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FOREIGN DIRECT INVESTMENT IN SAUDI ARABIA

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ABSTRACT

Each nation strives to attract foreign direct investment (FDI) to boost its economy and close the saving-investment imbalance. Political considerations and falling oil prices had caused FDI flows to Saudi Arabia to steadily diminish, but commercial development and new initiatives beyond the petroleum and gas industry aided reversing the trend and pattern. Among 1983 and 2013, the strategies, rules, and growth of foreign direct investment in Saudi Arabia were studied using an analytical and descriptive strategy. The findings showed that economic factors strongly influenced FDI during the time period. About 60.3% of all foreign investments come from Saudi Arabia, which is beneficial for the host nation's economic growth. Short-term FDI has a negative impact on domestic investment capital, while long-term domestic capital investment has a negative impact on FDI. The Long-term non-oil GDP development, FDI inflows, and domestic capital expenditure are all favourably impacted by both the rise of the financial sector and exchange rates. The conclusions are crucial for Saudi policymakers to implement in order to lead and encourage local and foreign investments and stimulate economic growth in the nation.

This research will focus on the foreign direct investment in Saudi Arabia, it will mainly deal with the relationship between the FDI and economic growth and how the FDI impacts the employment rate. This research also discusses the relationship between the GCC (Gulf Cooperation Council) countries and GDP (Gross Domestic Product) rate. The primary objective is to identify the variables affecting FDI in Saudi Arabia, the patterns, and trends of FDI and their relationship to GDP. A number of variables, including the relationship between inflow and outflow, the impact of inflow and outflow, and the sectoral composition of FDI based on the Kingdom of Saudi Arabia, are anticipated.

Keywords: Foreign Direct Investment, Gross Domestic Product, Inflow and Outflow, Policy Maker, Regression analysis.

1. INTRODUCTION

FDI, or foreign direct investment, is a crucial component of global capital. It stands in for any expenditure in any country and serves as a dynamic tool for the advancement of global economies. Additionally, developing nations have utilized FDI as a method to address their financial crisis. And among the most crucial methods for emerging nations to boost wealth creation and achieve greater GDP increases is via attracting FDI. [1]. There are numerous routes taken by FDI flows that do not always result in the creation of new fixed assets. Various but related trajectories are taken by the kinetics of FDI inflow and the development of fixed capital investments. Technical support and developing skills can help spread the effects of FDI. This makes it possible for small businesses to join the supply chain to increase their access to the global market. A minor indication of the future economic success of the recipient country is the total amount of FDI inflow. Although there is a consensus regarding potential benefits of FDI, its use is not a set technique.

Direct capital investment is split into implementation of relevant and borrowing components. The capital account contains the counter items of an invested amount that is shown in the bank account. The capital deals include buying and selling corporate stock, subscribing to rights concerns, and other equity deals. The total equity is acknowledged at a market price for publicly traded companies and at valuation for other businesses using their own resources. Just so perpetuals are categorized as borrowed funds of direct investments, if both the lender and the borrower, engage in the bank financing apart from insuring [2]. The so-called broad directed principle guides the publication of the statistics on foreign direct investments. The investment principle should be used to invest the capital in the data on the payment balance and the foreign investment status, according to the new analytical standards. Similar to this, it is advised to use the expanded directed principle when examining direct investments by a nation or an industry. The private investment numbers given in the data may vary due to the different methods.

As one of the top oil producers around the world, the GCC is a significant union of governments that garners interest throughout the globe. As a result, these states have a big impact on the worldwide market as well as the energy sector [3]. These nations are distinct from both established and rising nations. Their distinctive traits are a special topic from the perspective of mutual peace and unification. They are mostly fragmented marketplaces that are very vulnerable due to localized political trends. The nations' members showcase cooperation and collaboration in all areas. In order to impose a common customs tariff, while a single currency is being formed, the GCC countries have established a company provider in 2003. Additionally, each GCC country is a GAFTA (Grain and Feed Trade Association) and WTO (World Trade Organization) member. Two of the key manifestations of globalization and the internationalization of businesses are global trade and foreign direct investment FDI. A significant portion of empirical studies views FDI and global commerce as complimentary. Nevertheless, the factors that influence international commerce and FDI vary between nations or areas, supporting the idea that FDI will increasingly take the place of commerce rather than serve as a complement to it.

An open and appealing worldwide financial framework that allows for FDI is essential for progress. The benefits of FDI do not, though, accrue consistently and uniformly across countries and affected councils. For more countries to participate in FDI and to receive the full benefits of FDI for development, local strategies and uniform devoting additional are crucial. The challenges therefore are primarily directed at host countries, who must develop an easy-to-implement investor empowering program and coordinate human and institutional resources to make it happen [4]. FDI has also been viewed as a massive improvement in the monetary growth of countries. It has become a focus of attention for government leaders, particularly in nations with a low-wage, due to its ability to manage significant impediments, particularly a lack of financial assets and ability. FDI flows are crucial, but over time, they have been moving less and less to poorer countries and elsewhere in the world. As emerging economies continue to foster an atmosphere that is conducive to drawing in international investors, this reduction indicates the growth of the difficulty of recruiting FDI.

