

Arabian model: unique modernization/catch-up



Evgeny S. Biryukov
senior research fellow
Institute for Economic Forecasting
of the Russian Academy of
Sciences

Prerequisites

- Periphery of the World Economy, almost no integration into the World Economy, except hajj and umrah to Mecca and pearl trade
- 1940-1950s wheel is not used in some regions of Saudi Arabia
- source of state's income: zakat
- feudal tribal system
- 1962 slavery abolished in Saudi Arabia
- no bureaucracy (aka state management), no bourgeoisie



Oil discovery

1932 – Bahrain

1938 – Saudi Arabia, Kuwait

1939 – Qatar

1962 – Abu Dhabi, Dubai
(start of exports)

1967 – Oman



Arabian model (main)

[classification by Evgeny Biryukov

Cite. Biryukov E. O korrektyrovke sotsialno-ekonomicheskoi modeli Saudovskoi Aravii (On the correction of socio-economic model of Saudi Arabia), *Mezhdunarodnaya trgovlya i trgovaya politika (International Trade and Trade Policy)*. Vol. 11. No. 4. 2024.]

N1 Income from oil



2 State

Budget, corporations, dissemination of resources, etc.

3 Social programme

4 Migration

5 Capital export

6 Imports of goods (incl. arms) & services

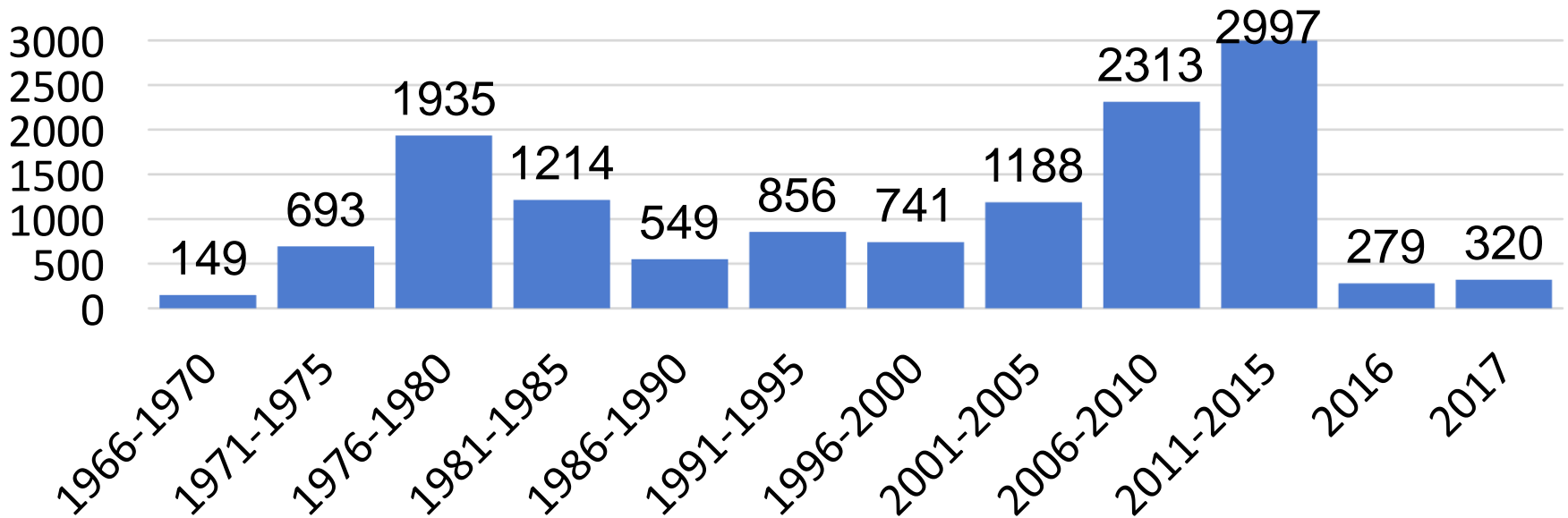
Less Important parts of model

Foreign aid (export), high military expences, foreign investment, foreign technology, SEZs, services

