



The influence of Saudi Arabia's domestic politics on its role and trade in the WTO

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Abstract. This article discusses two key theories that are prevalent in the current world: new liberalism and realism, both well-known theories that are being used for references of many countries, offering both theoretical and practical reasons. This article's main body was divided into two parts, each of which focused on a different concept. It follows the same sequence for each component. Starting with brief explanation about each theory and then focusing on several branches that can support them despite of definitions in the introduction part, and each of them contains a number of subtypes that build on the basic definitions but modify or vary the primary focus in each subtype. In the article, Saudi Arabia, which is a relatively conservative country with political and religious integration, will be used to discuss the practical use and influence of neoliberalism and realism through both internal and external cases and deeper understandings. As part of a systematic review, this study draws conclusions from several documents, journals, and articles written by other researchers. Additionally, evaluation will be seen as an additional way for the author to think in order to strengthen the practical applicability of this article, making it more than just a summary of other works by adding fresh insights that might elevate the prior investigation of these two series to a new level.

Keywords: WTO, Neoliberalism, Saudi Arabia.

1 Introduction

Saudi Arabia, which occupies the majority of the Arabian Peninsula's center and northern regions, is a relatively new nation that builds on its lengthy past. The headstream of Islam, including the holiest towns in this faith, Medina and Mecca, is located along the Red Sea, not far from the western highlands. There are large amounts of crude oil deposits in Saudi Arabia to the east and along the Persian Gulf that have made the country wealthy since the 1960s. These fields contain 268 billion barrels of oil and 325 trillion standard cubic feet of natural gas. Tribalism, religion, and untold wealth are the three primary factors that have shaped the nation's history in the years afterwards.

In order to expand its export quantities and attract more foreign investments, Saudi Arabia began to apply for the entry of WTO which is the World Trade Organisation, in 1993 and officially applied to join the WTO in June 1993. On November 11, 2005, the

General Council of the WTO held a meeting to approve Saudi Arabia's accession to the WTO. Due to the unique political structure of Saudi Arabia, its role and progress in the WTO have been affected, and it is mainly influenced by the two theories of International Relations-neoliberalism and realism.

Neoliberalism is an updated type of classical liberal economic thought that was popularized in the US and Europe before the Great Depression in the 1930s. The Neoliberals advocate keeping the freedom of individuals, negotiating the contradictions of the society, and maintaining the capitalist binary of free competitions in the new historical period. Therefore, it has become a renascent style of economic liberalism and it plays an increasingly important character in the international economy since the mid-1970s [1].

Realism, on the other hand, is often used in art theory, but it is also widely used in international relations. This was expressed in the first speech of the Athenians recorded in history - a speech made in a debate in Sparta before the war. The realists believe in the "Balance of Power". In their point of view, the reality of international politics is always in the "struggle around power", and stability and order will be generated among various powers through the manipulation of the balance of power and suppression between opposing power states.

Since its founding in 1932, Saudi Arabia has been seeking various forms of reform and is also trying its best to integrate into the international community. Both the Neoliberal system reform and the realistic reform are being carried out in Saudi Arabia in 20 and 21 centuries, it is undoubted that thanks to these two gradual reforms, Saudi Arabia has handled international relations more smoothly compared to last century. We can better understand international politics by using realism and Neoliberalism in various ways. Realism gave us a clear analytical framework to describe the current state of international politics by concentrating on international structure and its interacting elements. Neoliberalism, on the other hand, which provides a considerably more specialized and limited explanation of world affairs. And in the following essay, the author will analyze Neo liberal institutionalism and realism in Saudi politics.

2 The Influence of Neo liberalism in Saudi Arabia

Neoliberal reforms are being implemented by the government of Saudi Arabia since the last century, and the country is similar to the states that advocate Neoliberalism in many respects. There are two main points below the paragraph.

2.1 Advocating a Laissez-Faire Market Economy

The laissez-faire leadership is an economic as well as a political doctrine that means pursuing individuals to make their own decisions and achieve better results. Similarly, Saudi Arabia's government greatly respects the free ownership of private property, encourages free trade and consumption, and retains free employment. Although some jobs restrict women's participation, such as the catering industry and some sports majors, but in general, women can even work in the same place as men. And all Saudi women

must have a male legal guardian according to the country's legal system. Similar to the authority a legal guardian has over a juvenile, the guardians have the power to make a variety of choices on behalf of women. In most cases, a woman's guardian is either her brother or son if she doesn't have a father or spouse, or her husband when they are married. Although many businesses and colleges still demand permission as a requirement of employment or enrollment, women are no longer legally required to seek permission in order to work or study.

Various kinds of reforms were accomplished in Saudi Arabia during the reign of Abdullah (2005–2015), along with measures to increase accountability and transparency in the public sectors, which would prevent the government from intervening in the market. Other reforms included some degree of privatization, deregulation, and openness to external investment. Under the rule of king Salman (2015-), a tactical purpose called Vision 2030 was formulated that include goals like “increase private sector share of spending through alternative financing methods and service provision” in healthcare and “increase private sector participation” in the education sec. Also, the king, Salman, encourages private investments to develop the economy. For example, Saudi Arabia established Public Investment Fund to stimulate privatization, it sold 30% of Tadawul which was the biggest stock exchange in Saudi Arabia for 378 million rials (US \$1 billion) and 11.1% of ACWA power which was the one of the biggest energy companies in Middle East for 455 million rials (US \$1.2 billion). In this context, Saudi Arabia's privatization plan may accelerate rapidly [2,3].

