

# Economic transition



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Economic Transition Saudi Arabia Saudi Arabia is the biggest country in terms of area, which is situated in the Middle East. The country is one of the biggest producers of oil, which generate more than 75 percent of revenues for the country. Saudi Arabia is currently a welfare state with a command economy and monarchial governmental system. However, over the past couple of decades, due to various reasons, the economic system of the country is moving from a public sector dominated, command economy, closed and oil export based economy to an economy where the public sector is taking an active role. In addition, trade barriers are being lifted, the export portfolio is diversifying from oil to other products, and market forces are emerging as strong determinant of price and demand. The reasons behind this shift have their roots in the lessons, which the Saudi policy makers learnt from the crisis and recessions of 1980s due to fluctuations in the oil prices. Since then, slowly and gradually, the Saudi government has been trying to strengthen the oil sector and create a reliable banking system, which could provide credit facilities to the new foreign and domestic investors. Important here to understand that this transition is not complete yet it is had some impacts on the macroenvironment. Rather than controlling the country based on the feedback on family members and a few friends, the King has gone on to create a cabinet of ministers, which are experts of economic and financial affairs for policy making and suggestions. The administration has witnessed some retaliation from the side of the religious experts of the country because it is hard for them to digest that how can an Islamic welfare state adopt the western capitalistic policies but the administration has appeared firm on its decision to complete this smooth

transition by the end of this decade (Ramady, 2010). India The largest second largest country in terms of population, seventh largest in terms of area and eleventh largest in terms of GDP, India is quickly emerging as an economic superpower of the world. Since its independence in 1947 from the British Empire, India remained a closed economy until the early 1990s. During the pre liberalization era, the focus of the economic policies was not to let foreign countries to exploit the country's resources by allowing them access to homelands. Therefore, the economy was a centrally planned, control and command economy where the focus was on import substitution industrialization and frequent government interventions to regulate the markers. The local industries enjoyed great deal of protection from the government policies and the foreign direct investment, imports, foreign companies did not have access to the Indian economy. However, it was in 1991, when the current prime minister of country, which was the foreign minister of that time, Manmohan Singh, decided to follow the policies dictated by the International Monetary Fund. Before 1991, India's biggest trading partner was Soviet Union and after its collapse, it faced sky rocketing debts and worsening balance of payments. Therefore, the government decided to contact IMF for loans to bring the economy back on track (Dhawan, 2007). Liberalization has contributed greatly to the quick economic growth of the country. The country has witnessed superficial growth in foreign direct investments, GDP, exports, imports, demand for new products and services, and others. Many new sectors have emerged in the country providing employment to millions of Indians. Furthermore, this has also ensured that the local industries of India become more competitive. Courtesy to these liberalization measures, India is quickly moving from the traditional

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society to technologically advanced and innovative society with an extremely superior lifestyle (Gupta & Gupta, 2008). References Dhawan, J. (2007). *The Changing Face of Indian Economy*. Atlantic Publishers & Dist. Gupta, K. R., & Gupta, J. R. (2008). *Indian Economy*. Atlantic Publishers & Dist. Ramady, M. A. (2010). *The Saudi Arabian Economy: Policies, Achievements, and Challenges*. Springer.