TRANSFORMING THE RENTIER STATE: PROSPECTS FOR SAUDI ARABIA:
A SMALL N CASE STUDY OF RENTIER STATE ECONOMIC DIVERSIFICATION
AND ITS EFFECTS WITH APPLICATION TO SAUDI ARABIA’S VISION 2030

by

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ABSTRACT OF THE DISSERTATION

Transforming the Rentier State: Prospects for Saudi Arabia:
A Small N Case Study of Rentier State Economic Diversification and its Effects with Application to Saudi Arabia’s Vision 2030

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Dr. Carlos Seiglie

This research project sought to determine, to the extent feasible prior to full implementation of the elements of Saudi Vision 2030, the degree to which a strategy for economic diversification including major legal, regulatory and governmental activities and cultural shifts is likely to achieve its fundamental goals of economic diversification and an end to reliance on rentier state resources. Saudi Vision 2030 depicts a comprehensive approach to achieving economic diversification while diminishing the Kingdom’s reliance on oil and gas sector revenues. The researcher compared the possible impact of diversification via Saudi Vision 2030 to case studies of similar diversification in Bahrain, Kuwait, Oman, Qatar, and the UAE. The comparison identified the specific development initiatives undertaken by the five target states and their known economic impacts, and then further considered whether similar elements or proposals of Saudi Vision 2030 might achieve similar ends. Such a study has the potential to offer insight into the ultimate viability of Saudi Vision 2030, particularly in light of the type of socio-cultural and economic changes that it will introduce in a country
noted for its conservative, traditional attachment to long-standing norms, values, and morals. Further, given the importance of public understanding and acceptance of new governmental policies in any country, the study highlighted the degree to which Saudi Vision 2030’s emphasis on acquiring more foreign direct investment and, consequently, more foreign nationals living and working in the Kingdom, will resonate with its public, as well as any synergies between this plan for economic diversification and efforts undertaken elsewhere in the region. The study used the Small N case study methodology in developing comparisons of the economic diversification efforts of the target countries with the plans articulated in Saudi Vision 2030, taking into consideration the impact of recent world and regional events and assessing their likely impact upon full implementation of Saudi Vision 2030.
DEDICATION AND ACKNOWLEDGEMENT

My journey through the doctoral degree program at Rutgers University has been a lengthy and challenging effort. At times I have interrupted my studies to address issues of significance in my family and my own life. As I approach the conclusion of this journey, there are many individuals to whom I must offer my thanks and my appreciation for their continued support and understanding.

I could not have completed this journey without the support of my beloved mother and father, who have encouraged me to develop personally and academically throughout my entire life. And I am duty-bound to convey my gratitude to my elder brother Ahmed, who was like my backbone and still supports me unconditionally. I pay homage to my brothers, Ahmed, Abdallah, Nasser and Khalid, and to my beloved sisters, Mashael and Nouf. The loss of our father in 2019 was a devastating blow to our entire family, and it is to his memory that I dedicate this dissertation.

Of course, I owe much to the many individual professors who have guided me through my coursework and through this dissertation and have inspired me to continue when the journey became difficult. I must particularly thank Prof. Carlos Seiglie: you have been a tremendous mentor and a good friend to me. I would also like to thank my committee members Prof. Mariana Spatareanu, Prof. Mario Gonzalez Corzo, and Prof. Douglas Coate.
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CHAPTER I
Introduction

The goals of this study were to identify and assess the status of Saudi Vision 2030, a plan for diversification of the Kingdom’s economy and its use of new business development strategies, and to consider how neighboring rentier states have taken similar economic diversification measures as well as the success of such efforts. According to Hertog (2010), assessing the potential effect of government policies and reform efforts that move countries away from rentier economic systems toward greater diversification can be a productive exercise in such diverse fields as economics, political science, sociology, and public administration. Few parts of the world have been so reliant on income derived from rent as the Middle East, where every state in the region depends to some extent on rent from oil sales (Levins, 2013). While this dependence is relatively recent, dating only to the beginning of the twentieth century, the rentier system supports a long tribal tradition of buying loyalty by distributing benefits to various groups in the nation.

Levins (2013) raised the question of how rentier states which have begun economic diversification have fared with respect not only to economic development, but also to political and governmental issues including stability, democratization, and the emergence of an energized commons. The present study contributes to this discussion by considering the economic, political, and social effects of diversification in a select small sample of Gulf Cooperation Council (GCC) rentier states and examining those
experiences in light of Saudi Vision 2030 and its projected transformation of the Saudi economy.

All Saudi citizens are likely to be affected to some extent by the proposals embedded in Saudi Vision 2030. As a Saudi national and a member of the generation most likely to be directly impacted by the substantial changes in the country’s economic structure that are being proposed, this writer has a natural interest in assessing this plan. Austerity measures notwithstanding, in order to continue its economic development and infrastructure improvement activities, the Kingdom must move away from its image as a lavish welfare state and focus on the diversification of an economy that clearly cannot sustain such spending in light of declining oil prices. As Glum (2016, p. 2) notes, the Kingdom is known for “‘robust state welfare programs’ in which the approximately 19 million Saudi nationals pay no income or sales taxes and benefit from heavily subsidized municipal services and consumer goods such as fuel and food.”

Further, the study offered a unique opportunity to compare the economic diversification efforts of a sample of similarly situated rentier states with many cultural, religious, and governmental or structural synergies. Glum (2016) noted that welfare programming in these states is often the “glue” that helps maintain their stability. As the world becomes (albeit gradually) less dependent upon fossil fuels, it is incumbent on these states to seek to diversify their economies. This study can be viewed, therefore, as an opportunity to contribute to the scholarly research centered on the more large-scale demise of the rentier state.
The Research Problem

The research problem addressed in this study is as follows:

The diversification of the prototypical GCC rentier state has taken many forms, including the expansion of governmental support for infrastructure and technological and entrepreneurial business activities; changes to banking, trade, governmental structures, and legal and regulatory systems to encourage increased in- and out-flows of foreign direct investment (FDI); and establishment of lesser dependence upon oil revenues as a driver of Gross National Product (GDP). The relative successes and failures of select GCC countries, considered in comparison to elements found in Saudi Vision 2030, provide a unique opportunity to assess the potential viability of proposals within Saudi Vision 2030. Does Saudi Vision 2030, much of which remains unrealized as of this writing, have the potential to effect a foundational shift from national rentier state dependencies to a more diversified economy?

Background of the Problem

In 2017, King Salman issued a comprehensive economic plan to address issues in the Kingdom:

King Salman bin Abdulaziz Al Saud issued a royal decree approving the SAR 72 billion private sector stimulation initiative. Majed Al Qasabi, Commerce and Investment Minister, said the overall four-year program, valued at SAR 200 billion, will cover 17 initiatives ranging from housing to exports and is aimed at economic growth. According to a royal decree, the amount allocated will be divided into smaller projects, including; SAR 10 billion to support private sector projects, SAR 5 billion to boost exports and SAR 7 billion as reimbursements to small and medium-sized enterprises (SMEs) for government fees (Proven Marketing, 2017, p. 1).
Saudi Vision 2030 seeks to address the following economic issues as decreed by King Salman (Proven Marketing, 2017, p. 2):

- Enhanced employment opportunities for educated Saudi nationals (male and female alike) in the private sector economy,
- Increased assistance to entrepreneurial businesses,
- Increased heritage and other tourism,
- Increased in- and out-flows of FDI,
- Governmental financial assistance to small businesses, and
- Enhanced use of state-of-the-art communication and other technologies.

Figure 1, below, delineates the SAR 72 Billion private sector stimulation plan as articulated by the King.
The importance of these changes was addressed by the International Monetary Fund, which suggested that major impacts of oil revenue dependence (the so-called Dutch Disease) were likely to occur. In 2018, the IMF (2018, p. 1) made the following general assessment of the Saudi economy:
This appears to be a positive projection for the Kingdom, but economic issues continue to need amelioration.

The IMF (2018, p. 2) attributes its projections to progress made in implementing aspects of Saudi Vision 2030:

The projections come as the Saudi government continues with fiscal reforms, including the introduction of VAT and an energy-price hike that that was done in the beginning of this year. As per Vision 2030, reforms measures are also being implemented to improve the business environment, develop the small and medium enterprises (SME) sector, deepen the capital markets, increase the involvement of women in the economy and develop new industries with high potential for growth and job creation.

Similar points were highlighted by the World Bank when it said earlier this year that the reform initiatives could push growth to over 2 per cent in 2019: “As the National Transformation Program (NTP)-related reforms and direct government initiatives aimed at the private sector are implemented, […] capital spending is simultaneously ramped up, furthering domestic growth.” It is in this background that this study is positioned.
Theoretical Foundations of the Study

There are a number of political theories that researchers employ when assessing the activities of a nation-state with regard to developing policies and programs that are meant to support internal or external needs (Birkland, 2010). Political theories are mechanisms that essentially shape the policy-making process, with policy understood as “a statement by government of what it intends to do such as a law, regulation, ruling, decision, order, or a combination of these (Birkland, 2010, p. 9).” The policy process is a system influenced by various factors such as the structural, social, political and economic environments in which one identifies inputs and creates outputs – with outputs realized in the form of some significant changes in the ways in which the nation-state conducts its activities (McGlinchey, Walters, & Scheinpflug, 2017).

Political theories comprise both a foundation for and an explanation of how a nation-state views itself as a single actor and as an actor integrated with other actors (Archarya, 2017). Researchers including Spragens (1976) and McGlinchey et al. (2017) view theories in the context of political action and decision-making as both explicit and implicit. Further, these researchers often note that there is likely to be more than one specific “theory” operating when a state makes a major structural transformation. Political theories – including those that are discussed in this section of the study – are often based upon a specific ideology or view of the world (Antunes & Camisao, 2017). Rarely do a state and its decision-making authorities conduct a meeting in which debates regarding the relative significance of such theories as Realism, Liberalism, Rational Choice/Rational Actor, or Dynamical Systems vis-à-vis a particular issue need to be addressed (Antunes & Camisao, 2017). Nevertheless, these decision-makers come to
their tasks with a particular world view based on their lived experiences, their culture, national history, values, education, and so on (Bell, 2017; Spragens, 1976; Zahariadis, 2004).

Identifying the relative significance of any particular political theory or combination of theories is one of the tasks undertaken in the field of political science when assessing the specific actions of a state and its determination of what policies will and will not be implemented (Birkland, 2010; Freeden, 2006). This kind of analysis looks for a rationale underpinning a particular policy or transformative effort. In the present study, which compares the efforts at economic diversification of a select group of rentier states dependent for the most part on exploitation of a finite resource, it is highly likely that more than one underlying theory will be at work. In any event, few political scientists would disagree that a sovereign nation-state acts to address its own best interests whenever and wherever possible (Artunes & Camisao, 2017). This would suggest to most political scientists that Realism – as will be discussed below – is, if not the dominant theoretical foundation of most state activity (especially in terms of relationships with external actors), widely prevalent (Artunes & Camisao, 2017).

