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The Saudi Arabian Economy

Policies, Achievements and Challenges

Second Edition



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CHAPTER 1

OVERVIEW

Introduction

- Kingdom has witnessed some significant challenges.
- These involve:
 - Economic restructuring
 - Legal restructuring
 - Financial deepening
 - Regional diversification through mega economic cities.
 - Wider foreign trade relations (China, India, GCC)
 - Educational reforms
 - Foreign Direct Investment and Privatization
 - Labor issues and *Saudization*.

A. Economic restructuring has involved:

- **The role of economic planning and its evolution to directive/qualitative framework rather than quantitative framework.**
- **The growing importance and reliance on the private sector.**
- **The challenges of globalization.**

B. Legal restructuring has involved:

- Accelerated pace of judicial reforms
- Meeting modern commercial requirements and international obligations eg. WTO.
- Empowerment of *Majlis Al Shura* and other government regulatory bodies.
- Human rights emphasis.

C. Financial deepening has involved:

- **The role of the Saudi budgetary mechanism as a countercyclical fiscal tool.**
- **The expanded role of SAMA and the use of monetary policies as inflation stabilization measures.**
- **The growing sophistication of the Saudi Capital Market Authority and its regulatory tools.**
- **The opening up of the Saudi capital market to foreign participants.**

D. Economic diversification has involved:

- **Expanding the hydrocarbon base and value added industries in oil, gas and minerals.**
- **The importance of the SME sector for Saudi Arabia**
- **The changing role of government intervention and support.**
- **The growing importance of the private sector as a partner for development.**

E. Foreign trade and global relations has involved:

- **The changing nature of Saudi foreign trade – imports and exports.**
- **Saudi Arabia's competitive structure and ease of doing business.**
- **The decision to join the WTO and its impact on Saudi economic sectors.**
- **Saudi Arabia's relations with the GCC and the issues of Monetary Union and a common currency.**
- **The increased importance of trade relations with Asia.**

F. Privatization and Foreign Direct Investment has involved:

- **FDI and privatization as tools for strategic domestic economic reform.**
- **FDI – a tool for technology transfer and economic deepening.**
- **The role of privatization and continuing obstacles in implementation.**

G. Labour issues and *Saudization* has involved:

- The structure of the labor force and low participation rates.
- Women labor participation issues.
- *Saudization*: the pros and cons.
- Private sector *Saudization* concerns.
- Structural unemployment issues.
- Educational mismatch and labour needs.

H. Education and establishing a knowledge based economy has involved:

- **Structure of education input/output.**
- **Education and employment opportunities**
- **Phenomenon of “educated unemployed”.**
- **The new knowledge based education infrastructure (KAUST, Techno Valleys).**
- **Quality education and international strategic alliances.**

Future Challenges

- **Broadening and deepening the economic base.**
- **Public and private sector relationship (PPP)**
- **Citizen involvement in municipal elections.**
- **Pace of judicial and structural reforms.**
- **Managing expectations and the need for domestic consensus building.**