Over the recent decades, FDI flows have dramatically expanded globally. The rise in multinational mergers and acquisitions, movements toward privatization, and intensifying pressure between host nations to draw FDI are the main causes of this situation. As a means of outside funding [5], FDI has grown to be crucial for fostering economic expansion, bolstering local industries, and enhancing national competitiveness. The ability of an economy to draw foreign direct investment depends on a variety of elements, from cultural to political and economic ones. Additionally, factors that influence the economic environment provide a stronger stimulus. The problem of the efficiency of the Saudi Arabian economy grows crucial as the rivalry to draw FDI around the world in overall and Asia specifically heats up. As a result, it might be particularly interesting to research the location-based factors in the nation, which may define its level of competitive strength and have an influence on the volume of FDI can maintain or draw. The goal here is to discuss the challenges and potential benefits of the Nation obtaining greater levels of FDI based on its economic criteria. This would enable us to generate certain policy recommendations for financiers, decision-makers, and local businesses that would aid the nation in furthering the growth and development of its economy [6].

As we dive deeper into our search, we have observed that since the global economic crisis in 2008–2009, FDI in Saudi Arabia has been declining. Only 58 foreign initiatives were underway in 2017 compared to a peak of 140 in 2011, while investments from Western Europe and the US decreased by $144 million and $457 million, correspondingly, based on the investment’s tracker maintained by the Financial Times. In any case, the FDI decline is a very worrisome scenario, particularly given that other flow of reimbursement items is also weakening. This increase in FDI may be attributed mostly to the administration's good governance and macroeconomic progress.

Therefore, [7] research that focuses on enhancing FDI by investigating the crucial macro-economic factors that may have an effect on FDI in Saudi Arabia is necessary. The net FDI inflows in Saudi Arabia between the years 1980 and 2015 are described in Figure 1.

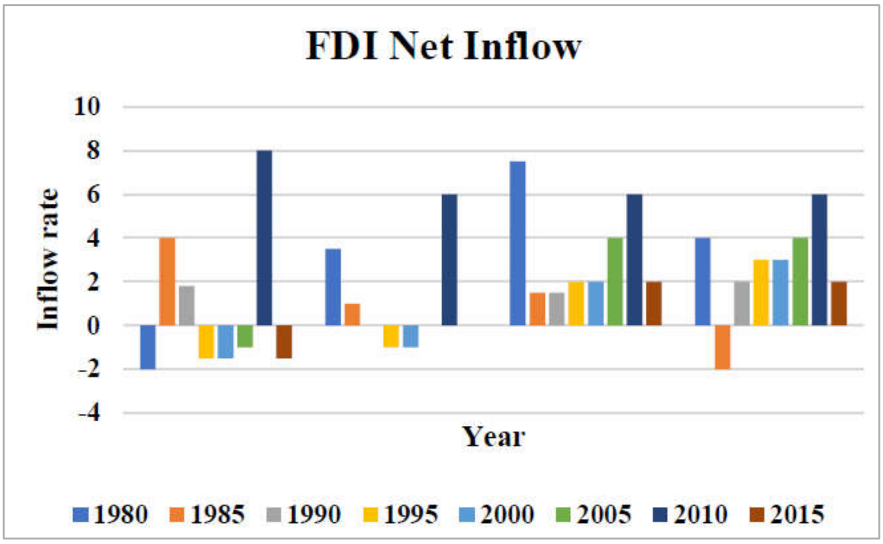


Figure 1: FDI Net Inflow (Source: World Bank Indicator)

The growth of global relations is actively aided by FDI, which is widespread in Saudi Arabia as well. It was believed that FDI was among the few types of investments to incorporate partnerships and greenfield investments. The Kingdom of Saudi Arabia has profited more from direct investment from abroad [8]. In fact, FDI has increased the number of job possibilities available in Saudi Arabia and boosted the country's GDP. Through FDI, Saudi Arabia has also received the most current management expertise and experience from abroad. The Saudi Arabian government has been attempting to develop economic diversification plans as it strives to reduce its reliance on oil for a number of years. It has been effective in certain areas, as the government made significant infrastructure investments that are necessary to foster, to boost employment figures, to implement new technologies to the economy, and to draw international investments to the nation. In our research, we are trying to close any gaps left by earlier research that sought to link FDI to GDP. The aim is to ascertain if FDI has a positive local impact on Saudi Arabia or not. Therefore, we will aim to find a connection between FDI and Saudi Arabia's economic growth.

2. LITERATURE REVIEW

Abdullah and Tarek discussed the determiners of foreign direct investment in a host nation with rich oil resources [9]. This study investigates the variables that affect FDI inflows to a host nation with a high oil production. We will examine the environmental course's short- and long-term viability in terms of both source cost and availability. Additionally, we will investigate both short- and long-term policies that can help an oil-rich nation reap the rewards of resource-based FDI and progress toward becoming a nation that is not reliant on oil resources.

Results from the application of the ARDL (autoregressive distributed lag) technique to the case of Saudi Arabia throughout the years, reveal that the influence of construction, macroeconomic determinants, rule of law, and oil factors varied depending on the time horizon. According to the results, both short- and long-term FDI is positively impacted by sales volume, real exchange rates, and law and order. According to the findings of short-run VECM (Vector Error Correction Model) analysis and long-run error correction model, FDI inflows into Saudi Arabia are influenced by rising oil prices in the near term and increased accessibility in the long term. Oil exports have little effect on FDI in the short- or long-term. As a result, FDI entry in a host nation with a high oil production is more susceptible to cost than to resource richness. Last but not least, Saudi Arabia can rely on its legal system to draw FDI throughout the short and long terms. Therefore, it is critical to maintain a robust and unbiased legal system and to enhance the nation's compliance with the law. To achieve this, it is crucial to create regulations and laws that take into account the multiple foreign cultures that are distinctive of multinational companies.

