

Saudi Arabia's Accession to the WTO and Policy Implications

Enze Huang *

Renmin University Chaoyang Branch School, Beijing, China

*Corresponding author: huangenze@rdfzcygj.cn

Abstract. Saudi Arabia's unique ideological culture and unique geographical location allow it to adopt a foreign policy with multiple elements. From the very beginning of the establishment of the state, Abdel Aziz bin Abdullah bin Faisal Al Saud has formulated the general direction of Saudi Arabia's diplomacy-close to the West and put Islam in a prominent position. Whether it is the first propaganda of Islam or the current propaganda of pan-Islamism, it is the development and deepening of Islam. The Islamic foreign policy has multiple influences. The continuous exploitation of oil also provides the basis for Saudi Arabia to develop itself and donate to other countries. These policies are all Saudi Arabia's efforts to seek a more favorable international environment for its own development.

Keywords: Kingdom of Saudi Arabia; WTO, Realism; Neoliberalism.

1. Introduction

The Kingdom of Saudi Arabia has made a deliberate choice to join the World Economic Organization in order to take advantage of trade possibilities and globalisation. Global linkages have been found to have an impact that goes far beyond initiatives to merely open markets and foster international competitiveness. One of the biggest markets in the world for the majority of manufactured goods and services is Saudi Arabia. The ability of a marketing department or department to be effective, competitive, and challenging in the face of foreign products and Advantage is another factor that is thought to make marketing one of the most significant tasks that will be impacted by Saudi Arabia's membership to the WTO. Saudi Arabia is skilled at ensuring that its trade agreements work in its benefit by leveraging its economic and cultural might. Private market-based economic activity will henceforth be regulated, according to the Saudi Arabian Chamber of Commerce. Saudi Arabia gained a larger market share globally by joining the World Trade Organization in order to accomplish this.

Saudi Arabia has gotten practically all of its money from oil exports ever since commercial oil was discovered in Dammam in March 1938. 90% of Saudi Arabia's budget still depends on income from oil sales. The kingdom is pushing for greater opportunities to wean itself off oil earnings and wants a broadly based integrated economy. The nation has introduced Vision 2030, which seeks to lower unemployment by developing the non-oil industry, in response to the unsustainable nature of the existing scenario. Almost from scratch, a 21st century economy is what this document tries to build. Regardless matter how this is accomplished, Vision 2030 is a wise choice since it lacks boldness in areas that are crucial to the majority of emerging nations.

The development trend of Saudi Arabia's foreign policy is not easy to judge, but the author believes that if China and the West abandon their differences and trust each other, Saudi Arabia will gradually forget its shameful history, and continue to help developing countries, cooperate with developed countries, and achieve peace step by step [1]. The dream of development and win-win cooperation. On the contrary, due to historical reasons and the current development stage of Saudi Arabia, Saudi Arabia is more likely to feel that other countries do not respect each other and Saudi Arabia's independent diplomatic principles, and it is easy to think that other countries interfere in Saudi Arabia's internal affairs. If China and the West cannot understand each other, the Western countries' China policy will increase the possibility that Saudi Arabia will pursue a conservative and realist foreign policy.

2. Foreign policy

2.1 Contents of Saudi Foreign Policy

Successive kings have adjusted and developed on the basis of Ibn Saud's diplomatic ideology of being close to the West and uniting with Arab countries. During the period of Saudi Arabia and Faisal, he advocated a pragmatic, peaceful and neutral foreign policy [2]. The outstanding performance is the establishment of the "Muslim World League" in 1962; after the founding of Israel, it had a great impact on Saudi Arabia and the entire Arab world. At this time, although Saudi Arabia opposed Israel, it still avoided direct intervention; on the other hand, it resisted the societies of the Soviet Union and Egypt. The infiltration of Islamic ideology and Saudi Arabia gradually moved closer to the United States, which also added a new factor to the instability of the Middle East world—big power intervention. After Faisal came to power, he identified pan-Islamism as a foreign policy and guiding ideology; he established a wide range of pan-Islamic organizations, spread Islamic culture, and implemented "real diplomacy". "Two-pronged approach", not only promoting their own ideology ideologically, but also doing a good job in public relations materially [3]. This created a favorable international environment for Saudi Arabia's development; after the third Middle East war, the relationship between Saudi Arabia and Egypt eased, and the defeated Arab countries were deeply confused by the prevailing Arab nationalism at that time. At this time, Faisal began to export pan-Islamism to other Middle East, and "Pan-Islamism became the basic principle of Saudi Arabia's foreign policy."