At the same time, state decision-making bodies and the individuals who lead them may be equally concerned with addressing a variety of differing perspectives on what constitutes an ideal approach to solving a particular problem or addressing a particular issue (McGlinchey, et al, 2017). This has led to what some theorists consider the “Multiple Streams Approach” (MSA) to assessing the theoretical and ideological underpinnings of a particular policy initiative. When one is dealing, as is the case here, with a complex national transformative effort such as that embodied in Saudi Vision.
2030, it is reasonable to assume that the MSA is likely to have been implicit in developing the plan. Kingdon (1995) developed the MSA metaphor as an explanation for thinking of the politics, problem, and policy streams coming together to create a window of opportunity for policy changes. Kingdon’s work (1995) generated additional assessments of how theory plays into the policy-making and decision-making processes. Sabatier (1999) suggested that while MSA is valuable in assessing the rationale behind a particular decision made by a nation-state, it fails to go beyond identification of a window of opportunity. In this same general context, Zahariadis (2014) made the case that MSA identifies ambiguity as one of the key factors that shape decisions as well as policies directed toward structural transformations; ambiguities cannot be controlled, and in the case of the rentier states of the Middle East, many such ambiguities exist (e.g., ongoing tribal and internecine conflicts, fluctuations in the price of oil, and the effect of the current global pandemic).

Discussed below are the key political theories of Realism, Liberalism, Rational Choice/Rational Actor, and Dynamical Systems. Elements of each appear to be applicable to the analysis of Saudi Vision 2030. This leads this writer to the conclusion that Kingdon’s (18995) MSA may be most applicable approach herein.

**The Realism Approach**

Antunes and Camisaõ (2018, p.1) defined Realism in this manner:

In the discipline of International Relations (IR), realism is a school of thought that emphasises the competitive and conflictual side of international relations. Realism’s roots are often said to be found in some of humankind’s earliest historical writings, particularly Thucydides’ history of the Peloponnesian War, which raged between 431 and 404 BCE. Thucydides, writing over two thousand years ago, was not a ‘realist’ because IR theory did not exist in named form until the twentieth century. However, when looking back from a contemporary vantage
point, theorists detected many similarities in the thought patterns and behaviours of the ancient world and the modern world. They then drew on his writings, and that of others, to lend weight to the idea that there was a timeless theory spanning all recorded human history. That theory was named ‘realism’.

The point here is that of all the various theories of political science and international relations, Realism may well be the oldest and most commonplace as an explanation of why states and their decision-makers act as they do.

Fundamentally, Realism contends that a state pursues those goals and objectives, promulgates those policies, programs and procedures, and enters into those relationships that are most likely to benefit it (Antunes & Camisao, 2018; Matasaka, 2012). Realists recognize that while obtaining hegemonic power in a region or even globally is desirable and in a state’s best interest, this may not be possible. Consequently, Realists make decisions that are oriented toward achieving a balance of power and a state of something resembling equilibrium (Birkland, 2011; Gilpin, 1984; Murray, 1997). Order and stability are the twin driving forces behind Realism, which perceives order and stability as necessities to avoid disruptive, chaotic situations in which peace itself is at risk.

Further, a Realist may argue that unless a state and its leaders take action, society may dissolve into the very chaos which Realists fear (Birkland, 2011; Matasaka; 2012; Rosch & LeBow, 2017). Such an attitude positions a state as a transitional and transformative actor capable of influencing both domestic and geopolitical matters.

There is, of course, a very real element of selfishness or self-serving activity implicit in Realism; Realists support allies and work to diminish the influence of antagonists and otherwise to gain competitive advantages vis-à-vis other countries (including allies) (Owens, 2007; Richmond, 2011; Sodaro, 2004). Contemporary Realism, according to
Rosch and LeBow (2017), acknowledges that conflict may at times be a viable solution to a problem, while at other times engagement is preferable. For Saudi Arabia, positioned as it is within the volatile region of the Middle East, and currently engaged in a war in with Yemen, conflict has become a Realist policy under King Salman.

Realists are, as Antunes and Camisao (2018, p. 2) note, aware of the complexity of the world in which their state is positioned:

The first assumption of realism is that the nation-state (usually abbreviated to ‘state’) is the principle actor in international relations. Other bodies exist, such as individuals and organisations, but their power is limited. Second, the state is a unitary actor. National interests, especially in times of war, lead the state to speak and act with one voice. Third, decision-makers are rational actors in the sense that rational decision-making leads to the pursuit of the national interest. Here, taking actions that would make your state weak or vulnerable would not be rational. Realism suggests that all leaders, no matter what their political persuasion, recognise this as they attempt to manage their state’s affairs in order to survive in a competitive environment. Finally, states live in a context of anarchy – that is, in the absence of anyone being in charge internationally. The often-used analogy of there being ‘no one to call’ in an international emergency helps to underline this point. Within our own states we typically have police forces, militaries, courts and so on. In an emergency, there is an expectation that these institutions will ‘do something’ in response. Internationally, there is no clear expectation of anyone or anything ‘doing something’ as there is no established hierarchy. Therefore, states can ultimately only rely on themselves.

With this in mind, Realism seems to be an excellent theoretical framework for the present study – particularly as it does interact with other theories such as Rational Choice/Actor Theory.

**Liberalism**

Meiser (2017) and others (such as Bell, 2008) take the position that Liberalism owes much to Realism, but that it differs from Realism in that it embraces a more profound Idealism with the tenet that while a state must serve its own interests, it should
also exhibit concern for the interests of other states. By doing so, a state wins friends (or hearts and minds), and gains allies. Liberalism further posits that:

- Human beings are essentially good and, in most situations, will choose right over wrong;
- Countries are predisposed toward cooperation simply because this is in their best interests;
- Peace is a valuable state of affairs that benefits all state actors, whereas conflict is damaging to all involved;
- Illiberal states are often Authoritarian and therefore vulnerable to civil unrest and violent conflict (as one sees, for example, in the case of Syria);
- A key function of the state is to ensure that individual rights and freedom are protected and that citizens are given ample opportunities for social, economic and political advancement;
- Whenever possible, any military conflict or actions that will lead to violent conflict should be avoided;
- War is a tool that should be secondary to diplomacy and humanitarian intervention (Buchan, 2002; McGraw, 2001; Meiser, 2017; Rada, 2014; Richmond, 2011).

This admittedly brief summary of the key propositions advanced by Liberalism suggests that it may not be the optimum theory to employ herein.

**Rational Choice/Rational Actor Theory**

Rational Choice and Rational Actor Theory are very similar; each suggests that people and groups make decisions based on perceptions of the benefits and risks of
alternatives, and that those decisions are driven by reason rather than adherence to an ideological posture (Levin & Milgrom, 2004; Sodaro, 2004). Crossman (2019, p. 2) explains the theory in this manner:

Rational choice theorists have argued that the same general principles can be used to understand human interactions where time, information, approval, and prestige are the resources being exchanged. According to this theory, individuals are motivated by their personal wants and goals and are driven by personal desires. Since it is not possible for individuals to attain all of the various things that they want, they must make choices related to both their goals and the means for attaining those goals. Individuals must anticipate the outcomes of alternative courses of action and calculate which action will be best for them. In the end, rational individuals choose the course of action that is likely to give them the greatest satisfaction.

As Crossman (2019) indicated, these approaches are based on the premise that all action undertaken by humans is fundamentally “rational,” based on a somewhat commonsensical assessment of options and choices and selection of that option or choice most likely to be beneficial. Rational Choice/Actors are, therefore, related to Realists in their willingness to assess a situation and respond in a manner most conducive to a desirable goal or objective.

The Rational Choice/Actor approach also rests upon the following assumptions:

- People use an economic calculus in making choices even in the political arena;
- Maximization of utilities to achieve a positive rather than a negative outcome is integral to the approach;
• Self-interest dominates most decision-making at the individual, group and state levels;

• The theory focuses more on individuals as decision-makers than on aggregated opinions; consequently, in a monarchy, one would anticipate that the King would play the seminal role in decision-making (or, as is the case in Saudi Arabia, rely heavily upon a designated heir) (Crossman, 2019; Levin & Milgrom, 2004; Sodaro, 2004).

Crossman (2004, p. 2) also noted that:

Also central to all forms of rational choice theory is the assumption that complex social phenomena can be explained in terms of the individual actions that lead to that phenomena. This is called methodological individualism, which holds that the elementary unit of social life is individual human action. Thus, if we want to explain social change and social institutions, we simply need to show how they arise as the result of individual action and interactions.

What this indicates, as relevant herein, is that one must approach analysis of Saudi Vision 2030 by recognizing the seminal roles played in its development and its implementation by King Salman and Crown Prince Mohammad bin Salman.

**Dynamical Systems Theory**

Dynamical Systems Theory was developed in order to understand, or at least describe, the changes that occur over time in both physical systems, such as the solar system and the weather, and artificial systems such as the stock market, the formation of traffic jams, and the decisions made by political actors as individuals or as representatives
of their state (Hochman, 2020). In political science, Thelen and Bates (2003) made the case that political scientists recognize that multiple factors combine to shape goals, objectives, competencies, tasks to be addressed, and the overarching situation in which such variables coincide. According to Miller and Page (2007), Dynamical Systems Theory is based on the premise that all artificial systems, or systems created by humans, are essentially adaptive, interacting, and thoughtful, but not necessarily brilliant. Societies change as situations change, often in tandem with innovations, new philosophical concepts, evolving automata, and new social relationships.

The systems at issue herein refer to those mechanisms and structures that the Kingdom of Saudi Arabia has developed over time in order to create a structure of government, reflect a culture, establish and maintain law and order, and ultimately ensure the ongoing survival of the Al-Saud regime. Saudi Arabia as it has moved into the twenty-first century can clearly be viewed as a complex adaptive system, which Miller and Page (2007) view as embedded within a combination of traditional cultural norms and values that are constantly being challenged by internal and external variables.

Hochman (2020) states that Dynamical Systems are characterized by both chaotic and non-chaotic or deterministic variables. In the case of Saudi Arabia, a highly traditional and essentially conservative Islamic society, Saudi Vision 2030 represents a number of quite significant and dramatic changes. Thus, Dynamical Systems Theory in conjunction with Realism and Rational Choice/Actor Theory may provide unique insight into the plans for modernization, government reorganization and restructuring, and new opportunities for private sector growth. As Miller and Page (2007) would undoubtedly
argue, when a complex system is confronted with the necessity of adapting to significant changes, it will require top-down and bottom-up support.

**Research Questions**

The overarching research question addressed in this project is:

To what extent does Saudi Vision 2030 resemble economic diversification efforts and proposals that have succeeded in selected GCC states?

Related questions include:

- What specific economic outcomes can be identified in select GCC states that have begun economic diversification away from a dependence on rents?
- What efforts are or have been underway in target GCC states to achieve economic diversification?
- Using standard economic measures such as GDP, GNP, PPP, government budgets, trade balances, and currency rate fluctuations, to what extent does diversification appear to have generated positive outcomes in the target countries when 1990-2000 is compared to 2012-2016?
- What specific social and political changes linked to diversification can be identified in the target countries?
- Using 1990-2000 as a baseline, what changes in the official Human Development Index (HDI) and the Gini coefficient can be observed in the target states when data from 2012-2016 are examined?
• Based upon the previous experiences of the select GCC countries, what assumptions and projections regarding the likely effects of Saudi Vision 2030 can be identified?

