Global financial crisis and its impact on trade in Aaudi Arabia

Achalapathi Venkat Kamarajugadda
Osmania University, Hyderabad, India

Ravi KanthMakarla
Salman Bin Abdulaziz University, Kingdom of Saudi Arabia

Tamanna Dalwai
Muscat College, University of Stirling, Sultanate of Oman

Keywords
Global financial crisis, international trade, macro-economic policies

Abstract

The emergence of global financial crisis from the advanced countries had transmitted to the developing or emerging markets in varying degrees through different mechanisms. Saudi Arabia too noticed the effects of global financial crisis and had to combat its effect through their macro-economic policies. The country boosts a heavy reliance on the revenues generated from oil sectors. This reflects its need for carrying out smooth exports and also imports to meet the internal demand. The macro-economic policies determine the overall development of trade which in turn leads to contribution in the economy's growth. The empirical evidence from this research concludes that Saudi Arabia continued to boost positive balance of trade payments but after the global financial crisis it has witnessed a decline in the overall GDP growth rates due to its strong links to advanced economies. Effective trade policies amongst others need to be revived for the country to establish itself as an emerging nation in the world and improve its broad base by relying more on stable economies to reduce any negative impact.

I. Introduction

The global financial crisis originated due to the subprime crisis in USA in 2007. USA had introduced some ill planned incentives over the years to foster growth which accumulated to a false bubble. This bubble burst in 2007 and it resulted in foreclosures, failed financial systems and spread of economic crisis. The crisis could spread more easily to the advanced economies due to their exposure to toxic assets of US and having similar policies.

The impact of global financial crisis could be noticed even in Saudi Arabia, directly through tighter global financing conditions and weaker investor confidence that led to a direct relationship with local equity markets going down. In 2009, the country had to cut oil production by 8.7 percent due to the indirect impact of the sharp reduction of oil prices by 36 percent (International Monetary Fund, 2012). Saudi banks exposure to mortgage backed securities and other securitized assets were only 3 percent of the net assets at the beginning of the crisis. However, the spread between the Saudi interbank offered rate and the reverse repo rate had increased over 200 basis points in October 2008 due to global liquidity shortages that transmitted to the interbank market. Yet, Saudi Arabian Monetary Agency (SAMA) swiftly swung into action and restored confidence in the market.

Saudi Arabia is expected to have aGDP growth of 4.6 % in 2014, which is a slowdown from 7% in 2012 (Ernst & Young, 2013). The lowering of GDP is attributed to the slowdown of oil output due to a subdued growth in global demand and additional supply that comes from Libya, Iraq and North Korea. The non-oil sector had expanded with a growth of 7.5%, which is expected to grow by an average 4.7 percentfrom 2014 to 2017. The causes of such a lower projection are due to growth being constrained by a crackdown of illegal expatriate labor, state spending not in double digits and lower state sponsored project activity from the medium term perspective.

A noticeable tendency of protectionist psychology during an economic recession is to demand restrictions on imports for protecting the domestic business. This in turn would trigger similar reactions from other countries that would lead to the introduction of protectionist trade policies across the world. Examples of such trade restrictive measures were evident after the global financial crisis in October 2008: India, Argentina, Indonesia introduced new import licensing systems; United States Government encouraged the purchase of domestic products by instituting the clause of 'buy American' in the Recovery and Reinvestment Act of 2009. These responses may be a detriment from an economic growth theory perspective. The countries can ensure long term growth and welfare when there is an efficient allocation of resources and provision of an environment that is conducive to innovation.

In 2013, Saudi Arabia stood at a ranking of 86th position for the Trade Freedom Scores out of 181 positions (Riley and Miller, 2012). This ranking shows a correlation between trade freedom and improved lives of people around the world. It is found that countries that have the most trade freedom will possess characteristics of higher per capita income, lower incidences of hunger in their populations, and cleaner environments. Saudi Arabia's ranking reflects its midway approach in handling the amount of trade freedom allowed by the government.

The objective of this paper is twofold: Firstly, to investigate the role of international trade in improving Saudi Arabia response to global financial crisis. Secondly, to examine macro-economic policies of Saudi Arabia that help combat transmission of risks.

II Trade and Economic Environment of Saudi Arabia

Saudi Arabia's continuing development strategy is focused on a liberal trade regime and structural reforms that support a more business friendly environment. This has been possible due to its accession to the WTO since 2005. Saudi Arabia's population has around 31 percent of expatriates which forms 80 percent of the labour force (World Trade Organisation, 2012). Saudi Arabia is the largest producer of oil and natural gas and also the biggest exporter of oil. Saudi Arabia's currency is pegged to the US dollar since 1986. It was also considered to be the eight largest recepient of FDI over 2005-2010 (World Trade Organisation, 2012). United Nations (2013), published a 'World Investment Report 2013' that suggested FDI in Saudi Arabia declined by 25 percent to $12.2 billion in 2012 due to growing political uncertainity.