Costas et al. [10] discussed about the FDI in GCC countries. The Gulf Cooperation Council countries are a special case for research because of their unique features, abundance of environmental assets, and geographic region. As we examine the factors influencing foreign direct investments, we will concentrate on corporate governance and the implementation of Global Financial Reporting Standards. Three distinct models were used in the analysis of panel data. The findings reveal that the particular topic of governance is connected to FDI in terms of corporate governance. The other administration variables do not appear to have quantifiable metrics, but the suppression of corruption and public faith in the law both have a detrimental impact on foreign direct investment. Overall, we can conclude that the GCCs have met a minimum standard of administration requirements in relation to FDI based on our findings about corporate governance. Finally, how businesses choose to invest in a nation is undoubtedly a complicated matter that goes beyond the assets of the host nation. Thus, the capacity of international interactions to encourage FDI may be one expansion for further research related to location - bound other than the infrastructures. Additionally, a fascinating topic for investigation might be the significant differences among states. The findings demonstrate that a significant factor promoting FDI is the implementation of Financial Reporting Standards. Also, governance metrics related to legislation, regulations, and corruption have a greater impact on determining FDI.

Kolthoom et.al investigated the effect of FDI in Saudi Arabia on the rate of unemployment [11]. Recent research has focused a great deal on determining how FDI affects various economic factors. Even though the link between investments and growth is well known, it can be challenging to pinpoint the connection between FDI and the jobless rate. Our primary objective of is to capitalise on the controversy about the genuine impact of FDI on the economic growth of the host nation by examining how it affects the jobless rate in the KSA (Kingdom of Saudi Arabia). Our research has established that FDI inflows decrease the jobless rate in Saudi Arabia. The findings of this research, shows that FDI has both a direct and indirect impact on the local economy. FDI inflows improves company technology and knowledge, and they also have an impact on local enterprises and workers.

These factors, along with our results, lead us to urge that the government of Saudi Arabia support another first FDI and increase the amount of "Good FDI" given it is the largest recipient of FDI in the MENA (Middle East/North Africa) area. The development of respectable, high-value jobs is facilitated by "Quality FDI," which connects international investments to the national market of the host nation. As a final assessment, the KSA government should offer open, clear, and reliable circumstances for all types of businesses, that are local or foreign, such as the convenience of doing business, is connected directly to imported goods, fairly flexible job markets, and protecting intellectual property rights. The KSA government must also implement some policy reforms to decrease restrictions and grant licences to foreign firms. As a result, we may then anticipate that KSA will rank among the top FDI locations worldwide as well as in the MENA countries. This will lead to a relatively high rate of GDP growth, a rise in per capita, and a very high life quality.

Basam used principles of good governance for Knowledge Management System (KMS) in Saudi Arabia. Saudi Arabia's transition from a rent seeking to a knowledge-driven economy is fraught with difficulties. Many organizational strategies have been established for this reason throughout the years with the intention of establishing a reliable knowledge-management system in Saudi Knowledge Management System, statistical and qualitative studies are usually used to pinpoint the governing factors that are crucial for expanding the nation's exports and imports and serving as a gauge of how well the Knowledge Management System is working. The central idea is that a prosperous Knowledge Management System in Saudi Arabia will result in a culture that values innovative thinking, where information obtained through research and development and FDI can be used to advance the industrial service segments and promote sustainable growth. The findings suggest that the administration overseeing the nation's fiscal and administrative operations, increasing public sector efficiency, is necessary for Saudi Arabia to have a sound Knowledge Management System and to meet the goals of the Vision 2030. In addition, the diversity and the intricacy of the Saudi’s economy will be greatly impacted by combating corruption and supporting the law. Accordingly, boosting the independence of research and development institutions and expanding funding from the government will improve their results and aid the development of a high-quality Knowledge Management System in Saudi Arabia [12].

It is clear throughout different research, that foreign direct investment (FDI) affects various economic factors. Even though the link between expenditures and development is well known, it can be challenging to pinpoint the relationship among FDI and the rate of unemployment. The primary objective is to capitalise on the controversy about the genuine impact of FDI on the financial outlook of the host nation by examining how it affects the unemployment rate (U) in the Kingdom of Saudi Arabia (KSA). The research analysed the unemployment problem as a predictor variable, with FDI and Output serving as two possible mediators for the period of 2005–2018, using the Ordinary Least Square Model (OLS). The research verifies our hypothesis that the total output and FDI inflows have a significant negative impact on the unemployment rate in the Kingdom Saudi

Arabia. The Foreign Direct Investment inflows increases work opportunities and lowers the unemployment rate in the Kingdom Saudi Arabia.

To achieve the greatest aims and decrease the overall unemployment rate, we advise the KSA government to pass additional measures to draw more "Quality Foreign Direct Investment" inflows [13]. Muhammad et al. [14] discussed about the relationship between air freight and environmental resource depletion in Saudi Arabia. The viability of air cargo activities, which is a specific issue that must be addressed in order to achieve an ESA (European Space Agency), was the subject of their research. By enforcing strict environmental regulations, such as raising carbon taxes on logistics activities to lower damaging environmental externalities, sustainability air shipments could be accomplished. Our study uses a situational analysis of Saudi Arabia to examine the potential link between air phobia and carbon taxes using a few control parameters. Pollutants in the nation lead to irresponsible air transport operations.

In our research we examine the long-term relationships between the mentioned factors and using price on carbon as among the most effectively to accomplish sustainable in air logistics activities. For reliable inferences, we used the NARDL (Nonlinear Autoregressive Distributed Lag) limits testing method and IAM (Identity and Access Management). The findings demonstrate that the country's natural resources are harmed by both the positive and negative effects of ATF, necessitating the adoption of environmentally friendly freight laws. Politicians and environmentalists can develop lengthy sustainability air logistics operating regulations. Among the proposed tactics that could be utilized to make air freight operation green is carbon taxes.