**Plan of the Study**

Chapter I offers a general introduction to the study, its background, and its problem statement, as well as an overview of the theoretical systems that can be employed to assess Saudi 2030 as a governmental action plan for the diversification of a rentier state economy. It presents a listing of key research questions that were employed in gathering secondary data from a variety of databases in a Small N Case Study that are discussed in depth in Chapter III. Chapter II offers a comprehensive review of literature addressing a variety of relevant topics. In Chapter III the research methods employed in a Small N case study are described. It should be noted that the research originally intended to conduct a small survey of Saudi voters, male and female, sorted into a set of three age cohorts, to assess their attitudes and beliefs regarding Saudi Vision 2030. However, this effort was prevented by lack of access to specific contact information for registered voters in the target cities of Jeddah and Riyadh; consequently, only the Small N Case Study is analyzed in Chapter IV. Chapter V offers a discussion of findings related to the research questions, while Chapter VI provides a Summary, Conclusions, and Recommendations for both further research and potential improvements to Saudi Vision 2030 as it goes forward.
CHAPTER II
Review of Literature

Introduction

This chapter of the study explores a number of issues raised in the literature that speak directly to the question of whether or not Saudi Arabia’s potential for economic diversification and reduced dependence upon rentier income will be increased as a consequence of the impending implementation of Saudi Vision 2030. First, the review delineates the nature and challenges of the prototypical rentier state. Secondly, it turns to an in-depth analysis of Saudi Vision 2030 and its potential to provide a successful foundation for the development of economic programs, policies, and practices that will encourage economic diversification in the Kingdom, foster entrepreneurship, and orient the national economy toward a combination of manufacturing and knowledge industry development. This section also offers an analysis of FDI and its impact upon development and diversification, particularly within the context of the rentier state, as well as an analysis of Saudi Arabia’s own outflows of FDI. Thirdly, the chapter examines the history of similar transitions recently implemented in Saudi Arabia, Qatar, Bahrain, Kuwait, and the UAE. Fourthly, a discussion of the cultural changes likely to occur as a consequence of implementation of Saudi Vision 2030 is offered. Finally, the chapter concludes with an assessment of the gaps in the literature that are addressed by this study.

The Rentier State

To the layperson, “rent” refers to the money that is paid for the use of an apartment, a room in a residence hall, or a house. Businesspeople often conceive of rent as payments made for the use of a factory building, machine, or warehouse facility that is
owned by others. Economists, by contrast, understand “rent” in a much broader sense: “economic rent is the price paid for the use of land and other natural resources that are completely fixed in total supply” (McConnell, Brue, & Flynn, 2012, p. 399).

Rentier state theory (RST) is a political economy theory that explains the impact of external payments or rents on state-society relations and governance (Gray, 2011). In this context, rents are most commonly understood as royalties or other payments for oil or gas exports or rare minerals such as diamonds or other precious gems. Other income, such as fees and aid, is typically considered to be rent as well. According to Gray (2011, p. 1), “as its most basic assumption RST holds that since the state receives this external income and distributes it to society, it is relieved of having to impose taxation which in turn means that it does not have to offer concessions to society such as a democratic bargain or a development strategy.”

RST emerged when scholars began to explore the political impacts of the two oil boom periods that began in the mid-1970s. The first boom was due to the oil embargo placed on the United States by Iran and several other Arab oil states because of its support for Israel in the 1973 Arab-Israeli war. The second oil boom occurred in response to the 1978-1979 Iranian revolution and the 1980-1988 Iran-Iraq war. In both cases, markets were distorted by dramatic fluctuations in the availability and price of oil. Gray (2011) has observed that multiple consequences of these events converged to bring RST to a prominence that continues to the present day.

The first scholar to identify the fundamental assumptions and tenets of rentierism was Hussein Mahdavy (1970). He argued, as would Hazem Beblawi (1987) and Jiacomo Luciani (1990), that rentier states tended to be relatively authoritarian in that the state
receives income from the rest of the world, eschewing taxation and providing services to
the citizenry without giving any attention to otherwise strengthening the domestic
economy. Luciani (1990) made the case that the rentier state is at least theoretically
autonomous from society because, provided that it infuses the domestic economy with a
minimum amount of wealth, the state becomes free to do what it will with the remaining
wealth.

As significantly, Beblawi (1987) and Luciani (1990) argued that in this situation
the state does not need to concern itself with the development of domestic support or
legitimacy because it has essentially purchased the loyalty of society in exchange for a
share of the rental wealth accrued from abroad. In this context, Gray (2011, p. 6) stated
that

those who do not accept this ‘rentier bargain’ are subdued by the strong repressive
apparatus affordable to the rentier state. The absence of democratic processes and
institutions, therefore, is an outcome of rentierism according to a range of
observers, although there may be the scope for a fiscal crisis to create an impetus
for political reform and democratization.

While Saudi Arabia possesses substantial oil reserves, its revenues depend upon a market
that is highly volatile (Al-Mejren, 2019). Crude oil and natural gas, though valuable and
extensive resources, are finite.

Early studies often examined RST in conjunction with neopatrimonialism, which
helped to explain the mechanisms through which the allocative state distributes oil wealth
and manages the elite relationships which it substitutes for wider legitimacy and/or
electoral mandates (Gray, 2011). A sovereign is a common feature of the rentier state
and often develops and maintains an extensive web of clients which underpins the
neopatrimonial system. Neopatrimonial leaders often establish a cult of personality and a public image of strong leadership that conveys a message of both charisma and popularity.

Bill and Springborg (1990) noted that the rentier states of the Arab Gulf possess many of the key characteristics of the neopatrimonial social system in which higher elites (often drawn from the extensive families of leaders such as the Al Saudis and the Al Sabahs) hold virtually all key positions in both the public and private sectors. In the Gulf and elsewhere, neipatrimonialism serves to ensure the solidarity of elites. It helps to manage business relationships in a manner that is favorable to the policy agency of the sovereign. It also blurs the relationship between the public and private spheres and is known to be highly instrumental in facilitating the emergence of a new version of state capitalism, even when challenged by international pressures for market reforms and globalization (Bill & Springborg, 1990).

Luciani (1990) also proposed that since the state was independent of the strength of the domestic economy, it did not need “to formulate anything deserving the appellation of economic policy: all it needs is an expenditure policy” (p. 79). As rents grew in countries in this economic situation, the state found that it had little interest in diversifying its economy. It was able to continue providing a wide variety of services including healthcare, education, infrastructure development, and basic income or social security without any need to develop a diversified economy. Of course, as population growth and other pressures, including demands for meaningful employment, have emerged, some of the Gulf rentier states, including Saudi Arabia, have found it necessary to subsidize economic diversification schemes (Gray, 2011).
In addition, competition within the upper levels of elites in these neopatrimonial rentier states seems to have further delayed the emergence of a cogent development policy that could be promulgated by a professional class of government civil servants (Gray, 2011). Correspondingly, rentier states throughout the Gulf from the 1950s through the mid-1980s were characterized by the following:

- Waste and inefficiency in terms of government expenditures.
- Endemic corruption impacting both domestic and foreign economic activity.
- Misallocation of wealth, with great wealth concentrated in the hands of a small circle of highly placed members of the ruling family.
- Government as the key employer of the population.
- No taxation and free services as described above.
- A lack of a positive and societally engaged economic policy.
- Limited motivation for state investment in the public economy, development of policies supportive of business, or the creation of taxation-derived bargains with people (Gray, 2011).

This system began to change in the late 1990s and early 2000s, when, as Ian Bremmer (2010) observed, a new state capitalism emerged. This new state capitalism introduced what is known as late rentierism, in which challenges to a number of regimes in the Gulf region arose, and globalization began to escalate. Matthew Machowski (2010) noted that rentierists acknowledge the existence of a bifurcated social system composed of “haves” and “have nots,” in which the latter nevertheless manage to enjoy a reasonably high standard of living. Essentially, since the 1990s, rentier states have
grappled with emergent demands for greater participation in government and decision making.

In summary, a late rentier state as described by Gray (2011) is increasingly entrepreneurial, supportive of development, and more responsive to citizen concerns. That said, “the fundamental characteristics of rentierism remain” in that “in none of these states has there been a dramatic transition to pluralistic or Western style democracy, for example, nor has the allocative nature of the state’s spending shifted very much” (Gray, 2011, p. 23).

Seven characteristics that appear to be common in the late rentier state include:

1. A responsive but still undemocratic state with limited pluralization of politics.
2. An opening to globalization while maintaining aspects of protectionism.
3. An activist economic and development policy that seeks to create predetermined economic and social outcomes and improvements.
4. An economy that is energy-driven rather than energy-centric.
5. An entrepreneurial state capitalist structure in which oil and gas companies and assets are state owned but are operated professionally and efficiently.
6. A state that is long-term in its thinking, as is evident in the development of large sovereign wealth funds (SWFs) and provision of employment particularly to younger citizens.
7. An active and innovative foreign policy in which strategic relationships are sought with powerful external actors as well as more traditional regional neighbors who possess cultural synergies (Gray, 2011).

Although RST has evolved over time and appears to continue evolving as globalization itself progresses, the characteristics described above apply to each of the states considered herein. In Bahrain, Qatar, Kuwait, the UAE, and the Kingdom of Saudi
Arabia, dynastic leadership is a key feature of governance, as is enormous wealth
generated by the oil and gas sector. Each of these states shares what Machowski (2010)
characterized as highly synergistic cultures, similar ideological orientations toward the
meaning of citizenship and the role of government, and a growing recognition of the need
to move away from exclusive reliance on rents as a source of national income. The next
section of this chapter will explore diversification efforts identified in Saudi Vision 2030
as well as some of the current political issues confronting the Kingdom and its
government.

**Saudi Vision 2030**

Saudi Vision 2030 contains the following major initiatives:

**Vision Realization Programs**

To achieve the strategic goals and targets of Vision 2030, thirteen programs called
Vision Realization Programs (VRPs) were established. The VRPs were presented by the
Council of Economic and Development Affairs (CEDA) on Monday, 24 April, 2017. The
VRPs are as follows:

1. Quality of Life Program.
2. Financial Sector Development Program.
3. Housing Program.
4. Fiscal Balance Program.
5. National Transformation Program.
6. Public Investment Fund Program.
7. Privatization Program.
8. National Companies Promotion Program.
10. Strategic Partnerships Program.
11. Hajj and Umrah Program.
12. Human Capital Development Program.
13. Saudi Character Enrichment Program.

(Saudi Vision 2030 Explained, 2019, p. 1)
Utz and Aubert (2013) considered the question of what should be done to transform rentier states in general and Arab economies in particular, noting that economies based on innovation and knowledge can help to promote greater economic growth and spur competitiveness. Utz and Aubert (2013, p. 1) stated that:

Many Arab countries have made progress over the last decade in terms of rolling out education access and information and communication technologies (ICT), gradually improving the institutional environment for private-sector led growth. Morocco and Tunisia have worked to support innovation, especially through the creation of technoparks and industrial zones that have attracted foreign direct investment and advanced manufacturing operations. Jordan has embarked on a major effort to transform the education system at the early childhood, basic, and secondary levels to produce graduates with the skills needed for the knowledge economy. The Kingdom of Saudi Arabia has launched a host of education reforms and has invested in the development of new universities, especially to boost science and technology.

