

Committee - ECOSOC

Topic - Saudi Arabian Economic Policy

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Introduction

Saudi Arabia's economic philosophy and policies have not changed since the reign of Abd al Aziz. Still, the economic role of the government has grown larger over the years. The stated goal of Saudi rulers has been to "improve the economic conditions of the country's citizens while retaining the society's Islamic values." Saudi Arabia is probably one of the globe's fastest-growing economies in 2022 as comprehensive pro-business reforms, a substantial rise in oil prices, and production power led a recovery from a pandemic-induced slump in 2020. Gross Domestic Product is expected to increase by 7.6 per cent, the fastest growth in almost a decade. Despite more elevated prices for imported commodities, inflation will stay contained at 2.8 per cent in 2022 as the central bank draws policy in line with the US Federal Reserve.

The majority of Saudi Arabia's economic activity comes from oil and the extraction and exportation of oil. They are thought to have $\frac{1}{3}$ of the oil reserves in the world, which gives them a lot of economic power and influence. The economy of Saudi Arabia functions as a petrostate, and the government plays a prominent role in OPEC. In 2016, the Saudi regime established its Saudi Vision 2030 program to decrease its dependency on oil and diversify its economic resources.

Definition of Key Terms

Liquidity	Market liquidity is a market's feature whereby an individual or firm can quickly purchase or sell an asset without causing a drastic change in the asset's price.
Recession	Recession is when there is a decline in economic activity over a certain period of time.
Inflation	Inflation is an increase in the price level of goods and services in an economy. When the price levels rise, each unit of currency buys fewer goods and services; consequently, inflation reduces the purchasing power of money.
GDP	Gross domestic product is a monetary measure of the market value of all the final goods and services produced and sold in a specific time period by countries.
Vision 2030	Saudi Vision 2030 is a strategic framework to reduce Saudi Arabia's dependence on oil, diversify its economy, and develop public service sectors such as health, education, infrastructure, recreation, and tourism.
BRICS	BRICS is an acronym for Brazil, Russia, India, China, and South Africa. It is though that they may dominate the world economy by 2050.
G7	The international Group of Seven is an intergovernmental political forum consisting of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States; additionally, the European Union is a "non-enumerated member".
OPEC	The Organization of the Petroleum Exporting Countries, is a cartel of 13 countries.

Background Information

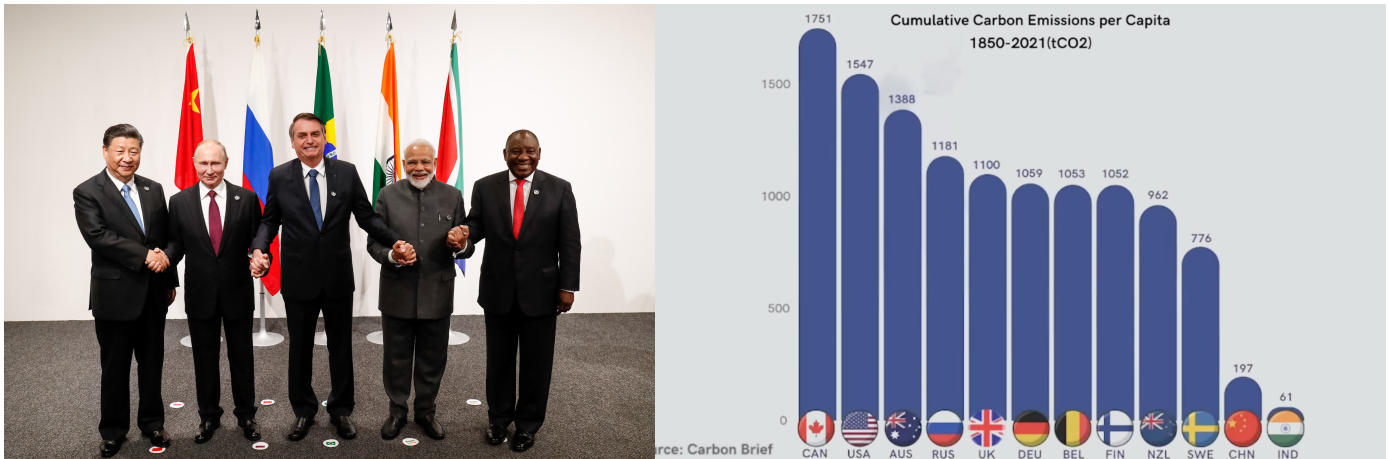
During the 1970s, Saudi Arabia had a massive oil boom and benefitted from the significant revenues that came with that. Unlike most developing nations, Saudi Arabia had abundant capital, and extensive development projects sprung up that turned the once underdeveloped country into a modern state. During that period, unemployment was nonexistent, enormous numbers of foreign workers were imported to do the numerous menial and the most highly technical tasks, and per capita income and gross domestic product (GDP) per capita were among the highest in the non-Western world.

Saudi Arabia's economic policies have been determined throughout the years by a series of 5-year financial plans. Starting in the 1970s, The first two five-year plans (1970–75 and 1976–80) focused on establishing Saudi Arabia's transport and communication facilities. Further economic plans tried to diversify the economy and improve education; there was also a significant push to increase farming and agriculture.

One of the financial problems Saudi Arabia has faced was in 2020; their net migration was a loss of over a million people. With an already small population of just over 34 million people, it is harder for Saudi Arabia to diversify into different sectors. Whilst Saudi Arabia has many benefits that ex-pats look for, in recent years, they have had bad press with human rights issues and migrant workers.