Saudi Arabia's trade policy formulation and implementation is the reponsibility of three major bodies: Ministry of Commerce and Industry (MCI), in coordination with Supreme Economic Council and the Saudi Negotiating team. The private sector can participate in the formulation of trade policies on an adhoc basis by providing inputs directly to MCI or through the chambers of commerce and industry. The main factors underlying Saudi Arabia's trade policy are WTO agreements and the GCC treaty.

Forbes (2013) reported Saudi Arabia as the 56th best country for business. The country has a GDP of $727 billion as at 31st December 2013 and the public debt was reportedly 12 percent of the GDP. As of March 2014, the public debt had dropped to 2.7 percent of the GDP (Hassan, 2014). The petroleum sector accounts for 45 percent of its GDP and 90 percent fo the export earnings. The country is battling high unemployment rates amongst its own nationals and in its efforts to combat this problem, 'Saudization' programme was initiated by the government. To enhance the economic development of the country, six economic cities have been initiated to promote foreign investment between 2010 and 2014. As of May 2014, the inflation rate in the country was 2.7 percent. It is worth noting that over the period 2001 to 2014 the inflation rate average around 2.81 percent, with an all time high in 2008 of 11 percent and record low of -2 percent in 2001 (Trading Economics, 2014).

III Literature review on trade and financial liberalization

Trade is considered to be a mechanism by which countries can witness the transmission of growth and prosperity. Statistics by OECD suggests that a 10 percent increase in trade leads to a 4 percent increase in per capita income (Crean, 2009). Protectionism is an outcome that generates from any crisis, but this contributes to the erosion of competitiveness, growth, employment and real incomes.

Developing countries have been strongly advised to include tradeliberalization as an important component in their policies (Winters, 2004). Several cross country studies suggested that trade openness was good for growth in an economy (Dollar, 1992; Sachs and Warner, 1995; Edwards, 1998). Alternative views have severely criticized these Studies of having measures openness as being flawed and weak ecnometrics (Rodriguez and Rodrik, 2001).

International factors such as external demand and international prices of trade goods are an important determinant of economic development along with domestic factors. The open economies are found to place international factors at greater importance that determine the domestic policies which in turn help in insulating adverse economic shocks.He et. al., (2007) suggests that Asian economies are more likely to be exposed to foreign shocks due to their strong export orientation. Frankel and Rose (1998)showed that trade links act as a channel for transmission of shocks between countries as trade and economic integration amongst them result in increased synchronization of business cycles. A Keynesian model exhibits a correlation between two countries output changes increase with intensity of trade links (Kenen, 2000).

IV Theoretical foundations on global financial crisis

There have been several research papers that have attempted to provide theories on globalization of financial crisis. Achalapathi et. al. (2011)provided a summary of four theories that explain reasons for global financial crisis. These theories will also be used to explain the results of the empirical investigation of this paper.

Jones and Ocampo (2009) – Transmission Mechanisms of Crisis

Jones and Ocampo (2009) suggested three mechanisms that facilitated transmission of financial crisis from the developed to developing countries: remittances, capital flows and trade. Firstly, remittances that come from workers or trade would show an immediate impact due to the standard of currency dollar. All of the Gulf Cooperation Countries (GCC) are heavily dependent on foreign workers especially for the construction jobs in the region. A fluctuation in the currency would have an instant effect on the workers remittances. Secondly, private capital is another key channel of transmission of crisis from developed to developing economies. This impact is found to be more severe for emerging economies rather than low income countries that are not well intergrated into international private markets. The flow of financial aid also gets disrupted during recession that is more likely to affect the poor countries. Lastly, trade is a crucial and more likely mechanism to transmit the effects of crisis to exporters of manufactures and services. The trade volumes and prices show a major decline that affects the overall demand and supply situation of a country.

This theory suggests to combat the negative effects of trade transmission through global and national policy measures.

Rao (2009) – Decoupling Theory failed

According to decoupling theory, the advanced economies would go into a downturn during crisis but the emerging economies would remain unscathed due to their healthy foreign reserves, improved policy framework, strong corporate balance sheets and a well-functioning banking sector. The evidence from the global financial crisis of 2007 such as capital reversals, abrupt currency depreciations, sharp widening of spreads on sovereign and corporate debt suggests the failure of decoupling theory. Rao (2009) suggests that decoupling theory was invalidated during the global financial crisis as the emerging economies too have been affected by the crisis.