The purpose of these privatization reforms in Saudi Arabia is mainly to promote economic transformation. As we all know, Saudi Arabia's economy has been heavily dependent on oil and gas exports in the past few decades, and the gradual privatization of Saudi Arabia can stimulate the competition of local enterprises and attract the investment from foreign enterprises, which provides many chances and possibilities for economic transformation. Interestingly, 126 new energy enterprises and 165 artificial intelligence enterprises from all over the world have invested or acquired local projects in Saudi Arabia in 2021.

2.2 Opposing excessive State Intervention in the Economy

Saudi Arabia considers that planning the economy and regulating the distribution by the government countermines economic freedom, suppress the exuberance of "economic people", and lessens the efficiency in production. And only by allowing the market go its own way can the most excellent outcome be achieved.

In oil-exporting countries, mainly Saudi Arabia, the most important account for this dominant power structure is the rentier country model. It states that the countries, which have the accesses to different sources of rent, are more able to set up the regimes' authenticity through their reallocated function. In the Persian Gulf, the main origin of rent is crude oil. Therefore, the Gulf oil exporting nations may continue their growth of a rent-seeking political system even if the global financial crisis hits them. For different socioeconomic classes and social groupings to be integrated into the state structure, corporatism and clientelism are necessary. Rich professionals, businessmen, and merchants, for instance, relied heavily on the government in the Gulf Cooperation Council

(GCC) for their additional income and power. Through business partnerships and marriage relationships, these states have created strong connections between ruthless entrepreneurs and the ruling dynasties. In addition, despite taxes being essentially nonexistent in the GCC, government spending accounts for a sizeable portion of GDP. In Saudi Arabia, the tax revenue contributes less than three percent of the overall GDP, which is only 68.1 billion dollars. Reciprocally, citizens don't have to participate in the government structure of the country. Also, Saudi Arabia joined WTO in 2005 in order to keep pace with the world economy. And the king, Salman bin Abdul Aziz Al Saud, encourages private investment to develop the economic diversification, creates employment opportunities and attracts foreign investment, and thus strongly advocates joining the WTO [4,5].

To sum up, the Saudi government has many characteristics of Neo liberalism. The neoliberal development projects and their effectuation in the Arab region have led to economic growth and to higher capital per head at the rule of law and the expense of good governance. As a result, both the monetary and contractionary reforms associated with social problems were vigorously pursued, while the positive socio-political perspectives of good governance and the rule of law were largely disregarded in the region. As long as these governments were keeping "terrorism" at bay, opening their markets to foreign direct investments, primarily from the US and Europe, and selling their crude oil to the world market, international institutions, particularly the World Bank and the International Monetary Fund (IMF), and WTO inevitably did not criticize Saudi Arabia, as well as other Arab countries for their failure to develop good governance [6].

3 Some Realistic situations affecting Saudi Arabia

The government of Saudi Arabia has also followed some realistic ideas. However, van den beukel, a former Shell earth scientist, wrote that the recently announced "vision 2030" of Saudi Arabia's economic reform programme is completely unrealistic. He believes that this should be seen from the struggle for power by Muhammad bin Salman. The Deputy crown prince is the king's favorite and de facto ruler of the country, and given his father's weak health, he has limited time to consolidate his power base. Vandenbecker believes that only realistic and gradual reform can save Saudi Arabia.

3.1 Anarchism: the Leader, the King and the Supreme Authority

In Saudi Arabia, there are 13 administrative areas, each of which is further subdivided into several districts, making up the kingdom. One or more municipal councils with half appointed and half elected members are governed by regional governors, who are often members of the royal family. With their councils, the governors are responsible for such functions as finance, health, education, agriculture, and municipalities. All levels of administration, including the governance of tribes and villages, function under the consultative concept.

Because of the uneven distribution of power elements among countries, and the resources obtained from society are also different in time and space, classical realists

don't think that state power is equal to the international influences. Therefore, classical realism assumes that some countries have no other choice but to concede to a country whose leaders are willing and able to alter potential power to real power. As one of the last absolute monarchs in the world, the king of Saudi Arabia exercised a wide range of powers. He is both the head of state and the head of government. The ultimate power of almost all aspects of government is in the hands of the king. Nearly all of the legislations were adopted either by royal decrees or by ministerial rules, which must be punished by the king. In the king's role as prime minister, he designates all cabinet ministers, and other top government officials, as well as the governors of the municipalities and provinces. The king appoints all officers above lieutenant colonel in his capacity as commander in chief of the armed forces. He also appointed all ambassadors and other diplomatic envoys of Saudi Arabia. And all foreign diplomats in the country are assigned to the king. In addition, the king, as the court of final appeal, has power of pardon the criminals [7].