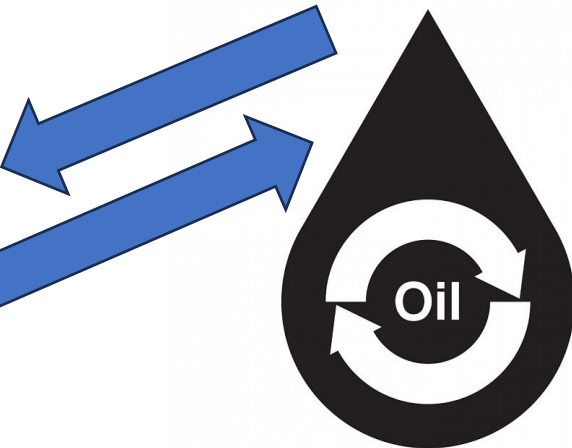
Arabian model (page 2)

1. Revenue, 6 GCC states, oil, USD bln (2018 prices)

Total revenue: 20 USD trillion (1966-2017, in 2018 prices),
calculations by Evgeny Biryukov



2. State/ monarchy



	2005-07
Oil GDP/GDP	50.0
Oil Exports/GDP	49.5
Oil Exports/Exports G&S	83.3
Oil Revenue/Revenue	88.5

3. Large and generous social programme

- main: wages, jobs in government sector

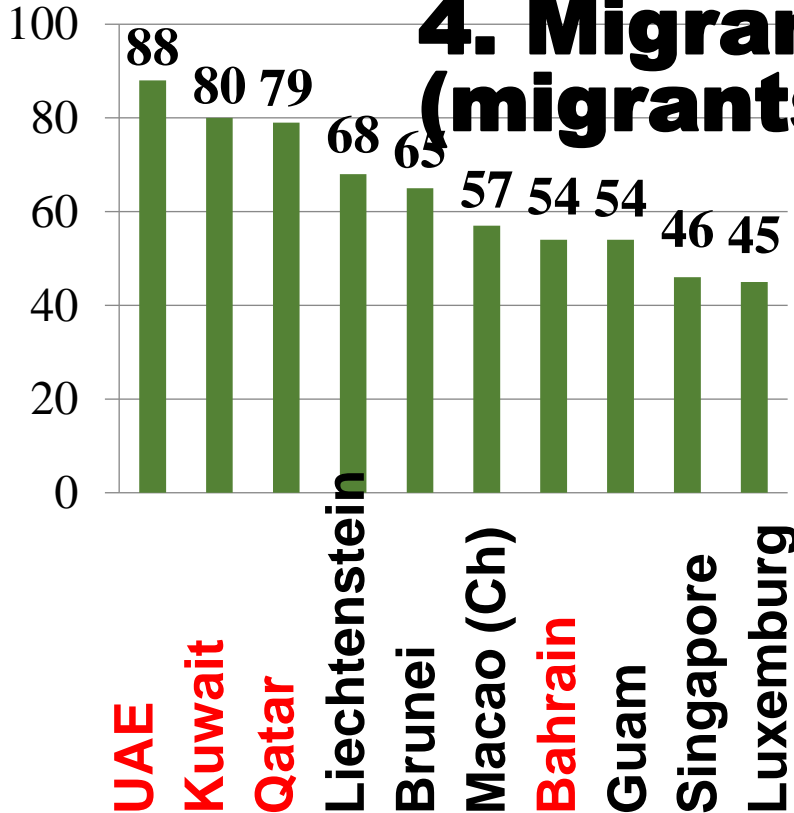
50% of budget

- disbursements – birth, marriage, housing
- cheap energy, gasoline,
- free healthcare, education
- no taxation (minor exceptions)