Ball (2009) – Efficient Market Hypothesis and Global Financial Crisis

Ball (2009) reports in his research paper, that market strategist Jeremy Grantham held Efficient Market Hypothesis (EMH) responsible for the current global financial crisis as it led to regulators underestimation of the dangers associated with asset bubble. Similarly, many others concurred with the above belief. Ball finds the claim of EMH being responsible as widely exaggerated. Ball suggests that there are several anomalies to the EMH theory such as price overreactions and excess volatility, price underreactions and momentum, seasonal pattern in returns, relation between future returns and variables such as accounting accruals, dividend yields, price-earnings ratio and many more. The research concludes continuation of faith to follow practices that assume efficient pricing.

Berkmen et al. (2009) – Differences in crisis impact using cross country regressions

Berkmen et al. (2009) made a first attempt in explaining the differences in impact of crisis using cross country regression. It was found that countries that had more leveraged domestic financial systems and rapid credit growth suffered larger downward revisions to their growth outlooks. Most of the developing countries that earn their revenues majorly from export advanced manufacturing goods rather than than exporting food faced a higher crisis impact. It was found that countries that maintained exchange rate flexibility were helped to buffer the impact of the shock.

V Impact of Crisis on trade around the world

The world trade volume was reported to have fallen an estimated 15 percent curing the first quarter of 2009 (Freund, 2009). There was a significant drop in global demand, which in turn affected the decline in trade and products across countries. European Union (EU) was at the center of global financial crisis that had a major impact on the trends in trade. In the first half of 2009, there was a decline of trade by 21.5 percent in comparison to the same period of 2008 (Curran, 2009). Berkmenet al., (2009) investigated the impact of global financial crisis on an economy's output through the trade linkages. Within trade linkages, the study included variables of trade openness, trade composition, and direction of trade. With relation to the sample investigated, it was found that trade openness was not statistically significant, but the composition of trade was majorly affected. The ratio of manufacturing products to total exports was correlated to worse growth performance for both advanced and developing countries. Countries that were exporting manufacturing goods to advanced economies were hit hard due to the decline in their demand.

The Asian economies faced a greater impact due to the global financial crisis in 2007 in comparison to the previous downturns as they have gained prominence over the years through extensive trade and financial integration, especially with the USA (International Monetary Fund, 2008).

VI Saudi Arabia's response to global financial crisis

Saudi Arabia was able to combat the impact of global financial crisis in 2007 by strengthening its position over the years. The authorities had taken steps to reduce the public debt that comprised of 104 percent of GDP in 1999 to around 13 percent in 2008 (International

Monetary Fund, 2012). This led to a stronger balance sheet of the government and greater financial resilience. Additionally, the net foreign assets also improved from 23 percent of GDP to 92 percent in the same period that gave the country a fiscal space to confront the crisis forcefully. The government had introduced a strong monetary policy response to moderate the macroeconomic impact of the crisis. The authorities announced a large fiscal stimulus package in 2009 which led to the non-oil sector growing by 3.5 percent in the same year. The country's inflation responded to the package by moving from 11 percent in 2008 to 4.2 percent by the end of 2009.

Saudi Arabia is considered to be an open economy with a fairly liberalized financial account. The country places restrictions on the foreign participation in the equity markets. In terms of international linkages, there is significant trade and payments related to petroleum sector and increased remittances of foreign workers. Cross – border linkages is not very clearly visible in the country to unavailability of accurate data. It is noticeable to see that domestic commercial banks have only recently started to operate in other countries by setting up branches and there is an improved presence foreign banks in Saudi Arabia. Foreign assets of central government, which account for 90 percent of total financial assets, are mostly managed by SAMA.

VII Performance of Saudi Arabia before and after Global Financial Crisis

This section presents the performance of Saudi Arabia in terms of imports, exports, balance of trade and gross domestic product. As highlighted earlier, the global financial crisis led to the economies around the world, introducing protectionist measures that affect the overall growth.

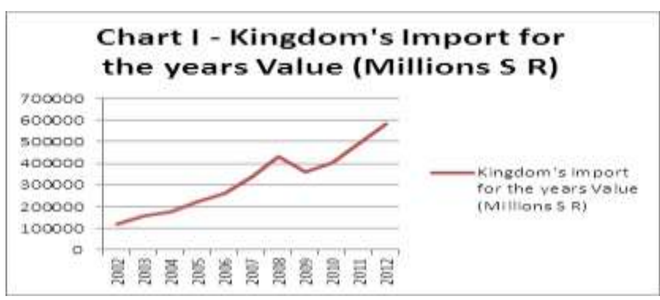

Chart 1: Saudi Arabia's imports from 2002-2012 (Source: Adapted from data by Central Department of Statistics & Information, Ministry of Economy and Planning, Kingdom of Saudi Arabia)

As can be seen from Chart 1, Saudi Arabia has had a steady increase in its imports from 2002 to the first half of 2008. A slight decline in imports came in the second half of 2008 to first half of 2009. This would have been the outcome of global financial crisis transmissions shocks. It has since then picked up and has shown an overall increase.