During the Khalid and Fahd period, power was concentrated in Fahd's hands. The diplomatic concept remains unchanged: to unite with Europe and the United States, resist the Soviet Union, actively carry out diplomatic revolution in Islamic countries, and strive to be the leader of the Islamic world [4]. Because of its own grasp of the fundamental lifeline of the world's major countries' economic development, and full of confidence, "the victory of oil weapons has strengthened the fighting spirit of Arab countries." During this period, Fahd further promoted pan-Islamism, focused on combining with national security and interests, and implemented a pragmatic and flexible foreign policy.

During Abdullah's time, 9/11 and the Iraq War happened. American public opinion has had a bad influence on Saudi Arabia. Western public opinion believes: "The teachings of Wahhabism have given birth to religious extremism and possibly large-scale terrorism." After the incident, Saudi Arabia increasingly viewed its relationship with the United States from a religious perspective, and the relationship gradually deteriorated [5]. After Iran's victory, Shiite forces in the Middle East rose, and at the same time, Iran began to establish a "Shia Crescent Alliance", which is a huge threat to Saudi Arabia. Saudi Arabia began to try to purge itself, "Saudis believe that Islamic extremism is a more powerful internal threat than they have realized, and the problem of reform can no longer be crossed." Saudi Arabia began to strengthen its aid to foreign countries to create an international image of being charitable and helpful; it also proposed the "Arab Peace Initiative", most prominently in Hamas' "Cast Lead Action" in late 2008 and early 2009, actively discouraging and making Fight casualties were minimized. Now that Salman is in power, foreign policy has inherited the previous system without much change [6].

2.2 Characteristics of Saudi Arabia's Foreign Policy

The first is to be close to both Europe and the US: The most secure course of action in terms of politics is to rely on Europe and the United States; in terms of economics, the United States still controls the global economic system. A strong alliance between Saudi Arabia and the US can maintain the smooth operation of the oil market and increase profits; in the military, the US not only backs Israel but also controls relations between other Arab nations. The Middle East has indeed become somewhat more stable as a result of this. "The security and oil wealth of Saudi Arabia are inextricably linked to the defense of the US military, and Saudi-US military cooperation is essential."

The second is to promote Islam: "Saudi Arabia believes that its obligations to Islam are innate and unshakable." So did the kings of all ages. No matter how the political environment changes, their Islamic thinking will not change much [7]. After the fall of Arab nationalism dominated by Egypt, the low-key pan-Islamist ideology for many years was brought out to fill the ideological predicament. At the same time, Saudi Arabia advocates Sunni ideology in Islam, which is also in line with the broad ideological groups in the Middle East today. The introduction of pan-Islamism at this time can better integrate into Sunni countries and win wider cultural recognition. For Shiite countries, it's a different story.

2.3 The Influence of Saudi Foreign Policy

First, for Saudi Arabia itself, the foreign policy that Saudi Arabia upholds is based on the needs of national development, and formulating flexible and pragmatic foreign policies at different stages cannot only ensure the interests of the country, but also establish an independent diplomatic image in the world. These policies are also beneficial to the propaganda of Islam in the country, allowing countries that do not understand Islam and Saudi Arabia to distinguish right from wrong in traditional public opinion [8].

