PREFACE

Saudi Arabia is basically an oil based economy. It possesses more than a quarter of the global oil reserves and has been the largest oil producer for over half a century. Main source of revenue for the nation has always been the exports of its single commodity i.e. oil. And all its development expenditure was undertaken by this revenue. But lately Saudi Arabia has recognized that the objective of long term economic development can not be attained by depending on the single source of revenue. Therefore, Saudi Arabia embarked on a long term economic development planning to reduce this explosive dependence of the economy on a single export commodity and to accelerate structural diversification. The structural diversification is one of the dominant objective of all the eight development plans (1970 – 2009). In its industrialization plans, petrochemical industry has been identified as the lead sector. The logic behind the development of petrochemical industry was to utilize the non-renewable associated natural gas as an industrial feed stock, capable of giving a higher rate of return per unit of oil or natural gas consumed than the simple export of the basic raw material. For this purpose Saudi Arabia established large scale export oriented and labour saving gas based petrochemical industry. In pursuit of diversification Saudi Arabia joined the WTO in December 2005, and
opened its economy for increased inflow of Foreign Direct Investment. It also accelerated the privatization in its industrialization process.

This thesis has been written to analyse strategy of Saudi government to diversify its economy away from the export of oil. It also makes attempt to show the extent of diversification which Saudi Arabia has succeeded in achieving till now. The thesis consists of six chapters. The First Chapter deals with the introduction and basic economic structure of Saudi Arabia. It gives the first hand information about the existence and discovery of the basic resources of Saudi Arabia. It describes in detail how the Saudi economy has been transformed from a pastoral economy into a modern economy as a result of discovery of oil and later boom in oil prices in 1970s. Second chapter deals with various types of petrochemicals and other industry (ARAMCO, PETROMIN), which were established in the early stage of industrialization process. This chapter also gives the information about various components of Gross Domestic Product (GDP) of Saudi Arabia. Third Chapter describes the objectives and achievement of different plans periods from 1970 – 74 to 2005-2009. Chapter Four describes the function of SABIC, which is the main petrochemical company of Saudi Arabia. Chapter five gives the details of various measures such as privatization, inflow of Foreign Direct Investment (FDI) development of other sectors such as tourism and mining etc., undertaken by Saudi government in order to diversify its economy. Lastly the Conclusion is given in Chapter Six.