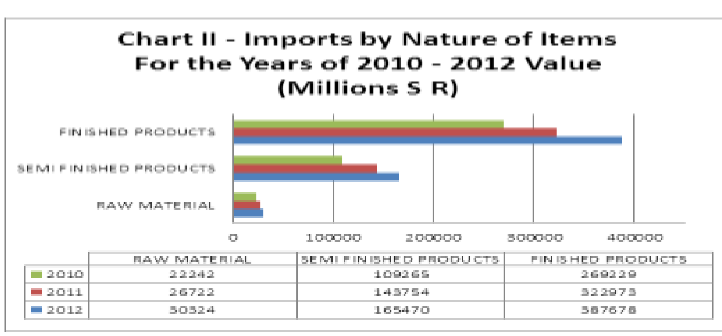

Chart 2: Nature of Import Items by Saudi Arabia (Source: Adapted from data by Central Department of Statistics & Information, Ministry of Economy and Planning, Kingdom of Saudi Arabia)

It is important to note the nature of imported items that Saudi Arabia consumes. Their economy relies heavily on the imports of finished products (see Chart 2). Comparatively, the imports on semi-finished and raw materials are lesser in overall value. There has been a constant increase in imports for all three categories from 2010 to 2012 indicating their consumption levels and overall macro-economic policy pursued.

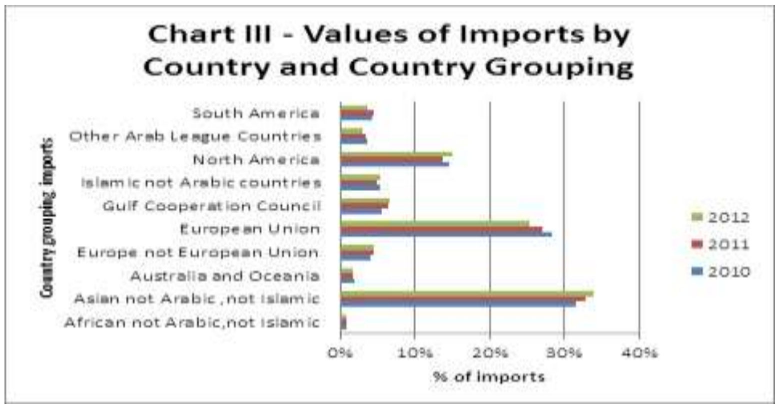

Chart 3: Percentage value of imports by Country groupings (Source: Adapted from data by Central Department of Statistics & Information, Ministry of Economy and Planning, Kingdom of Saudi Arabia)

Saudi Arabia has imports from countries around the world. Its major imports arise from the European Union and Asian countries that are neither Arabic nor Islamic (Chart 3). More than 50 percent of the value of imports is from these two regions. Imports fromAsian countries not Arabic, not Islamic include China, Japan, South Korea, Japan, India and Thailand that has a major share of 13 percent, 7 percent, 6 percent, 3 percent and 2 percent respectively. Examples of imports from these countries comprise of telephones for cellular networks, cars, light trucks, and rice. Imports from European Union come from Germany, France, Italy and United Kingdom with a share of 7 percent, 3.18 percent, 3 percent and 2.69 percent respectively. Examples of imports from these countries consist of tobacco, medicines, cars, perfumes, parts of airplanes and helicopters and engines.

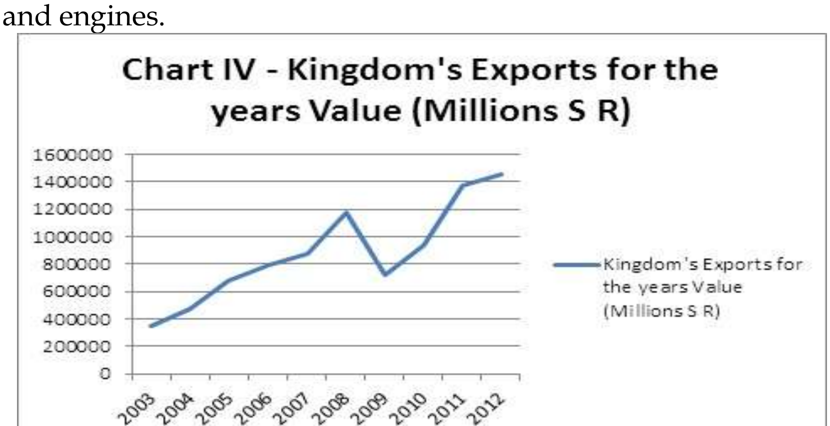

Chart 4: Saudi Arabia's exports from 2002-2012 (Source: Adapted from data by Central Department of Statistics & Information, Ministry of Economy and Planning, Kingdom of Saudi Arabia)