These are radical proposals, but they are not seen by the Al Saudis as effecting any significant cultural changes in a country that is widely recognized as highly conservative, traditional, and reluctant to embrace change (Stancati & Al Omran, 2016).

The implementation of Vision 2030 began in 2016 and continued through 2017 in tandem with the opening of the Kingdom to more tourism from the global community beyond the Muslim world. These economic changes came “at a politically sensitive time for Riyadh. The Kingdom is engaged in a costly war in neighboring Yemen... (and) is stepping up efforts to contain the influence of Iran” (Stancati & Al Omran, 2016, p. 5).

Of course, one cannot embark on an analysis of the Saudi economic and political situation without reference to its troubled relationship with Iran and the regional crises that inevitably affect domestic stability. Ongoing war with Yemen (as a proxy war with Iran for regional hegemonic authority) presents a major threat to financial development (Alomari & Bashayreh, 2020). As Al Khatteeb (2015) has noted, regional terrorism and
sectarian tensions negatively affect each of the countries in the Middle East and heighten the pressure on the stability of the Al Saud monarchy at a time when monarchies in the region are under assault both internally and externally. The creation of Vision 2030 and the development of strategies for realizing ongoing growth and prosperity represent the Kingdom’s response to these and related challenges. Extraneous destabilizing influences such as the conflict with Yemen and volatility in oil pricing also have the potential to negatively affect adoption and implementation of Saudi Vision 2030.

The Kingdom regards entrepreneurship as a central element of its diversification effort. In Saudi Arabia, cities have continued to grow with the migration of newly educated Saudis to urban areas. This has necessitated a new approach to finding employment for Saudis under the age of 30. Bensaleh and Hennache (2015) pointed out that a key opportunity for the country lies in developing assistance programs for alternative energy businesses. The “smart city” strategy and the “knowledge economy” are common examples of this category of diversification.

The Economic Cities Authority has been tasked with advancing entrepreneurial business development while simultaneously building four new economic cities using the principles of smart city planning (Angelidou, 2015). These new cities will be overseen by the Saudi Arabian General Investment Authority (SAGIA), a government agency started in 2000 that functions as a gateway to investment in the Kingdom. Entrepreneurial startups will be partially funded through the privatization of a portion of Saudi Aramco. As the privatization effort not only addresses the Kingdom’s immediate budgetary concerns but also generates businesses that will themselves contribute to gross
domestic product (GDP) and increase consumer spending, it is doubly important to the
Kingdom’s economic prosperity.

The King Abdulaziz City for Science and Technology Badir Program for
Technology Incubators is another entrepreneurship development initiative that is already
bearing fruit in the Kingdom (Oxford Business Group, 2016). The program recognizes
that because twenty-first century entrepreneurship is often technology driven, successful
entrepreneurs will require both technology and business skills.

Programs such as the Badir Advanced Manufacturing Incubator and other
technology incubators, along with the country’s leading research institutions, also
promise to address the lack of role models for budding entrepreneurs in the Kingdom. In
fact, providing support of this nature was one of the purposes for which these incubators
and research institutions were established. Financial support is now being provided by
institutions such as the Saudi Credit & Savings Bank, which is offering interest free loans
to small enterprises, employers, and emerging businesses. Venture capital funds are
rarely extended to startups, but angel investors (also known as private investors, seed
investors, or angel funders, high net worth individuals who provide financial backing for
small startups or entrepreneurs, typically in exchange for ownership equity in the
company) are beginning to emerge in the Kingdom (Oxford Business Group, 2016).

A new approach to government social welfare spending will be critical to
successful diversification in the Kingdom. As Waldman (2016) observes, Saudis have
become quite accustomed to multiple subsidies that affect virtually every aspect of their
lives. In fact, when the preliminary form of Saudi Vision 2030 was first made public,
many Saudis took to Twitter to angrily complain about an increase of as much as 1,000
percent in water bills alone. Other subsidies ranging from totally free education to free health care for Saudi nationals may also be the focus of cutbacks in the future, although these areas are unlikely to be affected as dramatically as others.

Nevertheless, the reduction of government spending began in 2016 and will continue in subsequent years. Waldman (2016) noted that the Kingdom is looking hard at its practice of having the state provide employment for two thirds of all Saudi workers while allowing foreigners to comprise approximately eighty percent of the public-sector payroll. Moving Saudis off the government payroll and subsidies and into private sector jobs is essential to Vision 2030. Reducing government waste is linked to reducing social welfare spending. Waldman (2016) asserts that based on analysis of the efficacy of government expenditures, one can argue that for the past several years, between 80 and 100 billion dollars in annual government expenditures have been inefficient at best. Waldman (2016) based this analysis on data made public by the Saudi government in its annual reports. While these numbers do not bode well for the Kingdom, they do bolster Saudi Vision 2030’s strong emphasis on diversification.

As various analysts, including Al Khatteeb (2015), have pointed out, the cost of military spending has continued to escalate in tandem with the costs of subsidies for a variety of social welfare and so-called hard services (e.g., water, sewage and sanitation, transportation). Not only do the Saudis provide support to various rebel groups in Syria, under the leadership of Prince Mohammad bin Salman, they are also waging a war in Yemen against Houthis, who are perceived as a direct threat to Sunni hegemony in the Kingdom and elsewhere in the region. The combination of large government expenditures on social welfare programs, government services, and military and defense
activities cannot be indefinitely sustained. While it is incorrect to argue that reducing spending in these areas will have the direct effect of fostering diversification, a shift from subsidizing an economy to facilitating entrepreneurial business development and expansion will in fact achieve such a goal.

With respect to subsidy reform, Prince Mohammad bin Salman pointed out that only 20 percent of the Saudi population would actually qualify as middle or lower class and thus in need of support, noting that “we want to reach free energy markets but with subsidy programs for those with low income and not to have the subsidy in the form of lowering the energy prices” (Interview with Mohammad bin Salman, 2016, p. 5). In other words, diversification will rely on reducing subsidies and making the remaining subsidies more targeted. Given that the only form of taxation introduced by Vision 2030 will be value added taxes (VAT), this particular change may not be as dramatic as some critics have suggested.

Prince Mohammad bin Salman emphasized that Vision 2030 does not aim to eliminate all subsidies (Waldman, 2016). On the contrary, he fully expects that a number of subsidies will continue to be provided, particularly to middle class and lower income Saudis. The Kingdom does not plan to retreat from a system of free health care or free education. Even if many of these services are privatized, vouchers may very well come into play to finance access to such services, which in private sector hands will inevitably be more competitive than under government management. The decision to sell even as little as a five percent share in Saudi Aramco may well represent the key to understanding how the new leadership in Saudi Arabia is approaching the question of economic diversification.
As discussed, Saudi Arabia has functioned for decades as an exemplar of the old paradigm of a rentier state or a resource-based economy. Vision 2030 seeks to change this characterization in accordance with plans developed over 10 years ago by the Ministry of Communication and Information Technology (MCIT) and described by Gallarotti and Al Filali (2012, p. 520) as including the following general objectives:

- Raising productivity throughout the country through Information and Communication Technology (ICT) optimization.
- Effective governmental ICT regulation to facilitate growth.
- Building an internationally competitive information technology (IT) sector to generate income.
- Deployment of ICT in the national educational and training effort.
- Optimizing ICT consistently with the mission of the Arabic language, patriotism, and Islam.
- Development of an extensive population of individuals possessed of ICT skills along with the attraction of foreign expertise.

These goals and objectives are implicit within Vision 2030, and Prince Mohammad bin Salman has often spoken of the significance of ICT maximization in moving the Kingdom forward (Interview with Mohammad bin Salman, 2016). To attract FDI, it is certainly important that the Kingdom improve its ICT infrastructure. To achieve this, it is equally necessary to establish and maintain a population of skilled IT professionals who have the capacity for innovation – a task that is central to the mission of KACST.

Mohammad Khorsheed (2015, p. 1) stated that:

A society's capacity for innovation, as well as its ability to sustain growth, depends to a large extent on the strengths of and interactions among many institutions and the effectiveness of a variety of policies. The phrases "national innovation ecosystem" (NIE) and "national innovation system" (NIS) have come
into use to characterize the relationship among people, enterprises and institutions that guides the flow of technology and information within a country. Both include elements such as human resources, research and development (R&D), knowledge networks that enable rapid communication and collaboration among technical professionals, an environment for entrepreneurship, a policy environment, market and financial conditions, and infrastructure. A serious weakness in any element can pose a significant barrier to innovation.

This comment by Korsheed (2015) speaks to the importance of technological innovation as a driver of economic development. Korsheed’s statement also demonstrates the complexity of establishing a culture emphasizing innovation as part of economic diversification, an observation that it is important for Saudi Vision 2030 to recognize, given the program’s objectives of increasing emphasis on the use of innovative technologies and training of potential professionals in these fields.

Korsheed (2015) argued that any country which pursues development of an NIE will ultimately benefit because such an ecosystem can replace dependence upon finite natural resources and encourage ongoing research and development while enhancing global competitiveness. Efforts of this nature have resulted in significant economic development in countries such as China and India, both of which have experienced significant economic growth in recent years as a result of heavy investment in research and development and human capital. Korsheed (2015, p. 1) attributed the success of this strategy to “linking the science and business sectors, incentivizing innovation activities, and balancing the import of technology with indigenous R&D efforts.”

Thus, the knowledge industry provides multiple benefits to multiple sectors in an economy. The World Bank (2009) called for facilitating diversification of the Saudi oil-based economy by developing science and technology capabilities, paying attention to informatics, supporting and encouraging scientific research and technology
development, and fostering innovation, acknowledging the many opportunities for
diversification in the Kingdom which would help extricate the state from its dependence
on oil.

This is the current reality of the Saudi situation. Embracing a reduction in subsidized services for the Saudi public will be challenging The Kingdom, as has been noted elsewhere, must cease lavish expenditures and focus its energy and its funding on diversification of the economy and creation of jobs. Robust social welfare programming may be popular among Saudi citizens, but such spending cannot be sustained indefinitely in a rentier economy where a finite resource provides the majority of government revenues (Glum, 2016).

The recognition that this situation is unsustainable has led to a decrease in some types of public spending and to the establishment of Vision 2030, as described above. In addition, Glum (2016) has argued that the country must reduce spending on defense and privatize selected state-owned entities to create an influx of capital to offset current deficits.

Rather than increase oil prices by cutting production, the Kingdom has chosen to keep its market share via high production levels, accept lower prices per barrel of crude, and maintain its practice of using foreign reserves to offset budgetary shortfalls (Al Shihri & Batrawy, 2015). This technique is not necessarily new and was, in fact, employed for some 15 years in the late 1980s when oil prices sharply declined (Al Shihri & Betraway, 2015). It is unclear whether oil prices would recover in sufficient time to offset the national deficit, but the data thus far strongly support the notion that, while the
oil sector will remain a significant source of revenue for the Kingdom, diversification in the non-oil sectors remains highly desirable.

