Outlines

How to make Saudi Economy not depend on oil Outline Dutch Disease in Saudi Arabia The Dutch disease theory predicts decline in the manufacture sector of Saudi Arabia because the domestic manufacture is much more expensive than the foreign manufacture.

2. The domestic manufacture instead increased and expanded rather than declining because of revenues from oil industry.

3. The theory also predicts decline in the agricultural industry.

4. This was also proved wrong when a boost in the agricultural industry was seen between 1981 and 1984 because of agricultural sector subsidies.

5. Dutch disease predicts deindustrialization.

6. The first symptom of the Dutch disease was the overvalued currency. Other symptoms included natural resource dependence and fluctuations in the prices and supplies of raw materials.

7. Dutch disease can lead to many problems if the government does not react to the influx of revenue properly.

8. Possible actions to counter the Dutch disease include limiting oil export and controlling the value of the dollar through adjustment of exchange rate. However, limiting oil export decreases foreign investment in the country; and, the second strategy causes an economic disaster often when the dollar jumps too high.

9. To avoid the bad circumstances, the government must manipulate the monetary and fiscal policies and must control its spending.

10. Good government is needed to maintain control over oil revenues; otherwise, the consequence is the out of control downward spiral.

Industrialization

1. Saudi Arabia was a poor country before 1936.

2. Until then people only worked in agriculture and animal farming.

3. Most of the people lived in deserts.

4. Then, oil was discovered which changed everything for the people of Saudi Arabia and framed the country’s future.

5. The industrialization was not like that in Great Britain since it did not evolve by way of new inventions but with the discovery of oil.

6. Saudi Arabia began exporting oil and importing goods and services from other countries and as a result, it became one of the most speedily developed countries of the greater Middle East region.

7. The oil revenues were nearly 40 percent of the gross domestic product.

8. Countries started investing and revenue began flowing in.

9. People who were living in deserts moved to cities when industrialization strengthened its roots.

10. People found employment when the government built factories and oil companies, and two cluster cities named Jubail and Yanbu.

11. As a result, people started getting good education, health care and employment opportunities.

12. Saudi Arabia is now trying to attract more foreign investment in non-oil private sector through the revision of its 30-year-old investment code and tax code. For example, The Saudi government and the private sector are vigorously encouraging investment opportunities in partnerships with Saudi businessmen that bring about industry and transfer technology to the United Kingdom.

13. The government is also attracting investment in infrastructure although the investments are not financially attractive as yet.

14. Some disincentives that still hinder with industrialization include high tax

rates on foreign partners' corporate profits; the government policy of mandatory hiring of Saudis; the requirement that every foreign investor must have a Saudi partner; an extremely conventional cultural business atmosphere; and, an intense desert climate.