3.2 Seeking to maximize its Power or Security

In view of the long-standing political frictions and crisis in the Middle East, Saudi Arabia has been looking for different ways to protect its own security. The first example is that Saudi Arabia sponsored Egypt to fight the fourth Middle East War and sponsored Lebanon and Syria in the Fifth Middle East War, and also fought Yemen War just few years ago, in order to suspend the development of any powers such as Israel that may threaten the safety of surrounding countries include Saudi Arabia. But unfortunately, all of the wars, without exception, the sides that Saudi Arabia lost tragically.

Additionally, in 1981, Saudi Arabia advocated the establishment of GCC, which is Gulf Cooperation Council, which aims to strengthen the regional defense and security cooperation among Arabian states. This organization is extremely strict with its members, for example, in 2017, when Qatar, one of the Member States, was suspected of harboring terrorists, Saudi Arabia immediately persuaded other members to kick it out of the GCC and announced that it had severed diplomatic relations with it [8-9].

On the other hand, the United States and Saudi Arabia have long-term security relations. According to research issued in 2021 by the Stockholm International Peace Research Institute, Saudi Arabia ranks top among the 10 nations that have acquired the most weapons in recent years. The United States has given Saudi Arabia 73% of its armaments during the last five years. With almost \$100 billion in current FMS cases, Saudi Arabia is the largest foreign military sales customer of the United States. The Ministry of Defense, the National Guard, and the Ministry of the Interior are the three main Saudi Arabian security assistance entities that the United States supports through FMS. The US Army Corps of Engineers has also been essential to Saudi Arabia's military and civic building since the 1950s. At the same time, Saudi Arabia still imports a large amount of British (13%) and Russian (6%) military equipment, which shows that Saudi Arabia understands the importance of maintaining neutrality in the big power game between US and Russia (include USSR), which can avoid many unnecessary troubles [10].

3.3 Considering the Countries as the most important actors in International Politics

For realists, the deployment of national power always serves to protect national interest. Each country formulates its national interests in terms of power and then takes action to protect these interests through the use of power. History firmly backs up this perspective. A national interest that is not supported by authority merely exists on paper and in the mind. The concept of and definition of the national interest can only be done correctly in terms of power. Saudi Arabia pays less attention to the role of non-state actors such as international institutions and transnational organizations in international politics. Classical realists gave Saudi Arabia a high degree of autonomy. There are many explanations for autonomy. For example, Hans J. Morgenthau, an American master of international relations theory, stated that autonomy is an important condition to ensure the success of foreign policy in 1958. For Morgenthau, autonomy means abiding by three requirements: resisting domestic opposition, upholding state leadership, and avoiding compromise on basic foreign policy issues. And Saudi Arabia just fits this point. In other words, the state, Saudi Arabia will not change its foreign policy actions according to domestic pressure or the demands of social interest groups. Last but not least, Saudi Arabia's government determines national interests based on the total amount of resources that may be taken from the population and their estimation of the proportionate distribution of skills.

Additionally, after the end of the fourth Middle East War, Saudi Arabia realized the importance of exerting pressure on Israel and the western countries that have friendly relations with it through oil, so Saudi Arabia united Iran, Iraq, Kuwait and Venezuela to establish OPEC. As the largest oil exporter in the world, Saudi Arabia did not decline to shoulder a responsibility of safeguarding the interests of oil exporting countries [11,12].

These represent a significant advance over liberalism since they enable predictions of state action based on information that is generally scarce. Since leaders, being rational egoists, would respond to the incentives and restrictions offered by the environment in ways designed to maximize the prosperity, security, and power of their states, understanding the nature of the situation decision-makers face gives the analyst clues to state action [13].

4 Conclusion

Generally speaking, the Neo liberalism and realism reforms implemented by Saudi Arabia are in full swing, neo liberalism can help a state to understand economic restructuring in different countries and regions with different social background and realism can better show the status of Saudi Arabia in the world. Although realism still predominates, liberal ideas of transnationalism and interdependence shed light on how national interests develop and alter over time. Neo liberalism and realism have something in common – that is, they both concur that the state is the primary actor in international affairs and hold the rationality principle to be true– different ideas of world politics have emerged as a result of their divergent presumptions about individuals and

international processes. In the liberal tradition, from the perspective of economic costs and benefits, power is not the only military capability. But in contrast to the realism, the liberal paradigm places more emphasis on the internal traits of the state and highlights the connection between such traits and the unit's political activity. Neo liberals, in contrast to realists, frequently place equal importance on security and other objectives like wealth and human rights. Saudi should continue to maintain these two doctrines. In fact, Saudi Arabia did not fully abide by the two doctrines, neo liberalism and realism, but intercepted a part of each of them. But from my vantage point, as noted by Baldwin, a British expert on international relations, since realists tend to focus on security issues and neoliberalists focus on political economy, their divergence may be explained by the subject matters they focus on. Neoliberalism now appears to be more helpful as the states are more preoccupied with economic welfare while armed force becomes "a option" in the background, for Saudi Arabia as well.

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