A similar drop in the trends of exports is visible from chart 4. There was a steady increase in exports from 2003 to 2007. There was a sharp decline in the exports value between 2008 and 2009. But this improved again from 2010 onwards and at much higher value in comparison.

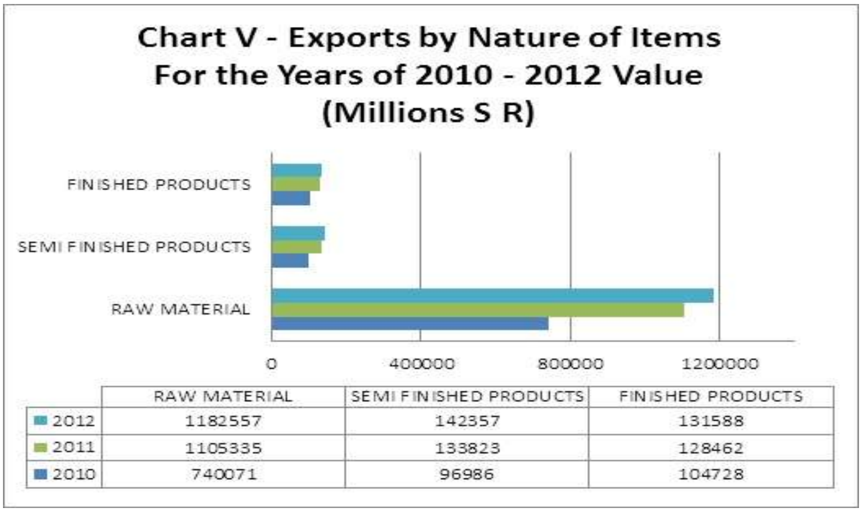

Chart 5: Nature of Export Items by Saudi Arabia (Source: Adapted from data by Central Department of Statistics & Information, Ministry of Economy and Planning, Kingdom of Saudi Arabia)

Comparison of Chart 2 and 5 reflects that Saudi Arabia has imports of finished goods whereas the exports are majorly made of raw materials. The exports have shown an increase over the three year period of 2010 to 2012.

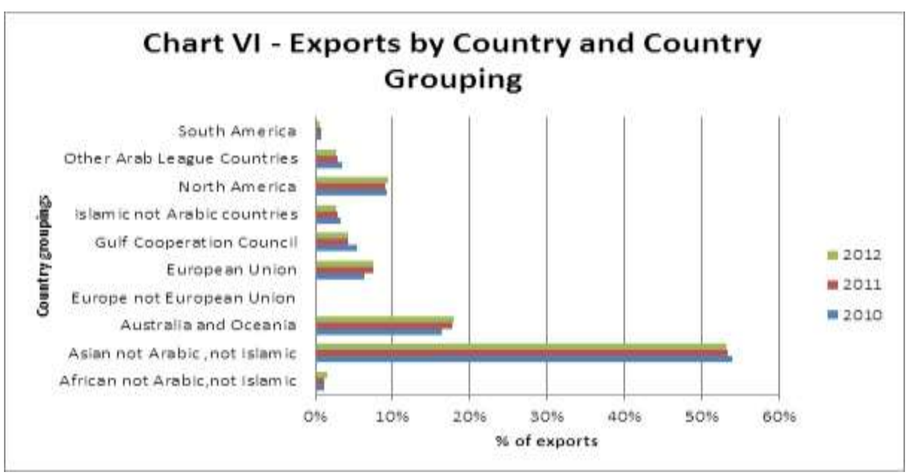

Chart 6: Percentage value of exports by Country groupings (Source: Adapted from data by Central Department of Statistics & Information, Ministry of Economy and Planning, Kingdom of Saudi Arabia)

Most of Saudi Arabia's exports are to the Asian not Arabic, not Islamic countries. More than 50 percent of their exports are to the countries in this grouping (Chart 6). The exports to these countries include the following products: zinc ores and concentrates, crude petroleum oils, full whole naphtha, fuel for other purposes, diesel for other purposes, bunker oils, base oils, liquefied natural gas, propane, butane, sheep leather, parts for work trucks and others. Australia and Oceania is the other country grouping with the second highest exports of more than 15 percent from Saudi Arabia.