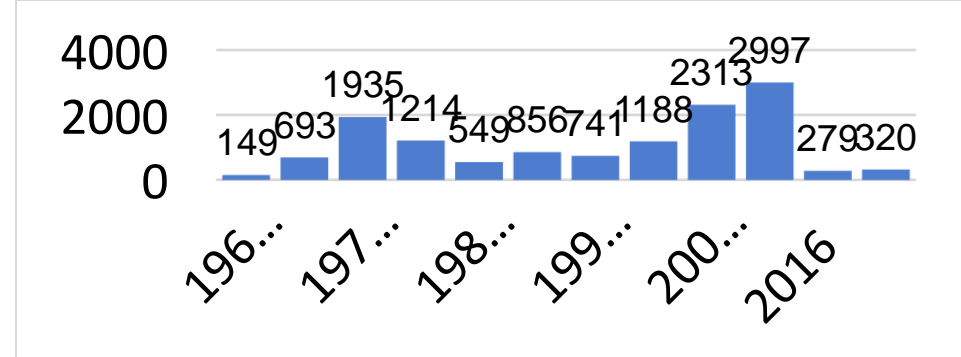
reform

4. Migrant labor (migrants, % of population)



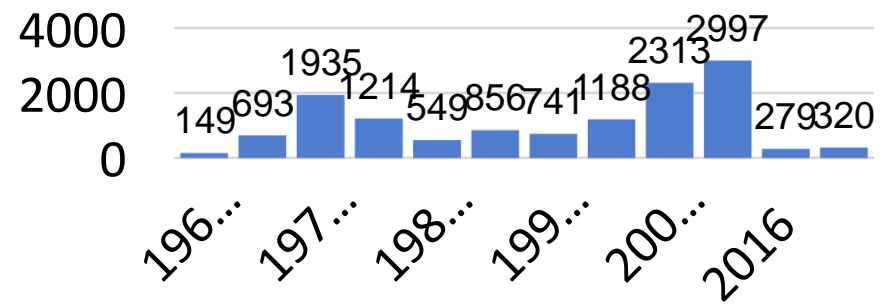
reform

5. Capital outflow



1. Norway Government Pension Fund Global \$1,796,316,441,000
2. China Investment Corporation \$1,332,071,000,000
3. SAFE Investment Company \$1,090,000,000,000
4. Abu Dhabi Investment Authority \$1,057,545,000,000
5. Kuwait Investment Authority \$980,000,000,000
6. Public Investment Fund \$925,000,000,000
7. GIC Private Limited \$800,800,000,000
8. Badan Pengelola Investasi Daya Anagata Nusantara \$600,000,000,000
9. Qatar Investment Authority \$526,050,000,000

5. Capital outflow



Ritz hostages, 2017

High Net Worth Individuals 800 USD bln

Consolidation of funds (former petrodollars disbursement), consolidation of power

6. Imports

Arabian model (page 5)

	2013	2014	2015	2016*	% change 2016
I: Current account balance	507,909	276,593	-212,714	-103,317	-51.4
A. Goods and services	591,564	359,873	-109,863	310	--
1. Goods	834,590	689,981	165,995	209,115	26.0
2. Services	-243,027	-330,107	-275,858	-208,805	-24.3
B. Primary income	50,855	61,972	64,800	58,976	-9.0
C. Secondary income	-134,510	-145,252	-167,651	-162,603	-3.0
II: Capital account	-1,257	-1,233	-3,983	-3,365	-15.5
III: Financial account	474,498	239,947	-274,058	-325,887	--
1. Direct investment:	-14,705	-9,809	-10,317	4,314	--
2. Portfolio investments	24,773	100,426	40,386	-30,782	--
3. Other investments	205,115	124,474	130,630	2,910	--
4. Reserve assets	259,315	24,857	-434,758	-302,328	--
4. 1. Monetary gold	0	0	0	0	--
4. 2. Special drawing rights	-802	-2,127	-278	-6,166	--
4. 3. Reserve position in the IMF	-1,757	-4,651	-3,473	-3,953	--
4. 4. Other reserve assets	261,874	31,635	-431,006	-292,209	--
4. 4. 1. Currency and deposits	-20,668	-14,318	61,610	-150,138	--
4. 4. 2 securities	282,542	45,953	-492,616	-142,071	--

Arabian model

N1 Income
from oil



Whether it is (or it isn't)
catch up / modernisation
under ist theoretical understanding, but
**this is socio-economic reality
of Saudi Arabia**

2 State

Budget, corporations,
dissemination of resources, etc.