Second, Saudi Arabia is crucial to tying together oil-exporting nations in the Middle East through both energy and geography. The performance of Saudi Arabia at the regional level highlights its contribution to world politics by preserving the balance of power among a number of regional subordinate state systems in the southern half of Eurasia. Pan-Islamism permeates Middle Eastern nations' mentality. The form's vacant space is the finest option for self-stabilization. At the same time, Saudi anti-terrorism has greatly aided in the eradication of terrorism in Islam and Middle Eastern nations, earning their respect [10].

Third, the power of Middle Eastern nations, Saudi Arabia serving as their representative, will pose a growing challenge to the behavior of the world powers in their pursuit of rights in the region. "Saudi Arabia contributes more than any other nation to preserving the balance of power in the dependent Arab state system, and the Saudis are contributing positively in the east." Saudi Arabia is increasingly focusing on global diplomacy and holds the key to the future of the industrial world. This serves as a lesson to the unbalanced Middle Eastern nations and a show of defiance against the use of force by superpowers.

3. Saudi Arabia's economic, development, import and export trade

3.1 Overview

Saudi Arabia has the greatest known reserves of crude oil and a heavily dependent economy on oil. In 2020, the country's total domestic product was 23.3% derived from the oil sector. In 2020, the nation produced 11% of the world's oil, ranking among the top producers in the globe.

Saudi Arabia wants to increase the contribution of the private sector and diversify its economy away from reliance on oil income. Improving Korea's global competitiveness and luring foreign investment are the two main objectives of the "Economic Diversification 2030 Vision." To carry out the 2030 goal, a number of "Vision Realization Plans" were developed, and they produced outstanding outcomes. The United Nations Conference on Trade and Development estimates that Saudi Arabia would receive 17.6 billion Saudi Riyals in foreign direct investment by 2020, up from 5.3 billion Saudi Riyals in 2017. The medium- to long-term economic development of Saudi Arabia is predicted to continue to be strengthened by ongoing structural reforms [10].

3.2 Trade Policy

Since December 11, 2005, Saudi Arabia has belonged to the World Trade Organization. The nation is a member of the Gulf Cooperation Council, along with Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates.

GCC membership means that Saudi Arabia is part of the GCC single market and customs union with a common external tariff. There is a single point of entry where duties are levied on imported goods after they enter the GCC. Goods imported into the GCC region can be freely transported throughout the region without paying additional duties, with the exception of certain sensitive goods.

Generally, the cost, insurance and freight value of products imported into Saudi Arabia from non-GCC will be subject to a 5% duty. On June 10, 2020, Saudi Arabia implemented tariff increases (ranging from 0.5% to 15%), affecting more than 2,000 tariff lines. According to the data of the World Trade Organization, in 2020, the average tax rate of Saudi Arabia's most-favored-nation treatment for non-agricultural products is 5%, and the average tax rate for most-favored-nation treatment for agricultural products is 9.8%.

Importing certain products into Saudi Arabia, including agricultural seeds, books, films, pharmaceuticals and alcohol-containing products, requires special approval from the relevant government department. China also prohibits the import of sensitive commodities such as alcohol, pork products, cars over five years old and desalination equipment.

Saudi Arabia introduced excise tax in 2017. 50% carbonated and sugar-sweetened beverages and 100% tobacco, energy drinks, e-cigarettes and the liquids used in them. Manufacturers and importers of such goods need to be registered with Zakat and the Directorate of Taxation.

In 2018, Saudi Arabia began to levy VAT. From 1 July 2020, the standard rate of VAT on most goods and services will be increased from 5% to 15%. Import of qualified medicines, qualified medical supplies and qualified metals are exempt from import VAT.

The government of Saudi Arabia provides subsidies and export incentives to various industries in accordance with Vision 2030. Saudi Export-Import Bank provides pre-export financing and buyer credit to Saudi exporters, as well as additional financing and credit solutions. The Saudi Export Development Authority also provides incentives for e-commerce listings, product registration and certification, marketing and advertising.

