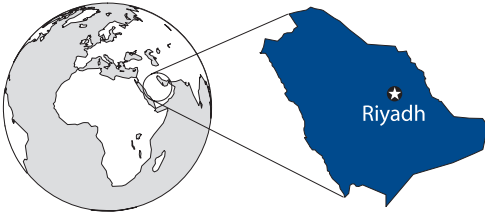


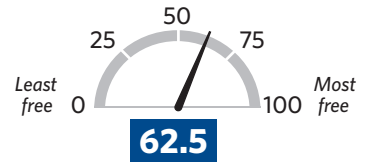
# SAUDI ARABIA



World Rank: **74**

Regional Rank: **8**

## Economic Freedom Score



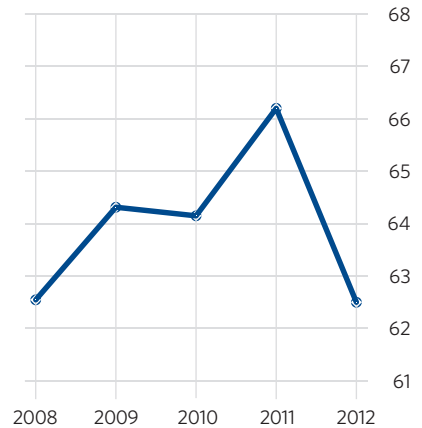
**S**audi Arabia's economic freedom score is 62.5, making its economy the 74th freest in the 2012 *Index*. Its score is 3.7 points worse than last year, with a huge increase in levels of government spending and a notable drop in labor freedom overwhelming a modest gain in freedom from corruption. Saudi Arabia is ranked 8th out of 17 countries in the Middle East/North Africa region, and its overall score remains above the world average.

Reversing its previous trend of advancing economic freedom, Saudi Arabia recorded the fourth largest score decline in the 2012 *Index*. The decline was caused largely by higher spending, intended apparently to quell potential public unrest.

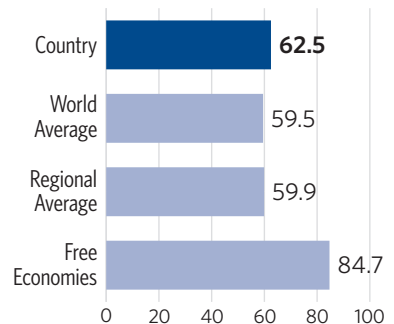
Saudi Arabia's overall economic freedom remains deficient in other areas. Although there has been notable progress in tackling corruption in recent years, levels of monetary freedom, investment freedom, and property rights are average at best. The legal system remains susceptible to political influence. Investment freedom remains hampered by heavy bureaucracy and a lack of transparency. Monetary stability is weak and continues to be adversely affected by price controls.

**BACKGROUND:** Saudi Arabia is an absolute monarchy ruled by King Abdallah bin Abdul Aziz Al Saud. In early 2011, Shia activists in the eastern part of the country mounted several pro-reform demonstrations, but most of the dominant Sunni population appeared to be satisfied by increased economic benefits and the promise of greater political participation in municipal elections. Saudi Arabia controls more than 20 percent of the world's oil reserves and, as the world's leading oil producer and exporter, plays a dominant role in the Organization of Petroleum Exporting Countries. Oil revenues account for about 90 percent of export earnings and about 80 percent of government revenues. Saudi Arabia joined the World Trade Organization in 2005, and the government has sought to attract foreign investment and promote diversification. Islamist extremists have targeted Saudi oil facilities, foreign workers, and the government for terrorist attacks.

## Freedom Trend



## Country Comparisons



## Quick Facts

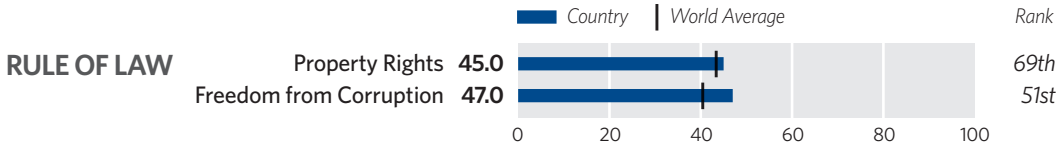
**Population:** 26.1 million  
**GDP (PPP):** \$622.0 billion  
 3.7% growth in 2010  
 5-year compound annual growth 2.7%  
 \$23,826 per capita  
**Unemployment:** 10.8%  
**Inflation (CPI):** 5.4%  
**FDI Inflow:** \$28.1 billion  
**Public Debt:** 9.9% of GDP

### How Do We Measure Economic Freedom?

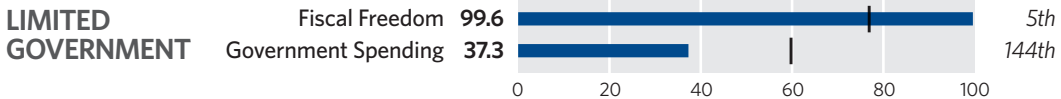
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
 Data compiled as of September 2011.

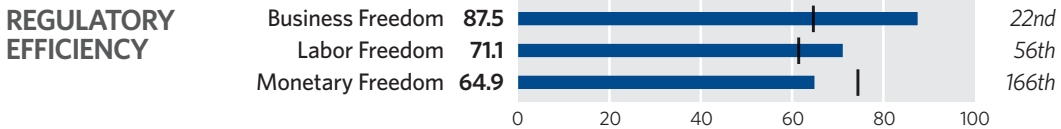
THE TEN ECONOMIC FREEDOMS



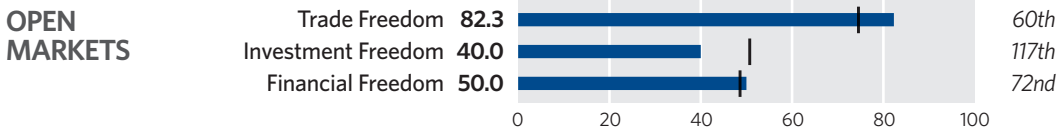
Saudi courts do not always enforce contracts efficiently. The judicial system is slow, non-transparent, and vulnerable to interference from the ruling elite. Laws protecting intellectual property rights are being revised to comply with the WTO’s Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement, but enforcement has been weak. Government decision-making lacks transparency, and corruption remains a concern.



Saudi nationals or citizens of the Gulf Cooperation Council and corporations pay a 2.5 percent religious tax mandated by Islamic law rather than traditional income or corporate taxes. Overall tax revenue is less than 6 percent of GDP. Government spending has risen to a level equivalent to 45.7 percent of total domestic output. Large oil revenues have kept the budget in surplus and public debt at less than 10 percent of GDP.



The regulatory framework is relatively sound. Forming a business has become less time-consuming, and licensing requirements have been eased. With no minimum capital required, starting a business takes only three procedures and five days. There is no mandated minimum wage, but wage increases have exceeded labor productivity. Inflation is high, and the government influences prices through extensive subsidies and state-owned enterprises.



The trade weighted average tariff rate is modest at 3.9 percent, but non-tariff barriers add to the cost of traded goods and services. Despite progress, the investment regime remains restrictive, with controls in some sectors. There are minimum capital requirements for foreign investors who want to establish a business. The financial sector has undergone gradual transformation, with some restrictions on foreign investment in financial services eased.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.2	Business Freedom	+1.4	Trade Freedom	+0.1
Freedom from Corruption	+4.0	Government Spending	-37.3	Labor Freedom	-5.9	Investment Freedom	0
				Monetary Freedom	+0.6	Financial Freedom	0