3 Social programme

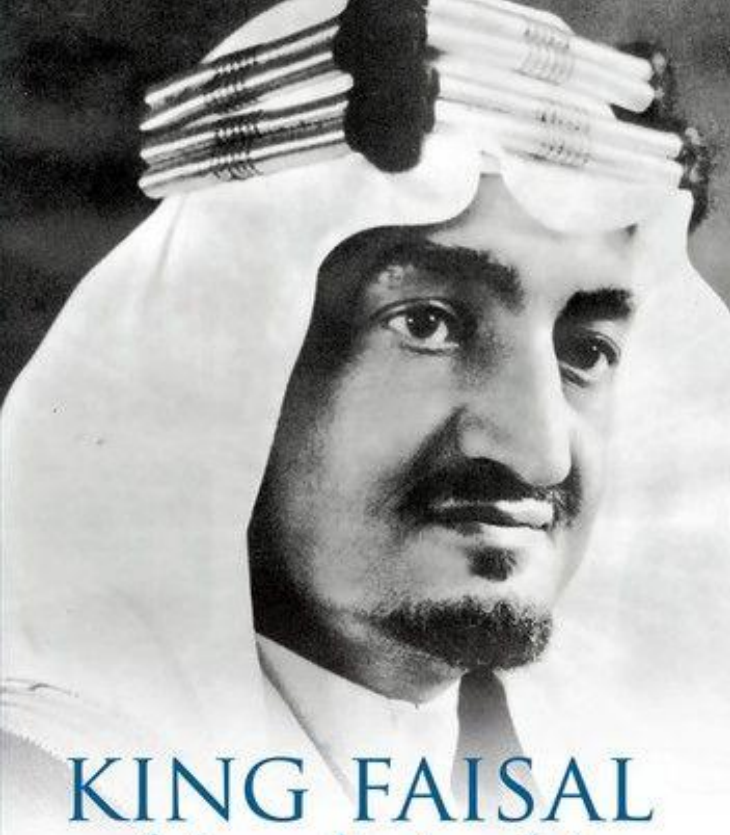
4 Migration

5 Capital export

6 Imports of goods (incl. arms) &
services

Less
influential

Foreign aid (export), high military expences,
foreign investment, foreign technology, SEZs,
services



1962 King Faisal – 10 points

- Infrastructure development (roads)
- state oil company
- industrial and agricultural banks
- self-sufficiency in agriculture
- social responsibilities of state
- slavery abolition
- role of islam in KSA



Next 4 theoretical slides

Keynesianism of 1960s

2015 Thatcherism / Keynesianism ?

FINANCIAL TIMES

Saudi 'Thatcherism'



Theoretical peculiarities of catch up

Rentier state – yes

Resource curse – questioned (S. Hertogg)

Expenditures :

Foreign aid

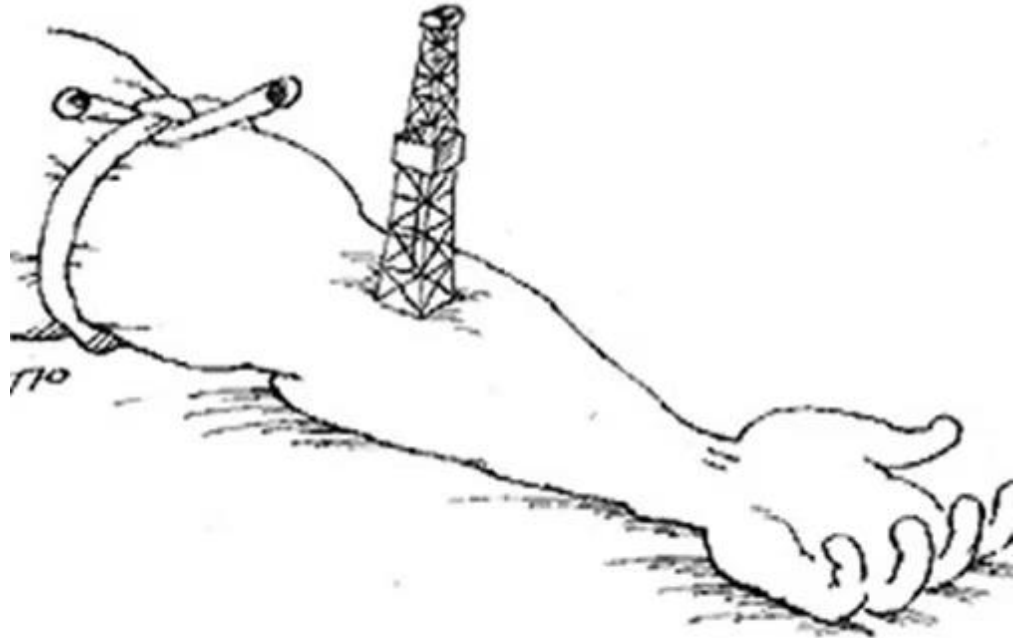
Arms

Import

Royal family

But citizens

Economic cities



Difference from modernisation theory (catch up)