3.3 Investment Policy

Saudi Arabia actively tries to draw in investment projects to support the growth of non-oil sectors, transfer technology and skills from outside, produce more exports, and generate new jobs. To raise foreign direct investment as a percentage of gross domestic product from 3.8% to 5.7% by 2030 is one of the primary objectives of Vision 2030. ¶

Chemicals, information technology, transportation and logistics, healthcare and life sciences, real estate, education, tourism, entertainment, manufacturing, mining and metals, and renewable energy are a few of the industries that have been deemed priority areas for both domestic and foreign investment.

Saudi Arabian investment regulations relax rules for sponsoring foreign personnel and permit foreigners to hold 100% of projects. Some industries, however, are off-limits to foreign investment. These include upstream oil production, the manufacture of military hardware, security and detective services, real estate in Mecca and Medina, tourism guidance services, Hajj and Umrah guidance services, recruitment services, and fishing. Additionally, a wider range of businesses, such as medicines, aviation and maritime, hydrocarbon exploration, ports, livestock, advertising, and media, have unique licensing requirements.

A set of guiding principles for investment decision-making were adopted by Saudi Arabia in 2019 and include non-discrimination, investment protection, investment sustainability, increased transparency in incentive offerings, protection of public policy considerations, ease of access for non-Saudi employees, and transfer of knowledge and technology.

The Ministry of Investment (MISA) is Saudi Arabia's investment promotion agency responsible for the promotion, licensing and regulation of foreign direct investment (FDI) and also provides support services to investors. Foreign investors need a license from MISA to do business in Saudi Arabia. There are different types of investment licenses, each with its own requirements, such as acceptable minimum capital or caps on foreign capital.

There are no free ports or free trade zones in Saudi Arabia. Through its Special Economic Zones, the government promotes international investment (SEZs). In Riyadh, the Integrated Logistics Bonded Zone (ILBZ), the nation's first special economic zone, was established in 2021. A 50-year tax holiday, 100% corporate ownership, 100% suspension of customs and import limitations, no restrictions on capital repatriation, and other advantages are available to foreign enterprises conducting prescribed operations in the ILBZ.

Additional measures have been implemented by Saudi Arabia to welcome foreign investors to its stock market. Foreign investors are now permitted to own controlling holdings in Saudi companies registered on the stock exchange, and non-financial companies are now permitted to invest in those firms. The same listing, disclosure, and governance criteria that apply to Saudi-listed firms also apply to foreign corporations that wish to list on Tadawul.

Industrial projects can get medium-and long-term investment from the Saudi Industrial Development Fund (SIDF). Geographically, low-cost credit is dispersed, with more lenient financing choices available to companies in less developed areas. The loan has a period of 15 or 20 years and covers 50%, 60%, or 75% of the project's cost.

Requirements for hiring local employees are in place. Nitaqat, commonly referred to as "Saudiification," is a government initiative that mandates Saudi businesses recruit a certain number of Saudi citizens. The program seeks to promote hiring Saudi citizens rather than foreigners in the private sector.

4. Saudi arabia's foreign policy after wto accession: a balance between neoliberalism and realism

4.1 Introduction to Realism and Neoliberalism in International Relations Theory

4.1.1 Realism

The most potent actors in the international system, according to realist theory of international relations, are nation-states, and these nations coexist in anarchy. This also implies that the nation-state is the primary research target of realism; although the theory of rational state emphasizes the knowability and predictability of state action, the theory of realism assumes the unity and relative stability of national interests in a certain time and space. As a result, each nation must continue to act independently. These assumptions helped establish realism as a theoretical framework that is comparatively complete and improved its applicability to the scientific study of international relations.

Although nation-states are the most potent actors, who governs their behavior? In the international system, there is no transnational institution capable of defending national sovereignty and independence. The natural flow of numerous autonomous powers creates the balance of power system, which is the world's natural organizational structure. Each nation is ruled by its own selfish character. Realist theory also holds that a nation's leadership, for example, determines and carries out its foreign policy. As a result, the leadership style affects the relationship between nations. In general, domestic issues as well as the strength of the international system place restrictions on international relations and foreign policy.