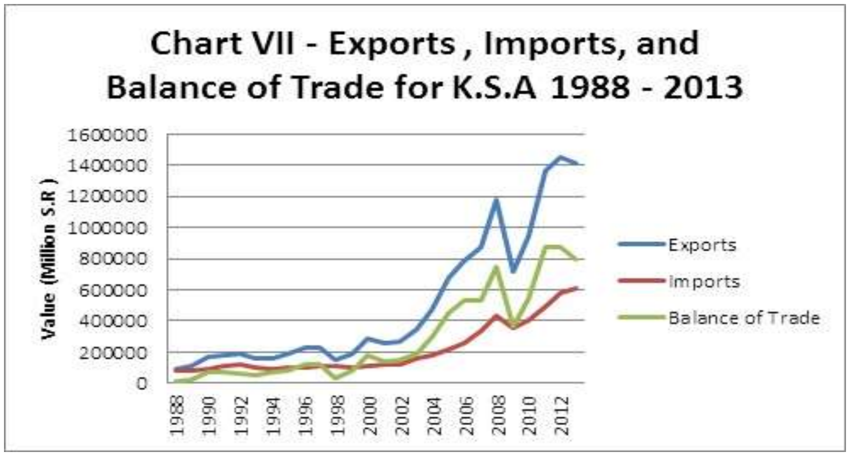

Chart 7: Comparative position of balance of trade for Saudi Arabia from 1988-2013 (Source: Adapted from data by Central Department of Statistics & Information, Ministry of Economy and Planning, Kingdom of Saudi Arabia)

Saudi Arabia has maintained a positive Balance of Trade in all its years from 1988 to 2013 (Chart 7). Even at the time of global financial crisis the balance of trade position was positive. The country has shown phenomenal growth in its exportsfrom 2010 to 2013 and is a favorable Balance of Trade position that has strengthened its position as an emerging country in the world.

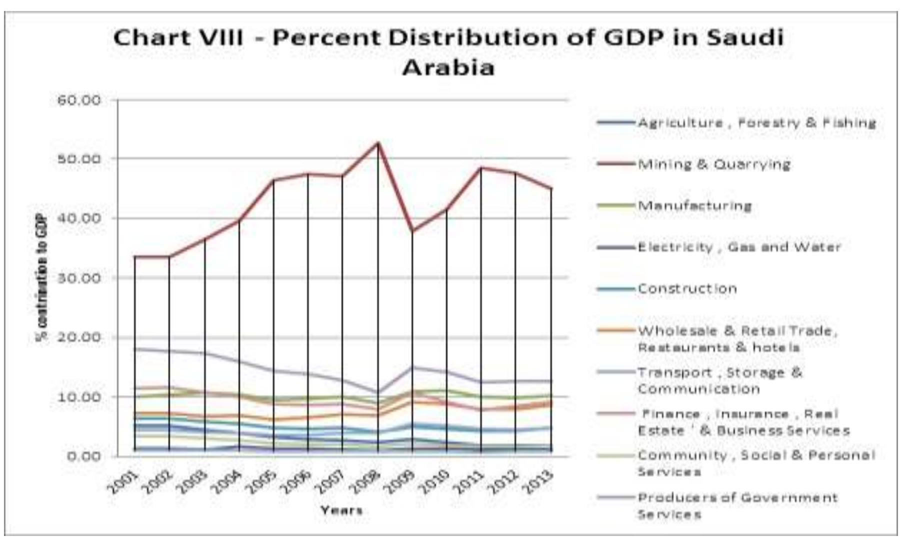

Chart 8: Contributing sectors to GDP in Saudi Arabia from 2001-2013 (Source: Adapted from data by Central Department of Statistics & Information, Ministry of Economy and Planning, Kingdom of Saudi Arabia)

The strongest contributing sector to the GDP of Saudi Arabia is Mining and Quarrying (Chart 8). It has been contributing more than 30 percent from 2001 to 2004, more than 40 percent from 2005 to 2008 and 2010 to 2013. Producers of government services contribute more than 10 percent to the GDP. All other sectors have a contribution of less than or around 10 percent to the GDP.