3. EMPIRICAL ANALYSIS

3.1. DATA AND METHODOLOGY

The research that follows is based on Saudi Arabia's foreign direct investment. The primary objective of the study is to identify the variables affecting FDI in Saudi Arabia, the patterns and trends of FDI and their relationship to GDP. We will also cover the relationship between inflow and outflow, the impact of inflow and outflow, and the sectoral composition of FDI based on the Kingdom of Saudi Arabia.

The World Development Indicator Saudi Arabia, which is accessible online at the World Bank database, was the source of the information used in this research. Data on the nation's workforce participation, economic and development, infrastructures, the commercial and financial sectors, and its external debt were gathered from the Saudi Arabian Ministry of Finance's open-source website. From the internet sites of the Saudi Arabian Ministry of Commerce, Ministry of Economy and Planning, Saudi Arabia General Authority, and Centre Department of Information and Statistics of Saudi Arabia, data was gathered that showcases the business achievement of national and international businesses, the total number of jobs offered by both domestic and local businesses, and the country's GDP growth over time in relationship to the number of foreign businesses each year.

3.2. FOREIGN DIRECT INVESTMENT

Foreign direct investment is a sign of equity flows from direct investments in the reported sector. The total of equity capital, reinvested earnings, and other wealth makes up this amount. The net FDI inflows is expressed as a percentage of Gross domestic product (% of GDP) and they are the most common proxy for FDI in experimental investigations.

3.2.1. IMPACT OF FDI

Saudi Arabia's financial sector was affected by the global liquidity crisis as a result of the administration's efforts to control inflationary and contribute to private lenders at the same moment. The nation's international banks, which are severely impacted by the global financial crisis, are partially responsible for the cash management issue. The two writers contend in their search, that since it is more challenging to obtain loans from overseas markets, foreign-owned institutions have experienced more from the recession than financial institutions. Instead, the international businesses have greatly increased domestic investors. Due to their strong financial standing, international banks lent money to local investors to help them expand their enterprises [15]. The loans often have cheap interest rates, which greatly benefits local investors. Along with forming relationships with local entrepreneurs, the foreign company also assists them in growing and marketing their products and solutions [16].

The establishment of economic growth-supporting foundations as well as the production of both domestic savings and foreign currency are accomplished via FDI inflows. By enhancing the quality of domestic goods through the transmission of cutting-edge technology to emerging nations, it aids in the decrease of commodities prices.

Aside from direct investment, FDI has shown to be more favourable for long-term growth and economic progress. A study looked into the correlations among Gross domestic product growth rate, infrastructure dependability, and the flow of FDI. The level of FDI inflow is significantly predicted by the legislative environment of the host nation. In the GCC council, a rise in foreign direct investment is correlated with bigger markets related to possible demand growth and a decline in profitability. Conversely, increased FDI reduces openness since the investing corporations profit from avoiding trade restrictions by using several manufacturing sites [17]. The export-focused approach draws foreign direct investment and has a favourable impact on domestic trade. When the currencies of the host nation are weak, more FDI is attracted because the host country's assets are more affordable than those of the home country. The macroeconomic situation and political stability of the nation are the key worries of prospective foreign investors [18].

3.2.2. FDI AND SAUDI ARABIA’S ECONOMIC GROWTH

FDI has been demonstrated to stimulate economic growth via technical transmission and diffusion, spill over effects increases in productivity, and the introduction of innovative procedures, management experience, and knowledge to neighbouring countries. It is suggested that Foreign Direct Investment has a significant role in modernising the economy and fostering economic growth in host nations, particularly in developing countries, according to a number of studies, including several countries. It is crucial to combine foreign assistance with follow-up FDI in order to optimise its effectiveness.

Furthermore, FDI can build a worldwide network that facilitates the export of domestically produced goods, reduces costs, and benefits businesses in terms of size and scope economies. There is a sizable body of scholarship that looks into the reasons why some firms opt to internationalise or participate in FDI. Only the more efficient German companies opt to offer overseas markets via exports, and the most profitable within this category would engage in Foreign Direct Investment, according to a recent survey that serves as both an example and proof [19].

The autoregressive distributed lag (ARDL) bounds analysis to cointegration method is used to examine the causal relationships among domestic capital investment, foreign direct investment (FDI), and economic growth in Saudi Arabia for the timeframe of 1970–2015. The stability of the Autoregressive distributed long run predictions is examined using the dynamic ordinary least squares (DOLS), canonical cointegrating regression (CCR) and fully modified ordinary least squares (FMOLS). The findings demonstrate negative bidirectional causation among non-oil GDP growth and FDI, domestic capital investment and non-oil GDP growth, as well as bidirectional causality among FDI and domestic capital investment over the long term.

The referenced paper investigates the causal links between domestic capital investment, foreign direct investment (FDI), and economic growth in Saudi Arabia over the period 1970–2015 by using the autoregressive distributed lag (ARDL) bounds testing to cointegration approach. The fully modified ordinary least squares (FMOLS), dynamic ordinary least squares (DOLS), and the canonical cointegrating regression (CCR) are employed to check the robustness of the ARDL long run estimates. The results indicates that:

- On the long term there are negative bidirectional causality between non-oil GDP growth and FDI, negative bidirectional causality between non-oil GDP growth and domestic capital investment, and bidirectional causality between FDI and domestic capital investment.
- The short-term FDI has a negative impact on domestic capital investment.
- The long-term domestic capital investment has a negative impact on FDI.
- The long-term non-oil Gross domestic product, FDI inflows, and domestic capital investment are all favourably impacted by simultaneously the expansion of the financial sector and export performance.