The National Transformation Program (NTP) is central to fulfilling the goals of Saudi Vision 2030. The series of graphics below depicts multiple aspects of the NTP and its anticipated outcomes. These images were provided by the Kingdom of Saudi Arabia (2020, n.p).
Figure 3

WHAT IS THE NATIONAL TRANSFORMATION PROGRAM?

WHY TRANSFORMATION?
In order to build the institutional capacity and capabilities needed to achieve the ambitious goals of "Saudi Arabia’s Vision 2030"

THE NATIONAL TRANSFORMATION PROGRAM WAS DEVELOPED TO HELP FULFILL "SAUDI ARABIA'S VISION 2030" AND TO IDENTIFY THE CHALLENGES FACED BY GOVERNMENT BODIES IN THE ECONOMIC AND DEVELOPMENT SECTORS

INNOVATIVE METHODS USED FOR:
- Identifying challenges
- Seizing opportunities
- Planning effectively
- Empowering private sector
- Execution and performance measurement

THE PROGRAMS CONTRIBUTES TO:
- Enhanced cooperation between entities
- Effective planning
- Knowledge Transfer

PRIVATE SECTOR AND NGOs PARTICIPATION IN:
- Innovative solutions
- Participation in monitoring and performance measurement

PROPER PLANNING, EXECUTION, MONITORING, AND CONTINUOUS IMPROVEMENT THROUGH:
- Defining strategic goals for entities
- Developing initiatives that achieve those goals
- Cooperating with relevant entities to achieve targets
- Transparency
- Institutionalization
- Specialized support

543 initiatives proposed by participating entities in 2016 in the NTP
WE AIM TO

- Provide our families with all the necessary support to take care of their children and develop their talents and abilities.
- Increase the participation of parents in the educational system and process.
- Help families develop their children’s characters and talents so that they can better contribute to social development.
- Encourage families to adopt a culture of careful planning in line with their capabilities.

A VIBRANT SOCIETY WITH SOLID ROOTS

WE RECOGNIZE EACH FAMILY’S ASPIRATION TO OWN A HOME

- Provide appropriate funding and mortgage solutions.
- 47% of Saudi families already own their homes. We aim to raise that rate by five percentage points by the year 2020.
- Introduce a number of laws and regulations; encouraging the private sector to build an active partnership with our citizens.

OUR GOAL

- A more prominent role for families in the education of their children.
- Increase the engagement of 80% of parents in their children’s learning process.

WE AIM TO

- Enable each family to own a home within an appropriate timeframe and through various means.

Figure 4
Figure 5

A VIBRANT SOCIETY AND A FULFILLING LIFE

THE HAPPINESS AND FULFILLMENT OF CITIZENS AND RESIDENTS IS IMPORTANT TO US. THIS CAN ONLY BE ACHIEVED BY PROMOTING:

- PHYSICAL CONDITION
- PSYCHOLOGICAL COMFORT
- SOCIAL WELL-BEING

AT THE HEART OF OUR VISION IS

- Providing a good quality of life and an attractive living environment.
- Promoting culture and entertainment.
- Establishing entertainment centers and organizing cultural events to utilize talents.
- Creating partnerships with international entertainment corporations. Land suitable for cultural and entertainment projects will be provided for libraries, museums, and theaters.
- Carefully supporting talented writers, authors, and directors.
- Offering several entertainment options to suit different tastes and preferences.

OUR GOALS BY 2030

To increase household spending on cultural and entertainment activities in the Kingdom from 2.9% to 6%.
Figure 6

1. To rise from our current position of 25 to the top 10 countries on the Global Competitiveness Index
2. To increase foreign direct investment from 3.8% to the international level of 5.7% of GDP.
3. To increase the private sector's contribution from 40% to 60% of GDP.
4. To increase the Public Investment Fund’s assets, from $160 billion to $2 trillion.
5. To raise our global ranking in the Logistics Performance Index from 49 to 25.
6. To raise the share of non-oil exports in non-oil GDP from 16% to 50%.
7. To sell less than 5% of oil giant Aramco in IPO.
8. To set up a military industry.
9. Improving the business environment.
11. Increasing the competitiveness of Saudi’s energy sector.
12. Aramco to become a hosting company and subsidiaries will be listed.
13. All infrastructure projects in Saudi will be implemented.
14. Aramco’s partial IPO to be biggest in history.
15. Reduce Saudi unemployment from 11.6% to 7%.
16. Mining industry target ninety thousand jobs, and to achieve $36 billion US Dollar a year.
17. KING Salman Bridge will link Europe and Asia & will provide vast building/investment chances.
18. Green Card project for expats living in Saudi Arabia will be ready within 5 years.
19. Saudi Arabia will open up for all tourists, within our beliefs and values.

"The Public Investment Fund (PIF) of Saudi Arabia was established in 1971. It provides financing support to productive commercial projects."

"Aramco Oil reserves 260 billion barrels."

Source: Saudi Deputy Crown Prince Mohammed bin Salman interview with Al Arabiya
Taken together, these figures illustrate the depth and breadth of Saudi Vision 2030. As its creators have emphasized, it offers a multi-faceted approach to transforming the Saudi economy to reduce its dependence on oil revenues. Researchers such as Al-Mejren (2019) have argued that Saudi Vision 2030 and the NTP have the potential to foster meaningful economic transformation. Al-Mejren (2019) has further observed that thus far, Saudi Arabia and the UAE have achieved the most rapid success in transforming their domestic economies into more diversified ones. In addition to reduced subsidies and greater support for new businesses, foreign direct investment (FDI) – both inflows and outflows – has contributed to the success of these diversification efforts.

Grand and Wolff (2020) reported what is the most current assessment of the efficacy of Saudi Vision 2030, highlighting many of the issues that have been discussed above. Though taking a generally positive view of the program, these analysts stated that:

Saudi Vision 2030 relies on massive government spending and the ability to attract foreign capital, particularly in areas like the PIF-funded megaprojects; both spending and investments are likely to be impacted by the current crisis. The
International Monetary Fund (IMF) predicts that Saudi Arabia’s economy may contract by 2.3 percent in 2020, and the non-oil GDP may slow by 4 percent. It remains to be seen if Saudi Arabia has the political and fiscal space to both address the crisis at hand and implement an economic reform program amid a potential global recession (Grand & Wolff, 2020, p. 9).

These are major challenges that affect not only decision-makers in the Kingdom, but also heads of state in Europe, the Americas, and Asia.

In concluding their assessment of Saudi Vision 2030, Grand and Wolff (2020, p. 2) said that:

If there is good news to be found, it is that Saudi Arabia has already identified the fundamental reforms required for the kingdom’s long-term economic health, and it has begun the work of implementing many of them. The core tenets of Vision 2030 still ring true: the need for job creation, bolstering the private sector, diversifying the economy, and investing in sectors where Saudi Arabia can be globally competitive. In the study’s final recommendations, the authors urge the Saudi government to abandon the temptation to micromanage economic change from on high and return to the original spirit of the Vision 2030 reforms, which was to find sectors where Saudi Arabia can compete globally, and to enable the entrepreneurial capacities of its citizens. To achieve these goals, Saudi Arabia should turn away from megaprojects and a completely top-down approach, and make serious commitments to education and human capital development, to ceding space in the economy to the private sector, to continuing improvements in the regulatory environment.

This assessment reflects ongoing concerns with the important issue of whether megaprojects should be emphasized in lieu of developing human capital and creating new employment opportunities. Overall, Grand and Wolff (2020) expressed enthusiasm about the potential embedded in Saudi Vision 2030 but cautioned government leaders to focus less on “grand plans” and more on the kind of projects that will have immediate or short-term results, leading to ongoing growth and development.

These same authors also noted that 2 percent of Saudi Aramco has been sold to domestic buyers (Grand & Wolff, 2020). Further, they stated that with respect to
employment, it is likely that some 280,000 Saudi nationals will seek employment each year for the next several years; this is taking place at a time when government can no longer provide job opportunities within its many agencies, departments and bureaus. Grand and Wolff (2020) take the position that only through more direct encouragement of private sector development will the Kingdom be able to offer its increasingly well-educated youth meaningful job opportunities. Simultaneously, however, Grand and Wolff (2020, p. 7) state that the enhanced educational and literacy levels of young Saudis is not matched by mastery of the kinds of skills needed for success in the private sector; technological innovation is required, and a more sophisticated approach to developing such skills is needed.

**The Role of Foreign Direct Investment**

With respect to foreign direct investment, or FDI, Prince Mohammad bin Salman stated in an interview with the staff of *The Economist* that:

> Profitability is the question, and this is what we’re trying to offer in order to attract investment. And this happens at the same time while having good regulations, and that could guarantee the safety of their investments. And we’re not a country new to foreign investment. The largest of international companies are present in the Saudi market: Boeing, Airbus, GE, GM, Sony, Siemens; all the large players are in the Saudi market. And all the major and key banks are opening branches in Saudi Arabia. So, I’m not just opening up to the world; I’m already open to the world. I’m only giving out opportunities (Interview with Mohammad bin Salman, 2016, p. 6).

The Kingdom needs FDI in order to create new business ventures and generate jobs for the 70 percent of the Kingdom’s population that is under the age of 30. Despite Prince Mohammad bin Salman’s observation that foreign investment is not new to the Saudi market, a number of regulatory changes will be necessary to encourage further foreign
investment. Foreign investment in the Kingdom has historically been focused on the oil sector (Stancati & AL Omran, 2016).

In Saudi Vision 2030, Mohammad calls for different types of foreign direct investment that will have socio-cultural as well as economic impacts (Interview with Mohammad bin Salman, 2016). Such changes will be difficult for a highly conservative country which has traditionally excluded the engagement of outside actors. Saudi businesspeople will need to become more comfortable doing business with non-Saudis. This will necessarily include working closely with non-Saudi women executives, managers, and other professionals. Thus, economic diversification will inevitably necessitate some type of cultural transformation as well.

In this context, Mohammad bin Salman indicated that the Kingdom seeks to move beyond its ultra-conservative image and to open its doors to tourists of all nationalities in line with its traditions and values (Stancati & Al Omran, 2016). This will also represent a dramatic transformation in a country in which religious tourism has been the only significant form of non-business travel to the country. In order to attract tourists, the Kingdom will need to consider adopting many of the strategies that have made the United Arab Emirates (UAE) in general and Dubai in particular so appealing to Western tourists and businesspeople. It is highly likely that this will be a very difficult undertaking for the Saudi culture.

Attracting not only Saudi investors, but also investors from the GCC and its various investment funds, international funds, and multinational enterprises is integral to the plan to bring about diversification in Saudi Arabia, as is the development of strategic alliances with many of the companies that already have some stake in the Kingdom.
“Knowledge Economic Cities” – a set of four intelligent cities to be developed in Saudi Arabia – will provide fruitful sites for such collaboration. The first Knowledge Economic City, located just outside of Medinah, will serve as an alternative Central Business District for the existing city. According to Angelidou (2015), this development project, coming in at a cost of approximately $7 billion, will bring together public and private funds to replicate the kinds of high technology services that are available in cities such as Dubai. When completed, the project, begun in 2006, will provide residences and worksites for up to 200,000 people as well as offering a location where non-Saudi businesses can function.

