services and labour policies. Furthermore, the suggestion of a common market is under serious consideration. Such an action would certainly improve the attractiveness of business opportunities in Saudi Arabia as well as in the other five-member states. The spinoffs from improved transportation and co-ordinated economic policies will entice business both to those companies already established in the gulf area, as well as new entrants to Saudi Arabia. Time will tell how effective the AGCC is.

2. Macroeconomic Trends

While continuing to be the world's largest oil exporter with a current production capability of 10.5 million barrels a day, Saudi Arabia is expected to have a budget surplus of $30 to 40 billion per annum once the current oil glut situation is resolved. Oil accounted for almost three-quarters of the gross domestic product, about 90 per cent of government revenue, and almost all export earnings. With the major part of petroleum income accruing directly to the government, public sector spending is by far the most important determinant of development in the non-oil sector. The Deputy Minister of Planning stated last summer that 6.8 million barrels a day would be sufficient to meet Saudi Arabia's present needs.

The Third Five-Year Development Plan (1980-81 to 1984-85) places heavy emphasis on investment in infrastructure. An extensive road network, sufficient for the country's present needs, has been largely completed. Port facilities have been improved and expanded to such an extent that Saudi Arabia now has excess port capacity. Development of public utilities and municipal services has been stepped up. The private sector has exceeded expectations by wide margins in the housing, non-oil manufacturing, services and trade sectors.

Under the Second Five-Year Development Plan, an average of 14.1 per cent real non-oil GDP growth was achieved. This progress was made possible by huge amounts of public investment and was facilitated by substantial inflows of foreign labour to Saudi Arabia. A target of 7 to 10 per cent inflation has been set under the Third Plan, while past inflation ran in the high 30 per cent bracket in the mid-seventies. Per capita income has increased from an estimated SR 4,800 (U.S.$1,360) in 1975 to SR 8,200 (U.S.$2,464) in 1979, an increment of 55 to 60 per cent in real terms. The distribution of wealth, however, remains rather heavily concentrated, but is improving.

Due to the attraction of high interest rates abroad, a considerable amount of liquidity has been drained from the country in 1980-81.