The conclusions are crucial for Saudi policymakers to implement in order to lead and encourage local and foreign investments and stimulate economic growth in the nation as proposed by Mounir et.al [20].Now it is important to determine through our research how much foreign businesses help Saudi Arabia and how they affect other factors like language and tradition. The research will also cover the impact of foreign businesses on Foreign Direct Investment inflows in the state, the factors affecting FDI in contrast to other developing economies, and how Saudi Arabia's reliance on oil revenues impacts FDI in the country.

Foreign direct investment is a keyword in our research as it is a source of energy for economic and social development. It fills the structural gap between investments planned and locally collected cash. In fact, it fills the investment gap between anticipated investment and locally generated savings. Therefore, a nation like Saudi Arabia that has a lot of natural resources like oil and lots of foreign labourers is well positioned to benefit from such advantages. In comparison to Turkey's FDI, which is fuelled by political stability in the nation and a welcoming society that has greatly aided in creating an atmosphere that is favourable to investors. Turkey is a great example to show how Saudi Arabia and other economies can utilize FDI. Despite these positive aspects, it is important to note that the 2012 Euro Crisis had a detrimental effect on the Turkish economy, which thereafter began to recover. All things considered, FDI makes up a sizeable portion of the Saudi Arabian economy, and foreign companies have a significant effect on the world's Gross domestic product as they account for a staggering 34% of it [21].

3.2.3. FDI AND EMPLOYMENT IN SAUDI ARABIA

Saudi Arabia has both good and unfavourable aspects when it comes to direct foreign investments, like every other nation. The accessibility of oil is a key determining factor in the investment, while the drawbacks include bad business practises and high unemployment. Overall, it is critical to mention that Saudi Arabia recently implemented a new foreign investment policy that grants foreign investors access to the same advantages, perks, and assurances as Saudi nationals and businesses. As a matter of fact, foreigners are allowed to hold properties under the law, either alone or in partnership with a Saudi. Moreover, it enables investors to transfer money overseas and lowers taxes by 15% for foreign companies with annual profits exceeding 100,000 Saudi riyals. The Saudi Arabian General Investment Authority (SAGIA) must make decisions in accordance with the aforementioned regulation after 30 days of obtaining the required paperwork. Over the past two decades, FDI has increased significantly thanks to these initiatives as well as other measures including SAGIA's granting of licences for various operations and sponsorships of foreign investors [19]. Due to its high unemployment numbers, Saudi Arabia has had to radically rethink its existing "localization" policies. As a result, it has implemented the Nitaqat or points system, which places local businesses into various color-coded zones based on the proportion of Saudi nationals they utilise and imposes fines for non-compliance. The government understands that, even as eager collaborators, the private industry must play a significant role in employment creation, but one in five of the private businesses functioning in the Kingdom are far from fulfilling Saudization goals. Since Saudis are reticent to replace expatriate at present average wages in many unskilled and semi-skilled industries, the government is now giving incentives to enterprises that achieve their Nitaqat requirements. This dependence on international inexpensive labour is creating a conundrum for the private industry. The study investigates furthermore the effects of implementing the so-called Hafiz system, which would set a monthly basic wage of SR 3,000 for the private industry, on the total growth and efficiency of the country's economy [22].

Abouraia et.al [23] also discussed the Saudization Concept and the Saudi Arabian Labour Market Depending on Antecedents and Consequences. Is it reasonable to say that learning about the unemployment problem from the world's largest oil producer is not strange? At the beginning of the current era, Saudi Arabia's unemployment problem began to surface. After 37 years of unemployment, the Saudization concept, which was introduced in 1975 as a way to replace expatriates with Saudi labourers for limited jobs, is still one of the most important issues facing the country. In light of this, this essay tries to explain the primary cause of this problem. The article also makes the case that the frameworks for training, employment, organisations, and contract workers are vital in Saudi Arabia in addressing unemployment.

The Saudi Arabia will have nothing to worry about in a world of rising energy demand and falling oil prices because Saudi Arabia accounts for more than 25% of global oil reserves and has the fourth-largest conventional gas reserves worldwide, behind Russia, Iran, and Qatar. However, the Kingdom has some great investment hurdles that must be taken into account in order to accomplish their important goals.

Considering a double-digit unemployment rate, Saudi Arabia's labour shortage is a serious problem. The Table 1 details this rate, from 2011 to 2015. It was recorded at 12.5%, 12.2%, 11.8%, 11.8%, and 11.6%, correspondingly. However, in recent years, the unemployment rate for the foreign employment sector has only varied between 0.5% and 0.6%. Native workers are less productive than foreign workers and put in fewer hours per day, hence their wages are higher in the corporate companies than in the public organizations.

Because of its oil wealth, Saudi Arabia offers better pay opportunities for professional, talented, and menial laborers from developing nations. Even in the public and the private sectors, foreign labour accepts lower pay than native workers. For instance, from 2011 to 2015, the percentage of foreign workers in the overall labour force in the private sector was seen to be 89.3%, 86.7%, 84.8%, 84.6%, and 83.7%, respectively [22]. This demonstrates that the business sector prefers to demand immigrant labour. Additionally, a tiny declining percentage also reflects government regulations that allow for the use of native labour in the private sector. Due to the higher earnings in the public sector, the majority of locals have little interest in working in the private sector and are instead waiting for job openings there. Private firms' preference for overseas labour has become a severe problem for the local workforce. Therefore, the presence of immigrant labour is diminishing native workers' employment possibilities and lowering wages. As a solution, the Saudi government is employing more native workers at better salaries in the state services to protect them from international labour rivalry and to preserve their level of socioeconomic welfare. In order to hire native workers, the public sector must incur significant financial costs [13].