In a study of FDI’s influence on economic growth and employment in Saudi Arabia, Albassam (2015) found that FDI inflows had little if any impact on economic growth, beyond directly contributing to government efforts to reduce unemployment. According to Albassam (2015), the FDI’s primary benefit lies in giving the government the opportunity to take a step back from providing employment opportunities for all Saudi nationals. Inevitably, reducing dependence on the government as the primary employer will free up funding for other necessary projects. Hence, even if FDI cannot currently be shown to improve economic performance directly, Albassam (2015) takes the position that it is both useful and necessary.

Extant conditions in Saudi Arabia may pose significant challenges to a transition away from reliance on oil revenue and towards a knowledge economy. In 2005, a long-term development report issued by the Ministry of Economy and Planning proposed the pursuit of economic diversification through upgrading the innovative skills and knowledge of various groups in the Kingdom. The plan encouraged “innovation in
science and technology’ through the establishment of 10 research centers, 15 university technological innovation centers in association with King Abdullah City for Science and Technology (KACST), and at least eight technology incubators at KACST and other universities” (Gallarotti & Al Filali, 2012, p. 51).

Nour (2014, p. 4) delineates the distinction between the old paradigm of resource-based economic activity and the new paradigm of knowledge-based economic activity. A resource-based economy is one in which GNP or GDP to a large extent comes from natural resources. It is this “old paradigm” that most clearly defines the Kingdom’s economic system. The knowledge-based economy, by contrast, is the new paradigm in which human intellectual capital replaces resources such as oil, gas, and other valuable minerals. The knowledge economy as a change agent depends upon qualifications rather than labor, research and development rather than raw materials, local suppliers rather than premises, reliable infrastructure rather than bulk transportation, and good living conditions.

Similarly, such an economy is entrepreneurial and calls for a friendly and stable policy environment. It facilitates what Nour (2014, p. 4) calls “competitive ability regarding the attraction of capital, innovation, and qualified labor.” In keeping with Saudi Vision 2030’s significant reduction of governmental subsidies, a knowledge economy thrives best in the absence of the subsidies, tax allowances, low user charges, and rents that are integral to the resource-driven economic system.

The Saudi Economy

Varga (2016, p. 1) noted that “Saudi Arabia has always been a notoriously inward-looking nation but it is now waking up to the realization that its 20th century
model of oil revenues and authoritarianism will not be able to sustain it in the 21st century.” For decades, the Al Sauds contained any frustrations such as those that ignited the Arab Spring through lavish public spending on a variety of social welfare programs and services. Under the leadership of King Salman and his son and economic chief, Prince Mohammad bin Salman, however, the country is embarking on the same process of de-oilification that occurred in the United Arab Emirates and in Iran. This transformation is driven by the recognition that the oil sector is extremely volatile and that long-term development requires moving beyond current levels of spending and over-reliance on oil revenues.

Thus, the decline of the oil industry and the high cost of subsidies and military spending are coalescing to shape the Saudi response to budgetary concerns. Al Khatteeb (2015) argues that pursuing diversification and increasing public-private sector cooperation will provide employment for millions of underemployed youth, many of whom have obtained undergraduate and graduate college degrees through the use of government scholarships and who now seek meaningful careers in the private sector in their home country.

Scholars have estimated that the Kingdom must produce at least three million new jobs by 2020 in order to provide employment for the 37 percent of the population aged 14 or younger as they mature (Varga, 2016). This is a task of enormous significance which in and of itself depends upon moving away from the rentier state model in which a single resource is exploited and jobs for educated Saudi nationals are relatively limited. As Varga (2016) has noted, many of the jobs produced by the oil sector are held by foreign
nationals and not by Saudis. This is one of the characteristics of the rentier state which

Vision 2030 seeks to ameliorate.

A comprehensive listing of key economic indicators for the Kingdom is provided

below.

**Table 1 Saudi Arabia Economy Data to 2015**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (million)</td>
<td>28.4</td>
<td>29.2</td>
<td>30.0</td>
<td>30.8</td>
<td>31.4</td>
</tr>
<tr>
<td>GDP per capita (USD)</td>
<td>23,594</td>
<td>25,136</td>
<td>24,815</td>
<td>24,496</td>
<td>20,813</td>
</tr>
<tr>
<td>GDP (USD bn)</td>
<td>669</td>
<td>734</td>
<td>744</td>
<td>754</td>
<td>653</td>
</tr>
<tr>
<td>Economic Growth (GDP, annual variation in %)</td>
<td>10.0</td>
<td>5.4</td>
<td>2.7</td>
<td>3.6</td>
<td>3.4</td>
</tr>
<tr>
<td>Consumption (annual variation in %)</td>
<td>1.7</td>
<td>11.7</td>
<td>3.2</td>
<td>6.1</td>
<td>6.7</td>
</tr>
<tr>
<td>Investment (annual variation in %)</td>
<td>15.6</td>
<td>5.0</td>
<td>5.6</td>
<td>7.5</td>
<td>-1.5</td>
</tr>
<tr>
<td>Industrial Production (annual variation in %)</td>
<td>12.0</td>
<td>4.9</td>
<td>0.2</td>
<td>3.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>5.5</td>
<td>5.6</td>
<td>5.6</td>
<td>5.8</td>
<td>5.7</td>
</tr>
<tr>
<td>Fiscal Balance (% of GDP)</td>
<td>11.6</td>
<td>13.6</td>
<td>6.5</td>
<td>-2.3</td>
<td>-15.0</td>
</tr>
<tr>
<td>Public Debt (% of GDP)</td>
<td>5.4</td>
<td>3.6</td>
<td>2.2</td>
<td>1.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Money (annual variation in %)</td>
<td>15.4</td>
<td>13.6</td>
<td>11.1</td>
<td>14.6</td>
<td>2.5</td>
</tr>
<tr>
<td>Inflation Rate (CPI, annual variation in %, eop)</td>
<td>4.8</td>
<td>3.6</td>
<td>3.0</td>
<td>2.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Inflation Rate (CPI, annual variation in %)</td>
<td>6.1</td>
<td>2.9</td>
<td>3.5</td>
<td>2.7</td>
<td>2.2</td>
</tr>
<tr>
<td>Policy Interest Rate (%)</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Exchange Rate (vs USD)</td>
<td>3.75</td>
<td>3.75</td>
<td>3.75</td>
<td>3.75</td>
<td>3.75</td>
</tr>
<tr>
<td>Exchange Rate (vs USD, aop)</td>
<td>3.75</td>
<td>3.75</td>
<td>3.75</td>
<td>3.75</td>
<td>3.75</td>
</tr>
<tr>
<td>Current Account (% of GDP)</td>
<td>23.7</td>
<td>22.4</td>
<td>18.2</td>
<td>10.2</td>
<td></td>
</tr>
<tr>
<td>Current Account Balance (USD bn)</td>
<td>159</td>
<td>165</td>
<td>135</td>
<td>76.9</td>
<td>-</td>
</tr>
<tr>
<td>Trade Balance (USD billion)</td>
<td>245</td>
<td>247</td>
<td>223</td>
<td>184</td>
<td>-</td>
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<tr>
<td>Exports (USD billion)</td>
<td>365</td>
<td>388</td>
<td>376</td>
<td>342</td>
<td>-</td>
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<tr>
<td>Imports (USD billion)</td>
<td>120</td>
<td>142</td>
<td>153</td>
<td>158</td>
<td>-</td>
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<tr>
<td>Exports (annual variation in %)</td>
<td>45.2</td>
<td>6.5</td>
<td>-3.2</td>
<td>-8.9</td>
<td>-</td>
</tr>
<tr>
<td>Imports (annual variation in %)</td>
<td>23.1</td>
<td>18.2</td>
<td>8.1</td>
<td>3.3</td>
<td>-</td>
</tr>
<tr>
<td>International Reserves (USD)</td>
<td>544</td>
<td>656</td>
<td>726</td>
<td>732</td>
<td>616</td>
</tr>
<tr>
<td>External Debt (% of GDP)</td>
<td>13.5</td>
<td>12.0</td>
<td>11.6</td>
<td>12.3</td>
<td></td>
</tr>
</tbody>
</table>

(Saudi Arabia Economic Outlook, 2016: 1).
More recent data available on the Saudi National Economy depicts a somewhat different situation.

<table>
<thead>
<tr>
<th>Markets</th>
<th>Actual</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency</td>
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<td>3.75</td>
<td>3.75</td>
<td>3.75</td>
<td>3.75</td>
<td>3.75</td>
</tr>
<tr>
<td>Stock Market (points)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7426</td>
<td>7248</td>
<td>7073</td>
<td>6902</td>
<td>6736</td>
<td>6403</td>
</tr>
<tr>
<td>Overview</td>
<td>Actual</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
<td>2021</td>
</tr>
<tr>
<td>GDP Growth Rate (%)</td>
<td>1.20</td>
<td>0.5</td>
<td>1.5</td>
<td>1</td>
<td>0.9</td>
<td>1</td>
</tr>
<tr>
<td>GDP Annual Growth Rate (%)</td>
<td>-1.00</td>
<td>-5</td>
<td>2.5</td>
<td>2.2</td>
<td>4.5</td>
<td>3</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>5.70</td>
<td>5.8</td>
<td>5.8</td>
<td>5.7</td>
<td>5.5</td>
<td>5.6</td>
</tr>
<tr>
<td>Inflation Rate (%)</td>
<td>0.50</td>
<td>0.2</td>
<td>1.8</td>
<td>1.9</td>
<td>2.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Interest Rate (%)</td>
<td>1.00</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Balance of Trade (Million SAR)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>85162.00</td>
<td>48000</td>
<td>63347</td>
<td>64741</td>
<td>71487</td>
<td>104666</td>
</tr>
</tbody>
</table>
Current Account (USD Million)  | 2858.00 | -3500 | -2500 | -5500 | -1500 | -1500  
Current Account to GDP (%)  | 6.30    | -3.5  | -3.5  | -4    | -4    | -4     
Government Debt to GDP (%)  | 19.10   | 24    | 24    | 27    | 27    | 27     
Government Budget (% of GDP) | -9.20   | -12.5 | -12.5 | -8.5  | -8.5  | -8.5   
Manufacturing PMI (points) | 47.70   | 51    | 52    | 53    | 55    | 54     
Consumer Confidence (points)| 121.00  | 107   | 109   | 110   | 113   | 106    
Corporate Tax Rate (%)      | 20.00   | 20    | 20    | 20    | 20    | 20     
Personal Income Tax Rate (%)| 0.00    | 0     | 0     | 0     | 0     | 0      

*(Saudi Arabia – economic forecasts, 2020, p. 1)*

Other data serve to further illustrate the Kingdom’s current economic situation.