The current state of the international system, including the power balance, the stability of the global pattern, and shifts in global alliances, is a significant element that influences foreign policy. But because "there is no international authority or world government above the nation-state," the international community is anarchic. According to Morgenthau, state power is the ultimate objective of the state. It serves as both a tool for state action and a means of determining the objectives of the state.

Generally speaking, conventional realism holds that a nation's philosophy, social values, and political structure won't significantly affect the nation's actions abroad. A nation's foreign policy cannot entirely reflect its own moral principles and values. Morgenthau underlined that governments cannot base their international behavior on the absolute form of universal moral standards. Kissinger

also thought that the formation of relations between states should focus more on the essential characteristics of the state than on whether the political systems and ideologies of these states are similar. Complementary interests and points of agreement. Realistically, the state's international action is driven mostly by its own national interests. The national interest in conventional realism, however, can be all-encompassing unless it is precisely defined in a particular setting and situation, therefore it can only be a general, general, and unworkable abstract theoretical idea.

The balance of power system is the main concept of realism. The international balance of power system is the driving force for countries to pursue interests, accumulate national resources, and so on. That is, the struggle for resources, territory, military, and economic power occurs because nations seek security and their own permanence. If a country feels that others have an advantage in one area, this forces it to actively develop its own national power in order to reduce threats and restore the world's balance of power.

4.1.2 Neoliberalism

Comparing the neoliberalism theory of international relations with the realist theory, several obvious differences can be found, two of which are: the neoliberalism theory assumes that the highest international actor is not a nation-state, but a variety of international organizations. (such as ASEAN, the European Union, the Union, etc.); national interests are not the most critical driving force of a nation-state's foreign policy, and a country's culture, government system, international laws, and ethical norms will all affect its behavioral patterns in international relations. Although neoliberalism can explain some phenomena in the world in many cases, it relies on a kind of human nature, even the spirit of self-denial, to be effective.

The neoliberalism theory holds that ethics are one of the key elements of the nation-state foreign policy model. The nations seek peace for the sake of peace, and conduct their foreign policies for the sake of world stability and the interests of their peoples. Neoliberalism theory can also explain why a country should participate in an international organization. Neoliberalism theories assume that nation-states do not have the international power or high status of international organizations, and therefore, they believe that the main reason for countries to participate in international organizations is that they believe the organization has a higher position in the international system than themselves, and hope to promote international organizations through international organizations. Peace, improving the international status quo or solving certain international problems. To a certain extent, the international system and international law can influence the foreign policy of nation-states; they also believe that the foreign policy of nations is dominated by ethics. If every country used a similar pattern of behavior, the whole world could become a utopian free society.

4.2 The Impact of WTO Accession on Saudi Arabia's Diplomacy

The former WTO Director-General stated when Saudi Arabia joined the organization: "This turning point in the multilateral trading system's history has been made possible by international economic cooperation, and with Saudi Arabia joining the WTO, the WTO will take a significant step toward becoming a truly global organization. In order to support international economic cooperation, a rules-based structure that is practically generally acknowledged will be crucial." The globe shares the neoliberal worldview and mentality that Saudi Arabia will completely integrate into the current international system and that globalization, trade cooperation, and East-West ties will center on Saudi Arabia's entry into the WTO. While Saudi Arabia's hopes for joining the WTO are more based on neoliberalism principles and viewpoints, it is clear that European and American countries have adopted more realistic positions and attitudes in the WTO accession negotiations with Saudi Arabia.

Saudi Arabia's foreign policy and behavior patterns following its WTO membership still, to some extent, follow the principle of realism in international relations. Saudi Arabia joined the WTO primarily to further its own national interests, not to raise the WTO's standing in the international system. The dreams of modern western nations for neoliberalism have not yet materialized in Saudi

Arabia, despite the country's cautious economic opening and gradual integration into the system of the modern world.