Table 1: Statistics of Labour

Year	Unemployment of Saudi Labour (%)	Unemployment based on Foreign Labour	Foreign labour makes up a majority of the workforce in private	GDP and Remittance Outflows (%)	Saudi Workers as a Percentage of Public Sector Workers
2011	12.5	0.5	89.3	4.3	92.2
2012	12.2	0.2	86.7	5	93.0
2013	11.8	0.3	84.8	4.8	94.0
2014	11.8	0.4	84.6	5.1	94.3
2015	11.6	0.5	83.7	5.7	94.5

The expense for the administration of integrating Saudi labour in the form of social security payments and central government employment places a significant strain on fiscal resources. For instance, from 2011 to 2015, the percentage of native workers employed by the government was 92.2%, 93.0%, 94.0%, 94.3%, and 94.4%, respectively. Additionally, a rising proportionate tendency is evident. Another significant strain on the local Saudi economy is the fact that foreign labour also sends the majority of its earned cash back to their mother nations.

3.2.4. FDI AND TRADE PERFORMANCE IN SAUDI ARABIA WITH GCC COUNTRIES

Foreign direct investment is currently a significant driver of economic growth and may be used to gauge both the extent of an economy's external dependence and its development. Nevertheless, Gulf cooperation council nations are actively working to create regulations that meet the demands of the global investor and to create a favourable investment environment in developing nations. Two nations that have implemented Foreign Direct Investment policies are the Sultanate of Oman 2040 and the Kingdom of Saudi Arabia. After this vantage point, the Gulf cooperation council governments' involvement in promoting foreign direct investment as an economic interdependence is the subject of this research study. The Gulf cooperation council nations have additionally depended on Foreign Direct Investment to increase jobs. The FDI Job Vorteil was funded by various nations. According to research, FDI has a significant and favourable internal impact on job creation in Latin America, especially through its influence on the labour force. The beneficial effect is especially notable in nations with high levels of informal sector and relatively low FDI inflows. The economy of Continental Europe has been enabled to reorganise, maintain, and create employment via FDI. According to data from the Czech Kingdom, FDI is causing the jobless rate to drop by 1.7 percentage points. In Fiji, FDI stimulates job expansion and economic expansion. Gulf cooperation council nations have attracted FDI inflows in order to comprehend the advantages of Foreign Direct Investment employment [24].

Six Arab nations that export petroleum came together to form the Gulf Cooperation Council (GCC) in May 1981. These nations include Oman, Saudi Arabia, Kuwait, UAE, Qatar, and Bahrain. These nations are related historically and culturally, and they have comparable economic traits. According to GDP per capita, the GCC nations are among the richest in the world. Their economies are heavily dependent on the export of hydrocarbons, and oil revenue serves as the primary source of funding for public spending in these nations. GCC nations strive to diversification their industries so they are not completely dependent on oil revenue in order to lessen the vulnerability of their economy to changes in oil prices [7]. The implementation of diversification plans involves FDI in a significant way. Under some conditions, FDI could help countries that are unable to grow specific sectors on their own by bringing knowledge, technological capability, and skills in complement to capital. Over the past two decades, GCC country policymakers have introduced new opportunities to draw FDI, encourage economic growth, and expand stock markets. The creation of a governmental, administrative, and legal structure to monitor overseas investment is one of these incentive [25]. -In addition, the GCC decreased corporate taxes, enhanced foreign investors' accessibility to local equity markets, and extended foreign ownership to 100%.

Table 2: GCC Countries FDI Trade

Economy	FDI from the Arab World (%) in Each Country			FDI from GCC in Each Country (%)		
	2005	2010	2015	2005	2010	2015
UAE	38.49	12.58	23.31	38.49	19.36	46.15
Bahrain	3.69	0.21	0.74	3.69	0.35	1.46
Kuwait	0.84	1.85	0.75	0.84	2.75	1.55
Qatar	8.84	6.68	2.02	8.83	10.30	3.99
Oman	5.44	1.79	4.37	5.44	2.75	8.64
Kingdom of Saudi Arabia	42.75	41.77	19.32	42.75	64.77	32.29
GCC Countries	61.55	64.85	50.49	100	100	100
Arab	100	100	100	162.42	154.19	198.10

Foreign Direct Investment in the Gulf states is summarised in the Table 2 for the years 2005, 2010, and 2016. The GCC nations benefited greatly from FDI in the Arab world, with a share of 64.88% in

2010. According to the table, Saudi Arabia received the most foreign direct investment (FDI) between the Gulf states from 2005 to 2010, with a total of 64.40% in 2010. In 2016, FDI inflows decreased by 38.29% from the prior year's levels. With FDI exceeding 46.18%, the United Arab Emirates has emerged as the GCC's top FDI receiver [26].

3.3. DESCRIPTIVE STATISTICS AND INTERPRETATION

This study is conducted on annual data for Saudi Arabia's GDP per capita (X), net FDI inflows (I), gross fixed capital formation (G), and foreign trade (F) from 1970 to 2012. Researchers compared foreign direct investment to GDP, much like many other researchers. The degree of integration in the international economy affects FDI attractiveness as well. A measurement of an economy's openness that takes into consideration the fact that more emerging market economies are typically more susceptible to the lack of access to external funding is the ratio of imports to exports as a percentage of Gross domestic product. As a result, lowering restrictions on business dealings with foreign parties tends to boost horizontal Direct foreign investment in host nations. Nevertheless, many multinationals choose to concentrate on countries that are more open because vertical FDI is viewed as an initiative that does not seek a market. These statistics came from the World Bank's 2013 World Development Indicators. Table 3 displays the descriptive statistics for the multiple factors [16].