- Social studies (Rostow, Parsons, Eisenschtadt, Black)
- „Stages of growth“ (W.W.Rostow)
- Democracy (Eisenschtadt - change of social, economic, political system to Western analogue)
- Mass production
- Universalism
- Complex changes (including human capital changes)

- Asian: markets, subsidies, technologies

VS

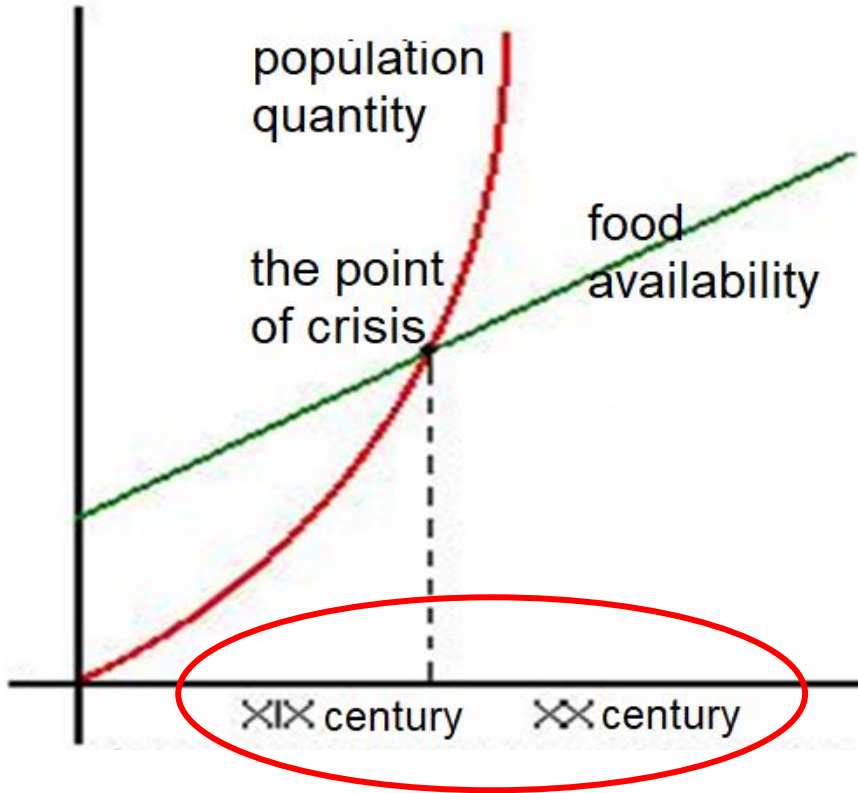
- Periphery
(3rd echelon)
- Dependency theories
(import, technologies, finance outflow)

