its inability to confront other regional powers without outside assistance.

Large infrastructure projects are largely complete but telecommunications will continue to expand. The government will be taking steps to encourage the private sector to become more the engine of the economy as part of the current 5 year plan.

Investment flows into the Kingdom, which has largely dried up since last August, will resume, though for some time at least more cautiously. The autumn cash flight from the Kingdom will be reversed and, should an apparently durable peace in the Gulf be attained, ex-pats will once again actively pursue jobs in the Kingdom as the recession in the West is more seriously felt.

On focus of business activity in the region will be the rebuilding of Kuwait, in which Saudi companies will play a role and provide support.