Table 3: **Descriptive Statistics**

Factors	**I**	**G**	**F**	**X**
Description	**Net Inflow of FDI**	**Gross fixed Capital formation**	**Foreign Trade**	**GDP per capita**
Mean	1.158	20.290	78.485	14902.46
Medium	0.366	20.429	76.853	13078.95
Maximum	8.4962	30.056	124.842	22109.69
Minimum	-8.294	8.916	56.475	10423.18
Standard Deviation	3.148	4.159	13.364	3450.93
Observation	42	42	42	42

Multiple Linear Regressions (MLRs) adhere to the BLUE (linear, unbiased, efficient, and consistent) requirements of the estimation method (best linear unbiased estimator). Regression with panel data ignores the panel structure of the data and creates a straightforward, all-purpose regression model. The following is the regression estimation as shown in equation (1):

$$A = \alpha + \gamma_1 G_1 + \gamma_2 E_2 + \gamma_3 I_3 + \epsilon \tag{1}$$

In the above equation (1) the Foreign Direct Investment is denoted $\gamma_1 - \gamma_3$ e constant slope intercept is α denoted as and the coefficient for the independent variable is denoted as . The gross domestic product, exchange and inflation rate is denoted as G_1, E_2 and I_3. The error term is denoted as ϵ.

4. CONCLUSIONS AND POLICY REMARKS

This research sought to determine whether the foreign businesses help Saudi Arabia and to what extent. The research findings demonstrates that FDI is advantageous to the nation because it has had a significant, favourable impact on the Saudi economy. The results also demonstrate a considerable rise in FDI levels around 20's, a development that is linked to the passage of the Foreign Investment Act in that year. The quantity of FDI projects, the amount of capital, and the company or sector could all be used to understand the pattern and character of FDI.

However, Saudi Arabia's foreign direct investment (FDI) was down until 2004, when it sharply surged from -0.13 in 2004 to 3.69 in 2005 which is mentioned in the following Table 4. Saudi Arabia's FDI rose from 2005 to 2009, when it peaked at 8.5, before significantly declining to 1.25 in 2013. The global economic crisis, which impacted the majority of American businesses that are the largest investors in Saudi Arabia, is the primary reason for the significant decline in 2009 prices.

Table 4: **Saudi Arabis FDI, GDP Year**

Year	FDI	GDP
2002	-0.32	188.54
2004	-0.12	258.75
2006	4.85	376.8
2008	7.58	519.7
2010	5.56	526.82
2012	1.67	733.95

According to research on Saudi Arabia's Gross domestic product, the country's GDP increased from 2000 until 2007, when it took a severe turn downhill before rebounding in 2009. This recovery was partially prompted by the global economic crisis as mentioned in Figure 2. The average GDP of Saudi Arabia from 2000 to 2013 was $412.7879 billion, with the maximum priority reaching $745.27 billion. Saudi Arabia's GDP was extremely distorted over this time period, with a skewness of 0.415.

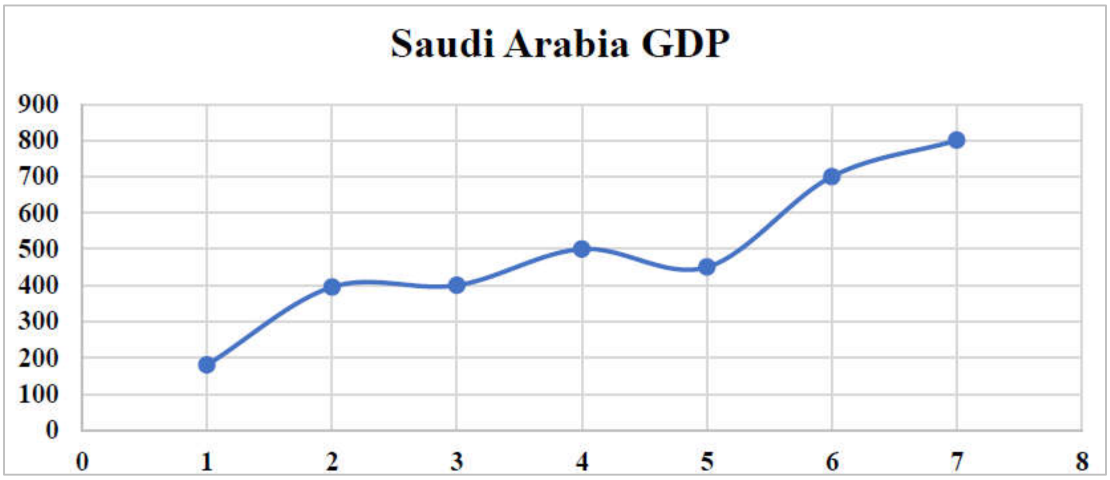
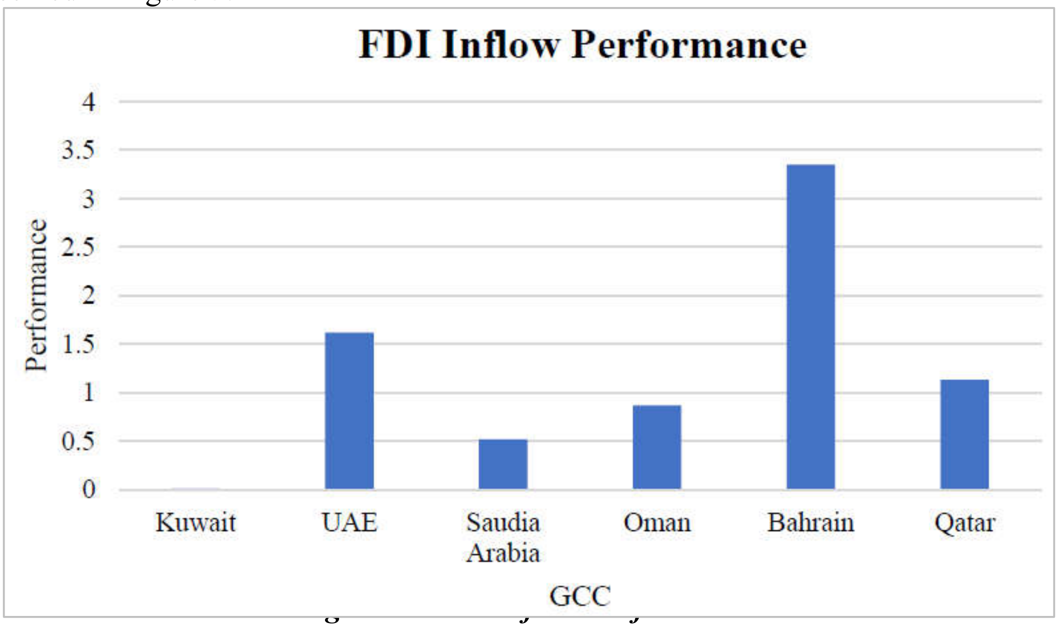