- Civilizational approach

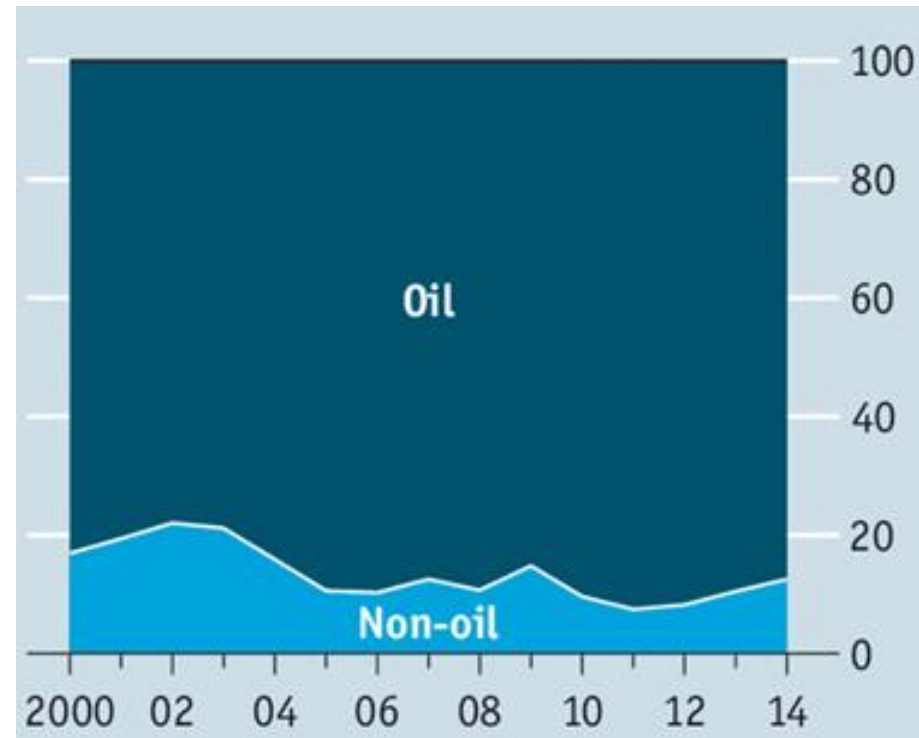
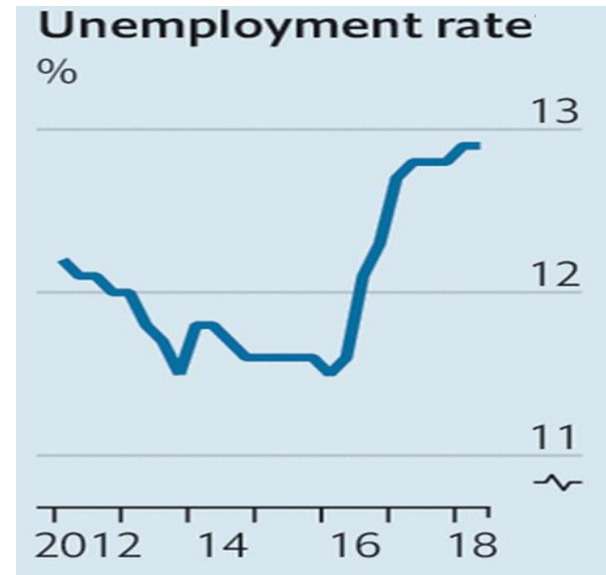
- Hecksher-Ohlin Model

- Keynesianism vs Thatcherism

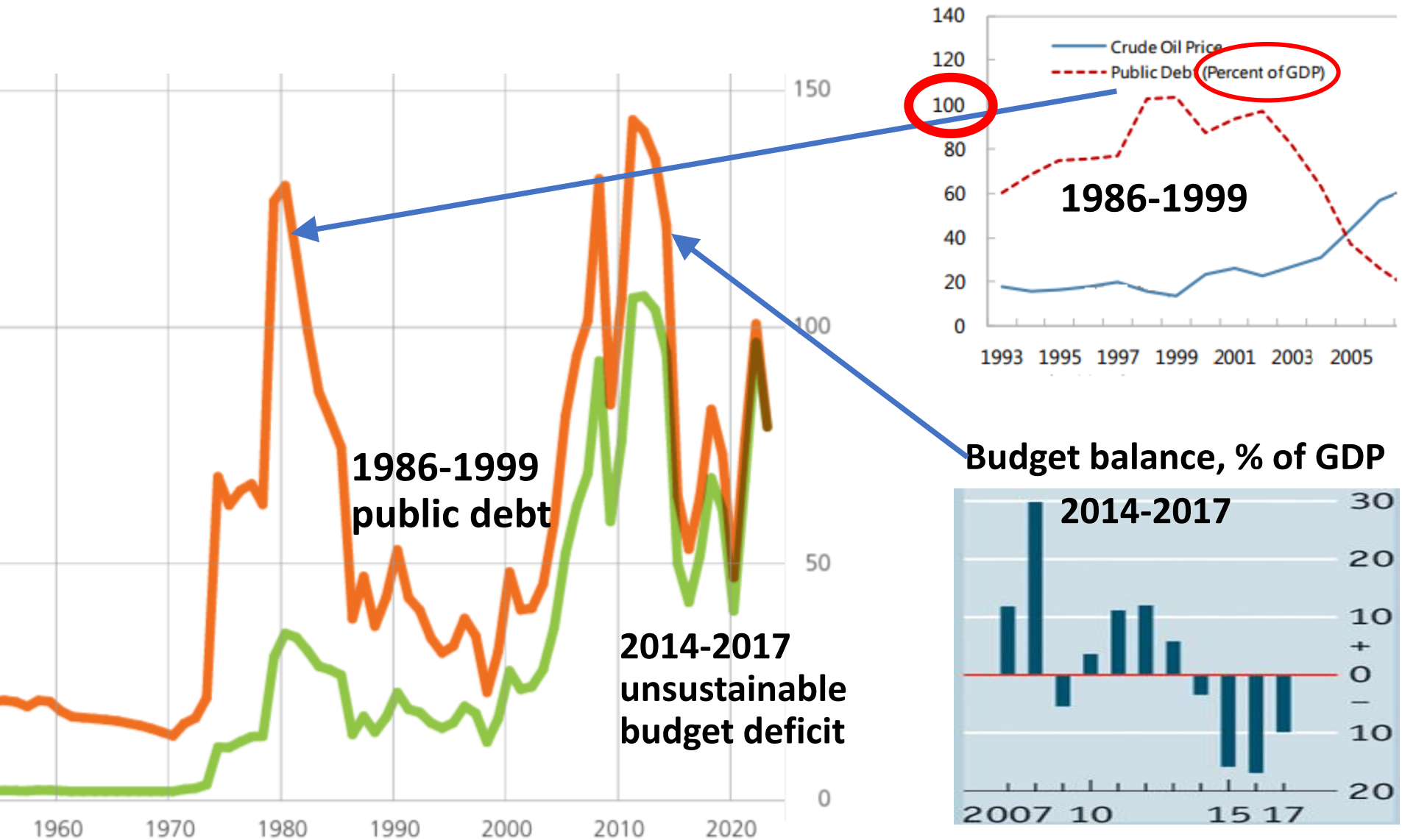
T.R. Maltus (1798). The Principle of Population.