The Saudis' economy relies heavily on oil; in the past, there was a clear correlation between the performance of Saudi Arabia's economic performance and the price of oil. In April 2016, Saudi Arabia issued its first long-term reform strategy, "Vision 2030," which proposes a roadmap for the kingdom's economic and social policies. Media have stated that this is the biggest shake-up to Saudi Arabian policy since the kingdom's creation. "Vision 2030" strategy, Saudi Arabia fell in line with its neighbourhood. Bahrain, Qatar, Kuwait, and the United Arab Emirates had all declared their own versions of Vision 2030, just six or nine years earlier. The need and desire to diversify away from oil lay at the heart of all these documents, just as it does now in the case of Saudi Arabia.

In recent years, there have also been reports of Saudi Arabia asking to join BRICS. BRICS is an economic alliance between Brazil, Russia, China and South Africa. They are considered the five leading emerging economies. Sachs economist Jim O'Neill forged the word BRIC (without South Africa) in 2001, declaring that by 2050 the four BRIC economies would come to conquer the global economy. With Putin announcing a potential new basket-based reserve currency backed by the BRICS members, it's a direct threat to the US and the US Dollar. "The issue of creating an international reserve currency based on a basket of currencies of our countries is being worked out," Putin said at the BRICS business forum in June. One of BRICS' big issues is that the EU and US want to put a heavier tax on carbon emissions and fossil fuels. One of the big arguments is that if you look at total carbon emissions since the start of the industrial revolution, G7 countries have produced more carbon emissions than developing BRICS countries and contributed more to climate change.



Stakeholders

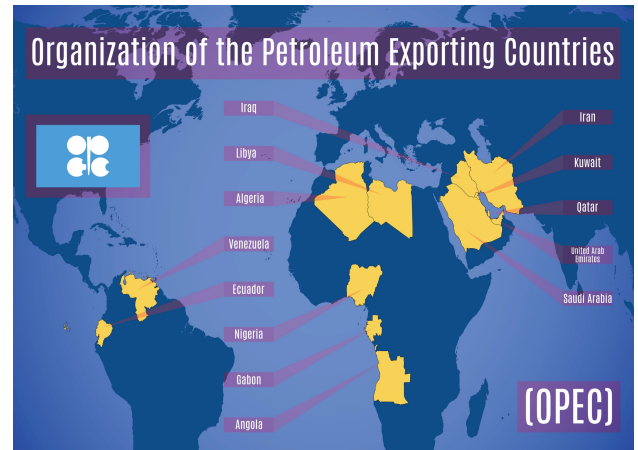
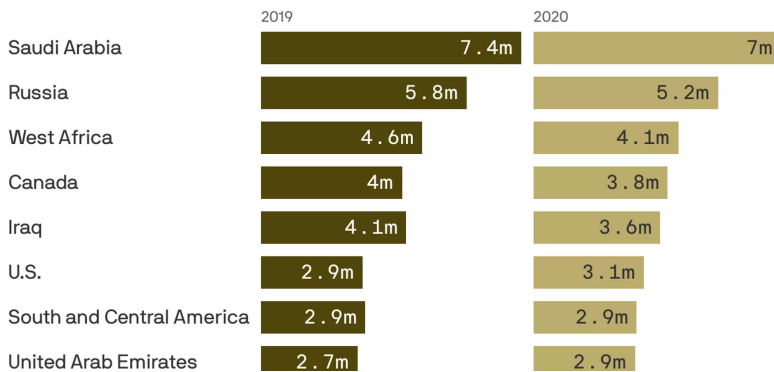
One of the most significant stakeholders in Saudi Arabia's economic policies is the Saudi Arabian royal family. Mohammed bin Salman Al Saud is the crown prince and prime minister of Saudi Arabia. He also serves as the chairman of the Council of Economic and Development Affairs and the Council of Political and Security Affairs. With Saudi Arabia being an absolute monarchy, they have significant control and influence over the government and economic policy.

Saudi Arabia is the world's biggest oil producer, and oil extraction accounts for 46 per cent of the GDP. This means that there are quite a few oil companies that work and operate in Saudi Arabia that changes in economic policy could affect. Saudi Aramco is the largest oil company operating in Saudi Arabia as one of the largest companies turning over 359.2 billion USD of revenue in 2021. As you can see, the royal family, government and oil companies are all very interlinked and significant stakeholders in Saudi economic policy. World manufacturers are also heavily influenced by Saudi Arabia's monetary policy. As oil and other petroleum products become a crucial part of production and manufacturing, oil prices and production affect the world's manufacturers.

OPEC is the Organization of the Petroleum Exporting Countries; these are the world's top 13 oil producers and exporters. OPEC is a partnership that strives to control the oil supply to set the price of oil on the world market to avoid instabilities that might affect the economies of both producing and buying countries. Countries that belong to OPEC include Iran, Iraq, Kuwait, Saudi Arabia, Venezuela (the founders), Algeria, Angola, Congo, Equatorial Guinea, Gabon, Libya, Nigeria, and the United Arab Emirates. OPEC's main competitor is the US due to new fracking technology, which has reduced its control over the market.

Crude exports

Barrels per day



Final Note

To summarise over the past 50 years, since the first 5-year economic plan, Saudi Arabia's economy has grown rapidly. This is mainly due to oil and the power this gave them. Over the next decade Saudi Arabia is working to diversify its economy by spending money on education and social services, they have also been trying to do this with ambitious infrastructure projects At this moment their economic policy is still up for deliberation as they enter a new era with a less oil-reliant economy.



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