**Table 3**

<table>
<thead>
<tr>
<th>Overview</th>
<th>Last</th>
<th>Reference</th>
<th>Previous</th>
<th>Range</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth Rate (%)</td>
<td>1.2</td>
<td>Dec/19</td>
<td>0.3</td>
<td>-2 : 8.4</td>
<td>Quarterly</td>
</tr>
<tr>
<td>GDP Annual Growth Rate (%)</td>
<td>-1</td>
<td>Mar/20</td>
<td>-0.3</td>
<td>-20.7 : 24.2</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>5.7</td>
<td>Mar/20</td>
<td>5.7</td>
<td>4.35 : 6.3</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Metric</td>
<td>Value</td>
<td>Date</td>
<td>Previous Value</td>
<td>Change</td>
<td>Frequency</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>-------------</td>
<td>-------</td>
<td>----------------</td>
<td>--------</td>
<td>-----------</td>
</tr>
<tr>
<td>Inflation Rate (%)</td>
<td>0.5</td>
<td>Jun/20</td>
<td>1.1</td>
<td>-1.6</td>
<td>Monthly</td>
</tr>
<tr>
<td>Interest Rate (%)</td>
<td>1</td>
<td>Jun/20</td>
<td>1</td>
<td>0</td>
<td>Daily</td>
</tr>
<tr>
<td>Balance of Trade (Million SAR)</td>
<td>85162</td>
<td>Mar/20</td>
<td>121276</td>
<td>3898</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Current Account (USD Million)</td>
<td>2858</td>
<td>Mar/20</td>
<td>9213</td>
<td>27509</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Current Account to GDP (%)</td>
<td>6.3</td>
<td>Dec/19</td>
<td>9</td>
<td>-21</td>
<td>Yearly</td>
</tr>
<tr>
<td>Government Debt to GDP (%)</td>
<td>19.1</td>
<td>Dec/18</td>
<td>17.2</td>
<td>1.6</td>
<td>Yearly</td>
</tr>
<tr>
<td>Government Budget (% of GDP)</td>
<td>-9.2</td>
<td>Dec/18</td>
<td>-8.9</td>
<td>25.27</td>
<td>Yearly</td>
</tr>
<tr>
<td>Manufacturing PMI (points)</td>
<td>47.7</td>
<td>Jun/20</td>
<td>48.1</td>
<td>42.4</td>
<td>Monthly</td>
</tr>
<tr>
<td>Consumer Confidence (points)</td>
<td>121</td>
<td>Mar/20</td>
<td>119</td>
<td>94</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Corporate Tax Rate (%)</td>
<td>20</td>
<td>Dec/20</td>
<td>20</td>
<td>20</td>
<td>Yearly</td>
</tr>
<tr>
<td>Personal Income Tax Rate (%)</td>
<td>0</td>
<td>Dec/20</td>
<td>0</td>
<td>0</td>
<td>Yearly</td>
</tr>
<tr>
<td>Coronavirus Cases (Persons)</td>
<td>243238</td>
<td>Jul/20</td>
<td>240474</td>
<td>1</td>
<td>Daily</td>
</tr>
<tr>
<td>Coronavirus Deaths (Persons)</td>
<td>2370</td>
<td>Jul/20</td>
<td>2325</td>
<td>0</td>
<td>Daily</td>
</tr>
</tbody>
</table>
Several factors place Saudi Arabia in a relatively enviable fiscal position:

- The Saudi Arabian Monetary Agency, the central bank, possesses about $700 billion in foreign assets.
- The economy is expected to grow by a factor of 5.1 percent for the foreseeable future despite contractions in the oil sector.
- Inflation itself is low.
- Banks in the Kingdom enjoy high levels of liquidity (Martin, 2014, p. 91).

That noted, the country faces a budgetary shortfall (briefly described above) that has necessitated the development of a set of diversification strategies designed to eliminate extensive dependency on resource exploitation. Recent changes in the oil industry, such as declining prices for barrels of crude, have spurred the government to consider measures which, in the unique economic context of Saudi Arabia, might be experienced as austerity, although they would not be considered austere elsewhere. Research indicates that while the country has sufficient monetary reserves to cope with declining oil prices, using those reserves “to avoid further cost-cutting would put its credit rating at risk while delaying policies with a longer term benefit, including the reduction of subsidies and the introduction of more taxes to diversify revenue beyond oil” (Nereim, 2015, p. 1).
Equally significant is that, in the period from June of 2014 to June of 2015, Saudi long-term accumulation of monetary reserves excluding gold declined. Figure 8, below, visually illustrates this decline.

(Nereim, 2015, p. 1)
While not necessarily troubling at present, this retreat from accumulation of reserves has implications for the Kingdom’s budgetary stability and its ability to continue providing the kinds of subsidies that have become entitlements. The budget released for fiscal years 2015 and 2016 by the Ministry of Finance (2015, p. 1) remained dependent upon petroleum product taxes and customs fees, investments, and documents fees, even as oil revenues are expected to reach SR444.5 billion or 73 percent of total revenue - a decline of 23 percent from 2014. Hence, government expenditures have been financed in part by borrowing in the local and international markets.
For 2015-2016, the Ministry of Finance (2015, p. 3) projected the following allocations:

### Table 4 Budget Allocation by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>SR Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education &amp; Training</td>
<td>191.659</td>
</tr>
<tr>
<td>Health &amp; Social Development</td>
<td>104.864</td>
</tr>
<tr>
<td>Municipality Services</td>
<td>21.246</td>
</tr>
<tr>
<td>Military &amp; Security Services</td>
<td>213.367</td>
</tr>
<tr>
<td>Infrastructure &amp; Transportation</td>
<td>23.903</td>
</tr>
<tr>
<td>Economic Resources</td>
<td>78.121</td>
</tr>
<tr>
<td>Public Administration</td>
<td>23.810</td>
</tr>
<tr>
<td>Budget Support Provision</td>
<td>183.000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>840.000</strong></td>
</tr>
</tbody>
</table>

These expenditures by sector will generate a fiscal deficit projected to be at least SR 326.2 billion. This deficit will be financed via borrowing, but the Ministry of Finance (2015, p. 4) acknowledges that the government needs to conduct “comprehensive economic, fiscal, and structural reforms and to work on strengthening public finances, enhancing sustainability over the medium and long terms and continuing to adopt necessary development projects and services for economic growth.” Privatization, including sales of a five percent share in Saudi Aramco, are key elements in the transformation that the Kingdom will undergo.
However, since the beginning of the present research project, there have been significant changes in the size of the government’s annual deficit. In 2018, Saudi Arabia recorded a Government Budget deficit equal to 9.20 percent of the country's Gross Domestic Product.

Table 5

Saudi Arabia Government Budget

<table>
<thead>
<tr>
<th>Actual</th>
<th>Previous</th>
<th>Highest</th>
<th>Lowest</th>
<th>Dates</th>
<th>Unit</th>
<th>Frequency</th>
</tr>
</thead>
</table>

Saudi Arabia Government Debt to GDP

| Last   | Previous | Highest | Lowest | 1.60 | percent | [+]
|--------|----------|---------|--------|------|---------|-------|

Saudi Arabia Government Budget

| -9.20  | -8.90    | 43.17   | -25.27 | [+]
|--------|----------|---------|--------|-------|

Saudi Arabia Government Spending

<table>
<thead>
<tr>
<th>167334.00</th>
<th>211055.00</th>
<th>212452.00</th>
<th>76217.00</th>
</tr>
</thead>
</table>
| SAR Million | [+]

Saudi Arabia Government Revenues

<table>
<thead>
<tr>
<th>926846.00</th>
<th>894711.00</th>
<th>1247398.00</th>
<th>5668.00</th>
</tr>
</thead>
</table>
| SAR Million | [+]

Saudi Arabia Fiscal Expenditure

<table>
<thead>
<tr>
<th>1059445.00</th>
<th>1030415.00</th>
<th>1109903.00</th>
<th>6028.00</th>
</tr>
</thead>
</table>
| SAR Million | [+]


Military Expenditure 65843.00 70400.00 88233.00 808.00 USD Million [+]

Government Budget Value -132599.00 -135704.00 580924.00 -362229.00 SAR Million [+]

Credit Rating 75.00

(Trading Economics, 2020, p. .4)

Current Status of Saudi Vision 2030

The Saudi Ministry of Finance (2019, p. 1) recently reported that:

Reforms in public financial management will continue to promote the efficiency of spending and ensure the realization of improved social and economic returns. …Revenues are expected to slightly decline to SAR 833 bn in FY2020 before increasing to SAR 863 bn in FY2022. Non-oil revenues are expected to improve in the medium term due to improvement in economic activity. • The FY2020 budget and the medium-term plan focus on expenditure priorities. This ensures the continuous provision and development of basic services, empowerment of the private sector and execution of mega projects, VRPs and projects in addition to social protection programs. Execution timelines of these projects and programs are being continuously revised to increase their effectiveness and realize their social and economic objectives about SAR 1,020 bn before declining to SAR 955 bn in 2022 due the expected completion of several planned projects by that date.

It appears that the Saudi Ministry of Finance (2019) is committed to reducing certain types of government expenditures. Simultaneously, it seeks to encourage the kind of economic diversification that other GCC countries have undertaken and which is also integral to Vision 2030.

Teller (2018, p. 1), commenting in 2018, pointed out that Saudi Vision 2030 has been described as a neoliberal blueprint in that:

It envisages, among hundreds of initiatives, privatizing entire sectors of the economy, cutting subsidies, courting investors at home and abroad, streamlining
government services, and going public with the national oil company, Saudi Aramco. In its two-year review of Saudi Vision 2030, issued in May 2018, the International Monetary Fund (IMF) declared that Saudi Arabia was making “good progress” in implementing reforms likely to help spur economic growth.

As previously stated, the Vision 2030 project— to lower Saudi Arabia’s dependency on oil by creating new revenue streams – was sparked by the oil price collapse of 2014-15, which forced the government to declare a deficit budget in 2016. For many years the Saudi economy had been dependent on, and sustained by, oil. As Teller (2018) pointed out, it was in 2015 that the business consulting firm McKinsey laid the foundations of Vision 2030 by proposing how the kingdom might redirect its economy away from oil dependence and build a sustainable economy.

What McKinsey’s proposals could not adequately tackle, however, was the impact that a rebound in oil prices, and the resulting temptations, might have on the diversification program. Teller’s (2018) observation of the progress of Vision 2030 since its publication suggested that reform efforts will most likely be shaped by the price of oil. When oil prices rise, reforms are potentially likely to be held off, and when oil revenues decline, reforms may be more rapidly forthcoming. “The primary challenges for the government,” according to the IMF’s mission chief for the kingdom, Tim Callen, “are to sustain the implementation of reforms, achieve the fiscal targets it has set, and resist the temptation to re-expand government spending in line with higher oil prices” (Quoted in Teller, 2018, p. 3).