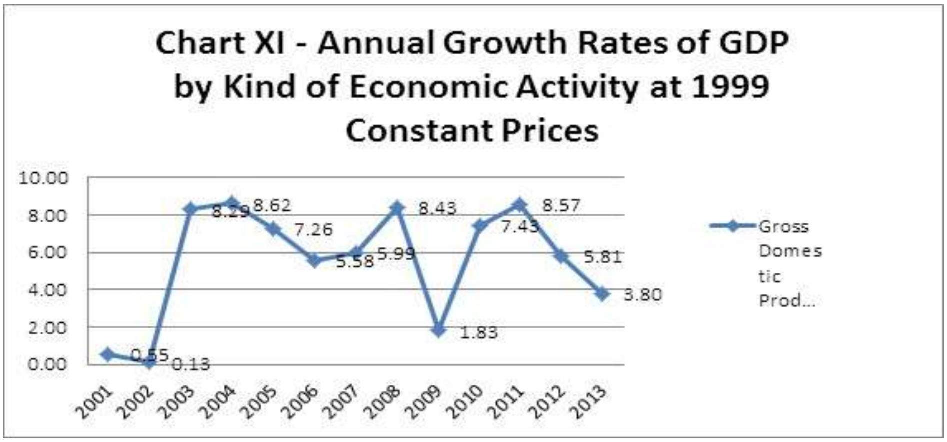

Chart 9: Annual growth rates of the GDP in Saudi Arabia from 2001-2013 (Source: Adapted from data by Central Department of Statistics & Information, Ministry of Economy and Planning, Kingdom of Saudi Arabia)

The annual growth rate of GDP was above 5.5 percent from 2003 to 2008. The growth rate went down to 1.83 percent in 2009 and picked up again in 2010 (Chart 9). There has been a decline in the growth rate since 2010. The reasons for this decline is attributed to the reduction in capital works and investments, introduction of a policy in 2013 to reduce reliance of foreign labour and reduction in the pace of banking sector growth as well (Oxford Business Group, 2014).

VIII - Conclusions and recommendations

Saudi Arabian imports and exports have shown an overall increase over the last 10 years. The macro - economic policies after the global financial crises have been able to protect the country from any adverse effects. Yet the country's GDP has been showing signs of declining growth rates. The country still heavily relies on predominantly oil exports and the fluctuation of prices in the global market would determine the revenues earned by the economy.

As suggested by Jones and Ocampo (2009), trade was one of the important transmission mechanisms of the crisis for Saudi Arabia as the actual data suggest. Decoupling theory cannot be validated in the case of Saudi Arabia. The country witnessed a decline in its overall trade activities in 2008-2009 due to the transmission of shocks from the global financial crisis. Saudi Arabia suffered less severe shocks as major part of its exports is in raw materials rather than advanced manufacturing goods. This is in line with the explanation of cross country differences on impact of crisis explained by Berkmen et al. (2009).

The broad conclusions with respective to the objectives of this paper can be drawn upon as follows:

Analysis of actual statistics in the previous section suggests, Saudi Arabia has always maintained a positive balance of trade payment from 1988 to 2013 even during the crisis period of 2007-2009.

Saudi Arabia has maintained an overall growth rate in its GDP above 5 percent from 2003 to 2008. The crisis period saw a percentage growth rate of only 1.83 percent in the GDP. The recent economic policies of the country have pushed down the growth rates to around 3 percent.

Saudi Arabia is a major exporter of raw materials whereas its imports are a higher percentage of finished products.

Its major customers for the exports are Asian countries that are not Arabic and not Islamic.

Their major percentages of imports are from European countries.

Year on year growth in exports has considerably declined over the period 2010 to 2012 (30%, 45% and 7% respectively). Compared to the base year of 2002, the exports have grown from two and half to four times over the period 2010-2012.
Year on year growth in imports has maintained at 11%, 23% and 18%respectively from 2010 to 2012. Compared to the base year of 2002 the imports have increased by two to four times over the period 2010-2012.

The country needs to boost growth in other sectors. The growth of an economy is dependent on the overall development and contributions from various sectors. Trade is an element that needs to have positive measures to boost the confidence of the overall country's operations. Saudi Arabia's trade and its macro-economic policies were very beneficial to improve its response to the crisis and the period thereafter. Saudi Arabia will need to boost exports in other sectors so as to reduce its reliance on the oil sector. They also need to discover newer markets or foster increased relationship with existing countries to strengthen its position in the world.

Bibliography

Achalapathi, K.,V., Rao, P.,G., And Dalwai, T. 2011. Global Financial Crisis: Focus On Sultanate Of Oman. *International Journal Of Arts & Sciences*. 4(15), Pp.79-97.

Ball, R. 2009. The Global Financial Crisis And The Efficient Market Hypothesis: What Have We Learned. *Journal Of Applied Corporate Finance*. 21(4), Pp.8-16.

Berkmen, P., Gelos, G., Rennhack, R., And Walsh, J., P. 2009. *The Global Financial Crisis: Explaining Cross-Country Differences In The Output Impact. Working Paper 09/280*.

Crean, S. 2009. *Protectionism And The Global Economic Crisis The Role Of Trade In The Response*. London.

