

A Dual-Track Development Strategy for Saudi Arabia

In recent years, the "resource curse" phenomenon surrounding oil-rich developing countries has been the focus of much speculation. Is poor economic performance inevitably the cost of resource abundance? This paper argues that this need not be the case. The key is to invigorate the nonoil economy through a controlled strategy of diversification, modernization, and increased competitiveness across the whole spectrum of private establishments. To complement progress in these areas, development strategies are suggested that are likely to enhance further the Kingdom's employment creation potential through shifting resources toward those sectors with the highest job creation opportunities. Two critical components of this strategy are the adoption of (a) an infrastructure-led development to open up a number of profitable areas of investment, while stimulating increased entrepreneurship, and (b) a dual-track development strategy with a focus on small- and medium-sized enterprises to complement the country's first track-its traditional oil-based development model.