Saudi Arabia



Oil price and its influence on social and economic sphere



Vision 2030 - fiscal policy (A)

- Social programme,
- VAT,
- Migration,
- Budget (Thatcherism)

Vision 2030 – social transformation (B)

- Cinemas,
- Women to drive,
- openness,
- religious control,
- entrance visas

Vision 2030 – investment (inward) (C)

- Public Investment Fund – goal: 2 bln USD oil to services and manufacturing
- Saudi Aramco – IPO, SPO
- Keynesianism – budget, more than FDIs
- TNC head-quarters

Vision 2030 – economic sectors (D)

mining, Saudi Aramco diversification (gas, petrochem.)
mining - assets estimated at 2.5 USD trillion

Question remains : Manufacturing (arms, EV),
technologies, qualifications,
salaries, former education

Services (jobs!) *next page*

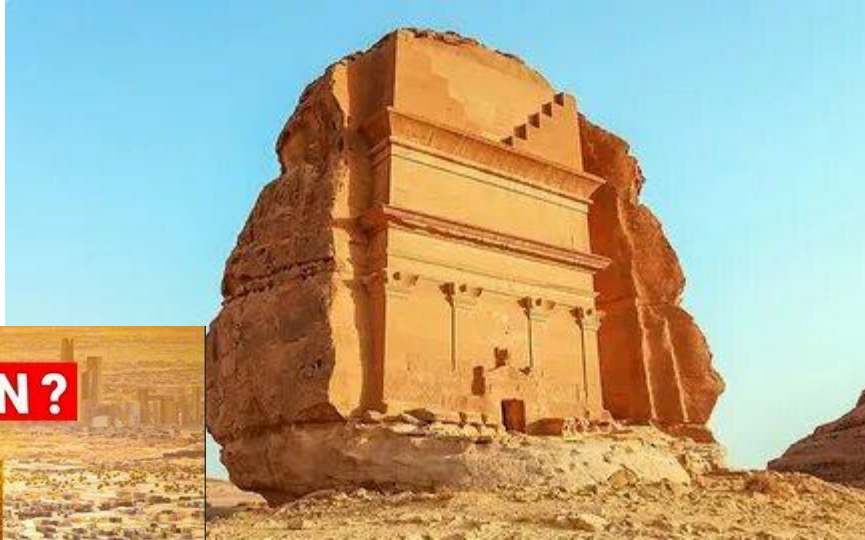
- tourism,
- airlines,
- transport (metro),
- equity,
- entertainment,
- sports



Role of Dubai

Sectors (services (jobs!))

- tourism,
- airlines,
- Transport (metro, etc.),
- equity,
- entertainment,
- sports



Thank you for your attention !

Contacts :
Biryukov-esr@mail.ru