Curran, L. 2009. The Impact Of The Crisis On Eu Competitiveness In International Trade. *Intereconomics*., Pp.264-298.

Dollar, D. 1992. Outward-Oriented Developing Economies Really Do Grow More Rapidly: Evidence From 95 Ldcs, 1976–1985. *Economic Development And Cultural Change*. 40(3), Pp.523-544.

Edwards, S. 1998. Openness, Productivity, And Growth: What Do We Really Know? *Economic Journal*. 108(2), Pp.383-398.

Ernst & Young. 2013. *Rapid-Growth Markets Forecast: April 2013*.

Forbes. 2013. *Best Countries For Business*. [Online]. [Accessed 15 May 2014]. Available From World Wide Web: < HYPERLINK "http://www.forbes.com/best-countries-for-business/%20" Http://Www.Forbes.Com/Best-Countries-For-Business/ >

Frankel, J. A., And Rose, A. K. 1998. The Endogeneity Of The Optimum Currency Area Criteria. *Economic Journal*. 108, Pp.1009-1025.

Freund, C. 2009. *The Trade Response To Global Downturns. Wps5015*.

Hassan, Rashid. 2014. *Ksa Inflation 'Under Control'*. [Online]. [Accessed 05 May 2014]. Available From World Wide Web: < HYPERLINK "http://www.arabnews.com/news/541531" Http://Www.Arabnews.Com/News/541531 >

He, D., Cheung, L., Chang, J. 2007. *Sense And Nonsense On Asia's Export Dependency And The De-Coupling Thesis. Working Paper 03*.

International Monetary Fund. 2008. Can Asia Decouple? Investigating Spillovers From The United States To Asia. Chapter Ii. *In*: *World Economic And Financial Surveys, Regional Economic Outlook: Asia And Pacific*, Washington: International Monetary Fund, Pp.27-41.

International Monetary Fund. 2012. *Saudi Arabia: Financial System Stability Assessment – Update*. Washington D.C.

Jones S. G., And Ocampo J., A. 2009. *The Financial Crisis And Its Impact On Developing Countries. Working Paper No 53.*. [Online]. [Accessed 05 May 2014]. Available From World Wide Web: < HYPERLINK "%20http://www.ipc.undp.org" Http://Www.Ipc.Undp.Org >

Kenen, P. B. 2000. *Currency Areas, Policy Domains, And The Institutionalization Of Fixed Exchangerates. Discussion Paper No. 467*. London.

Oxford Business Group. 2014. *Saudi Arabia Year In Review 2013*. [Online]. [Accessed 14 May 10]. Available From World Wide Web: < HYPERLINK "http://www.oxfordbusinessgroup.com/economic_updates/saudi-arabia-year-review-2013" Http://Www.Oxfordbusinessgroup.Com/Economic_Updates/Saudi-Arabia-Year-Review-2013 >

Rao, D., G. 2009. *Impact Of The Global Financial Crisis On India Collateral Damage And Response. Speech Delivered At The Symposium On "The Global Economic Crisis And Challenges For The Asian Economy In A Changing World"*. Tokyo: Institute For International Monetary Affairs.

Riley, B., And Miller, A., T. 2012. *2013 Index Of Economic Freedom: No Boost In Trade Freedom*. [Online]. [Accessed 04 May 2014]. Available From World Wide Web: < HYPERLINK "http://www.heritage.org/research/reports/2012/10/2013-index-of-economic-freedom-no-boost-in-trade-freedom" Http://Www.Heritage.Org/Research/Reports/2012/10/2013-Index-Of-Economic-Freedom-No-Boost-In-Trade-Freedom >

Rodriguez, F. And Rodrik, D. 2001. *Trade Policy And Economic Growth: A Skeptic's Guide To The Cross-National Evidence*. Cambridge, Ma.

Sachs, J. D. And Warner, A. M. 1995. Economic Convergence And Economic Policies. *Brookings Papers In Economic Activity*. 1, Pp.1-95.

Trading Economics. 2014. *Saudi Arabia Inflation Rate*. [Online]. [Accessed 05 Jun 2014]. Available From World Wide Web: < HYPERLINK "http://www.tradingeconomics.com/saudi-arabia/inflation-cpi" Http://Www.Tradingeconomics.Com/Saudi-Arabia/Inflation-Cpi >

United Nations. 2013. *World Investment Report*. New York And Geneva.

Winters, A. 2004. Trade Liberalisation And Economic Performance: An Overview. *The Economic Journal*. 114(February), Pp.F4-F21.

World Trade Organisation. 2012. *Trade Policy Review: Saudi Arabia*. Geneva.