Figure 2: GDP growth of Saudi Arabia

Utilizing the FDI inbound performance and Potential index given in United nations conference on trade, researchers evaluate the nations in the region to assess their performance. According to the FDI inflow performance measure, Bahrain was the most successful country in luring FDI from 1985 to 2006, while Kuwait and Saudi Arabia had less success. The inflow performance of GCC countries were presented in Figure 3.



The factors that determine FDI in emerging nations and a parallel to Saudi Arabia proposed by Marwan et.al [27] discuss the FDI net inflows to the Gulf cooperation council countries increased to 53 billion dollars in 2008 from 1.5 billion dollars in 2001. Nevertheless, it fell to US$14 billion in 2015. the variables influencing FDI inflow in other emerging nations and how Saudi Arabia compares.

To find relevant material, a two-layered search strategy was used. The pertinent material regarding Saudi Arabia was searched first, followed by the pertinent literature about those other underdeveloped countries. To address the objectives of this study, a total of 7 studies were evaluated. Cost factors, market factors, infrastructure and technology factors, political and constitutional issues, and societal and cultural factors were discovered to be the most significant FDI drivers in Saudi Arabia. In addition, the size of the originating country, its distance from Saudi

Arabia, and its high income per person all have a significant role in determining the amount of FDI that enters the country.

Conversation among nations, a higher return on investment improved infrastructure, relationship between economic growth, Gross domestic product, rate of inflation, knowledge production, a supportive FDI policy, inner revenue growth, a decline in lending rates, salaries, and the calibre of manual labour were discovered to be the primary factors which Influences in developing nations. Comparing the elements that influence foreign direct investment in Saudi Arabia and other emerging nations reveals that the economic, judicial, and economic aspects of Saudi Arabia are unique. This can be as a result of the fact that Saudi Arabia is an Islamic nation and that all facets of conducting business there are influenced by Islamic culture and way of life.

The comparison revealed that Saudi Arabia can take lessons from other international nations to boost FDI influx. This could be accomplished by increasing cross-border information exchange, ensuring that countries making investments see higher returns on their investments, rebuilding infrastructure, fostering international competitiveness, promoting science research, offering decent FDI policies, fostering inner future growth, lowering interest rates, and raising wages and the standard of living for workers. This study does an empirical analysis of the impact of various government spending categories on Saudi Arabia's economic progress. Using annual data covering the years 1969 through 2010, we apply several econometric methodologies to assess the short- and long-term impacts of these expenditures on development.

The results show that while long-term growth is stimulated by domestic private and government capital as well as healthcare costs, trade liberalization and housing industry expenditure could also increase short-term output. For Saudi Arabian policymakers, these results have some consequences for how to maximise the benefits of public investment in economic growth. Thus the Saudi Arabia's government spending and economic growth An empirical analysis [28]. Utilizing both static and dynamic leaders include, this study examines the factors that affect the cash balances for a selection of Saudi companies from 2006 to 2014.

Our findings indicate that crucial factors that impact cash holdings include leverage, firm size, capital expenditure, net capital investments, and cash flow volatility. The findings reveal a significant disparity in the predictors of capital reserves of the two different groups of enterprises when we split our sample into two sub-samples: pharmaceutical and non-petrochemical companies. The financial factors that determine business cash holdings in an oil-rich nation with examples from the Kingdom of Saudi Arabia is investigated by Muncef Guizani et.al [29]. Researchers also look into the traits of dollar denominated firms (conservative firms). According to the findings, conservative businesses are bigger, less burdened, invest less money, and to have a steady cash flow. Dynamic panel estimation also shows that Saudi enterprises quickly change their liquidity positions in order to achieve an autonomous goal cash ratio.

The importance and influence of FDI vary according to the different economic conditions that are present in the nation. The sustainable prosperity of the host nation is positively impacted by FDI. International investments help build the framework for economic expansion and raise both local and foreign savings. The administration can close the gap among savings and investment and required national savings thanks to Foreign Direct investment. The growth of the nation's economy is said to be significantly influenced by foreign investments. The attraction of Investments within emerging nations is due to its favourable effects on labour, product, capital market, and technologies. FDI is seen as a valuable source of revenue generation due to the development of technology, managerial abilities, market knowledge, governance processes, and capital inflow. To achieve economic development through the largest inflow of FDI, particularly during the transitional phase, it is vital to create favourable policies. It is necessary to increase and promote FDI in order to support a wide range of potential economic growth drivers.

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