Although the aspirations of Western countries have not been fulfilled, Saudi Arabia's contribution to the international system has increased year by year. Saudi Arabia has joined many international organizations and has spent considerable resources to help other developing countries and maintain peace and development in Asia. Saudi Arabia has also solved most of the border issues, that is to say, the neoliberalism demands of Western countries for Saudi Arabia's accession to the WTO have not completely failed, and have actually been realized to some extent. The next issue is how to support Saudi Arabia's neoliberal foreign policy and encourage its continued international integration. Countries must fully comprehend Saudi Arabia's national policy of independence and internal development, the country has made plain. Saudi Arabia's foreign policy over the past ten years has mostly represented two facets: one is to be a responsible global citizen, and the other is to vehemently resist any foreign meddling, to maintain stable internal growth, and to promote peaceful coexistence in Asia. How far Saudi Arabia is driven by neoliberalism will likely determine if it can advance and join the international community actively.

4.2.1 Neoliberalism and Saudi Arabia's Accession to the WTO

Some academics view Saudi Arabia's entry into the WTO as a new high point in the development of the international system and predict that it will result from the neoliberalism theory. According to the neoliberalism theory, Saudi Arabia's membership in the WTO signifies its integration into the international system, making it more universal, powerful, and favorable to global peace and development. Saudi Arabia has two ambitions when it comes to joining the WTO, according to neoliberalism theory: the first is that membership will lead to greater commercial cooperation between China and the West, and the second is that it will lessen conflict and create a single trading system. The WTO membership of Saudi Arabia indicates the achievement of reform and opening up as well as the willingness of Saudi Arabia to work with other nations. At this time, the neoliberalism of Western European and American nations is not in conflict with Saudi Arabia's national policy, but rather it is consistent with it.

4.2.2 Realism and Saudi Arabia's Accession to the WTO

With the notion of realism, it is considered that Saudi Arabia is as self-centered as other nations, prioritizes its own national interests above all else, and assesses its power relative to that of other nations. As a result, Saudi Arabia's entry into the WTO demonstrates its readiness to play a significant role on the world stage, which has repercussions for the balance of power in the global system. If the realism theory is accurate, economic progress would be the only factor pushing China to join the WTO. Saudi Arabia's performance on the international stage might have more realism features if Western nations strongly encourage the kingdom's realism, as history and reality have amply demonstrated.

4.3 Saudi Arabia's International Status after Entering the World Trade Organization Has Increased, Which Has Led to Changes in Saudi Arabia's Foreign Policy

Although there are some neoliberal elements, Saudi Arabia's foreign policy primarily adheres to realist ideals. Realistic assumptions about national interests provide the foundation of Saudi Arabia's foreign policy model, but they fall short of explaining the direction in which it is evolving. It takes a combination of realism and neoliberalism to forecast Saudi Arabia's foreign policy and how they will react to a global event.

5. Conclusion

In conclusion, the economic development and economic turnaround are Saudi Arabia's priority. Saudi Arabia also seems to be considering balance of power, trying to reach the economic and military

level of other powers as much as possible, and to ensure its own durability. Because Saudi Arabia has these two goals, the main body of its foreign policy is the national interest, independence and the assertion of Saudi Arabia's new international political and economic order. The author believes that there are contradictions in Saudi Arabia's foreign policy, but the source of the contradictions is not malicious. Saudi Arabia's leaders feel that while Saudi Arabia wants to provide aid to other countries, believes in the peaceful development of the international system and the usefulness of international organizations to the world, it cannot simply spend all its resources on other countries. Therefore, Saudi Arabia wants to join the WTO, but also does not trust the purity of the purported motives of the West and other WTO members. Therefore, Saudi Arabia is more conservative, it will not talk about chaos in international affairs, and it attaches the most importance to domestic development, and gives priority to domestic stability policy measures. But the above principles, because Saudi Arabia is very cautious on the international stage, make Western countries feel that Saudi Arabia may have a secret mission, make other countries think that Saudi Arabia is still an adversary of the 1950s and not let them abandon their Cold War mentality.

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