It has been reported that while many of the projects of Vision 2030 are underway, others are still in the planning stage as depicted below:
<table>
<thead>
<tr>
<th>Project Name</th>
<th>Location</th>
<th>Total Area (km²)</th>
<th>Date 1</th>
<th>Date Finished</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Taif Project</td>
<td>Taif</td>
<td>1250</td>
<td>1 March 2017</td>
<td>2020</td>
<td>3 Billion Dollars</td>
</tr>
<tr>
<td>Diriyah Gate Project</td>
<td>Diriyah</td>
<td>1.5</td>
<td>20 July 2017</td>
<td>2030</td>
<td>Unknown</td>
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<tr>
<td>Al-Qiddiya Project</td>
<td>Al-Qiddiya, south-west of Riyadh</td>
<td>334</td>
<td>8 April 2017</td>
<td>2022</td>
<td>2.7 Billion Dollars</td>
</tr>
<tr>
<td>Al-Faisaliah project</td>
<td></td>
<td>2,450</td>
<td>26 July 2017</td>
<td>First Phase will be completed by the end of 2020</td>
<td>Unknown</td>
</tr>
<tr>
<td>Downtown Jeddah</td>
<td>Jeddah</td>
<td>5.2</td>
<td>27 September 2017</td>
<td>First Phase will be completed by the end of 2022</td>
<td>4.8 Billion Dollars</td>
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<tr>
<td>NEOM</td>
<td>Northwest of Saudi Arabia</td>
<td>26,500</td>
<td>24 October 2017</td>
<td>First Phase will be completed by the end of 2025</td>
<td>500 Billion Dollars</td>
</tr>
<tr>
<td>The Renewable Energy Project</td>
<td>Multiple Locations</td>
<td>Unknown</td>
<td>27 March 2018</td>
<td>2030</td>
<td>200 Billion</td>
</tr>
<tr>
<td>Amaala Project</td>
<td></td>
<td>3,800</td>
<td>26 September 2018</td>
<td>First Phase will be completed by the end of 2020</td>
<td>Unknown</td>
</tr>
<tr>
<td>King Salman Energy Park</td>
<td>Between Dammam and Al-Ahsa</td>
<td>50</td>
<td>5 December 2018</td>
<td>First Phase will be completed by the end of 2021</td>
<td>1.6 Billion Dollars</td>
</tr>
<tr>
<td>Al-Ula Vision</td>
<td>Al-`Ula</td>
<td>22500</td>
<td>11 February 2019</td>
<td>2030</td>
<td>Unknown</td>
</tr>
<tr>
<td>King Salman Park, Sports Boulevard,</td>
<td>Riyadh</td>
<td>+149</td>
<td>19 March 2019</td>
<td>Unknown</td>
<td>23 Billion</td>
</tr>
</tbody>
</table>
Green Riyadh and Riyadh Art

**Great Mosque of Mecca**  
Mecca  
250,000  2017  mid-2018  21.3 Billion Dollars

**Mall of Saudi**  
Riyadh  
8666,000  2017  2020  3.2 Billion Dollars

**New Jeddah Downtown – Phase 1**  
Jeddah  
unknown  2017  unknown  2 Billion Dollars

(Saudi Vision 2030 Explained, 2019, p. 1).

To achieve the strategic objectives of Vision 2030, new government entities were created and existing entities were reconstructed and/or merged:

**Table 7**

<table>
<thead>
<tr>
<th>New entity</th>
<th>Reconstructed and/or merged from previous entity</th>
<th>Previous entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council of Economic and Development Affairs (CEDA) PMO</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Delivery Unit (DU)</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>National Center for Performance Management (Adaa)</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Corporate Communication Unit at CEDA (CCU)</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>General Authority for Culture (GAC)</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td><strong>General Authority for Entertainment</strong> of (GEA)</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Strategic Management Committee and Strategic Management Office (SMO)</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Ministry of Commerce and Investment</td>
<td>Yes</td>
<td>Ministry of Commerce and Industry</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-----</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Ministry of Labor and Social Development</td>
<td>Yes</td>
<td>Ministry of Social Affairs</td>
</tr>
<tr>
<td>Ministry of Energy, Industry and Mineral Resources</td>
<td>Yes</td>
<td>Ministry of Petroleum and Mineral Resources and</td>
</tr>
<tr>
<td>Ministry of Environment, Water and Agriculture</td>
<td></td>
<td>Ministry of Water and Electricity and Ministry of Agriculture</td>
</tr>
<tr>
<td><strong>Ministry of Hajj and Umrah</strong></td>
<td>Yes</td>
<td>Ministry of Hajj</td>
</tr>
<tr>
<td>Public Education Evaluation Commission</td>
<td>Yes</td>
<td>Education Evaluation Commission</td>
</tr>
</tbody>
</table>

(Saudi Vision 2030 Explained, 2019, p. 6).

In assessing the likelihood that Vision 2030 will be fully implemented according to various projected timelines, Banker Middle East (A drama of supply and geopolitics, 2019) listed several variables likely to affect implementation outcomes, including:

- Continued volatility in the price per barrel of crude oil;

- The long-lasting impact of the cyberattack and the drone attacks on Saudi Aramco’s oil processing facilities at Abqaiq and Khurais, with the drone attacks having wiped out 5 percent of the world’s oil supply and forcing facility work stoppages;

- The ongoing proxy war with Iran centered on Yemen, and the high cost of continued Saudi investments in military equipment and weaponry purchases;

- Conflicts between Iran and the U.S., which is one of the Kingdom’s most constant geopolitical supporters;

- Declining credit ratings for the Kingdom;

- Iran’s announced withdrawal from the Nuclear deal;
• Investor concern regarding the inherent stability of the Saudi regime, particularly in light of global outrage regarding the death of the American-based journalist Jamal Kashoggi (MSN, 2020);

• Tensions between Iran and the U.S. due to recent events such as the assassination of Qasam Soleimani (See also MSN, 2020).

Finally, it must be acknowledged that not all Saudi nationals are equally pleased with many of the changes that Saudi Vision 2030 proposes. As early as its announcement in 2016, Shiloh (2016) reported that many older, conservative, and highly traditional Saudis expressed concerns that were not limited to the elimination of or reduction in government subsidies. They also felt that proposals regarding greater participation of women in public and civic life were problematic, and that the cultural changes proposed by the program would be too rapid for comfort.

Grand and Wolff (2020) noted that some 59.6 percent of Saudi women seeking work outside the home are currently unemployed. As more and more Saudi women obtain university degrees, the demand for employment will only increase.

The Saudi clerics’ response to a program that threatens “to substantially erode their position in favor of economic elites” has been mixed, as Shiloh noted (2016, p. 2):

[T]he religious establishment, including some members of the Supreme Council of Clerics and even semi-establishment religious scholars like Sheikh Salman al-Auda (who once opposed the regime) and Sheikh Aaidh al-Qarni (who is known for preaching repentance to al-Qaeda operatives in the kingdom), expressed enthusiastic support for the program. There are, however, exceptions. Sheikh Mohammed al-‘Arifi, who is now considered the top religious authority in Saudi Arabia in particular and in the Sunni world more generally, placed his faith in Allah, rather than in Prince Mohammed bin Salman, to direct the project in the right way, which might indicate a modicum of criticism.

Some Muslim clerics take exception to the implicit socio-cultural changes that will inevitably occur as all of the various elements of Vision 2030 are implemented. Thus,
while the Al-Sauds remain fully committed to all aspects of Saudi Vision 2030, this is not necessarily true of many different cultural or political groups in the Kingdom.

**Case Analyses**

This section of the literature review focuses on a sample of Arab Gulf rentier states, each of which has an authoritarian central government headed by a non-elected monarch and an economy that has until recently been almost exclusively derived from the oil and gas sector. Consequently, as Beblawi (1987) observed, these are countries in which loyalty to the ruling elites is maintained because individuals find “their personal economic interested vested directly in the state” (p. 88).

Each of these individual countries has devoted oil revenues to extensive welfare which has become a policing tool as well as a marketing tool. The states possess a Rentierist mentality in which wealth “is often used to secure regional peace and stability in pretty much the same way as is the case domestically” (Machowski, 2010, p. 2). These Arab states use foreign aid almost exclusively in support of other Arab or Muslim countries to buy allegiance or to avoid conflict. This is hardly a perfect system, however, as the Iraqi invasion of Kuwait and the Egyptian occupation of Yemen (as well as the Kingdom’s current engagement in that country) demonstrate.

In Bahrain, the UAE, Kuwait, and Qatar, diversification through the advancement of small- to-mid-sized enterprises (SMEs) has been successful. Al-Alawi and Al-Ali (2015) stated that in the Middle East and North Africa (MENA), countries use diverse criteria to define SMEs. In Kuwait, for example, the current definition of an SME largely focuses on capital investment of no more than US $520,000 and no reference to the number of employees of the business is included. Throughout MENA and the GCC,
SMEs are now proliferating rapidly, encouraged in part by government support for economic diversification as these nations begin to move away from an over-reliance on rentier economic systems and extractive industries (Al Alawi & Al Ali, 2015).

Javed (2006) reported that throughout the GCC and MENA, a major transition in the business sector and national economies is occurring as the mega corporations of an earlier era increasingly lose their edge to smaller, more flexible organizations which may have emerged in the West but are now gaining prominence in the Middle East. The revolution is one based on the SME as a model for economic development. This is particularly true in the GCC, where countries like Dubai and others of the Emirates are establishing SMEs at a rapid rate.

Ennis (2013) identified a direct connection between entrepreneurship promotion and innovation and diversification in the states of the GCC. Ennis (2013) observed, however, that the empowerment of citizens for entrepreneurial activity inevitably necessitates greater empowerment of citizens as public actors. In traditional and highly conservative countries such as Qatar, Oman, Saudi Arabia, and Bahrain, this can be perceived as challenging to rulers who have typically worked to maintain their authority by limiting access to power. This tension is one of the potential sociopolitical challenges posed by diversification efforts in the countries of the GCC.

Bohsali, Karlsson, and Abdel Samad (2016) noted that, although the GCC countries have pursued diversification and the non-oil share of their GDP has steadily increased, their exports and government revenues have remained concentrated on oil and gas to a great extent. What has been missing in some GCC countries is the holistic approach to diversification that is found in Saudi Vision 2030 (Bohsali et al., 2016).
Still, encouraging the development of SMEs is universally seen as critical in moving each of these countries forward. Specific elements of Saudi Vision 2030 that distinguish it from the approaches taken by other countries include acknowledgements of the need for cultural changes, including those regarding the status and roles of women in the public and private sectors.

In an IMF study, Callen, Cherif, Hasanov, Hegacy, and Khandelwal (2014) found that, although the GCC growth model has in fact delivered strong economic and social outcomes over several decades, this model has also exhibited a number of weaknesses that illustrate the need for increased economic diversification. Throughout the region (although to a greater extent in the UAE than elsewhere) a number of policies have helped spur diversification, including:

- A stable, relatively low-inflation economic environment that is supported by the government;
- Expansion of educational opportunities at home and abroad;
- Liberalization of trade and FDI regimes;
- Policies oriented to boost human capital of nationals and to develop new industries and services that can employ high skilled labor;
- Partial reorientation of public spending to strengthen the role of private sector businesses; and
- The development of technology-driven infrastructure including e-commerce and changes to the legal and regulatory systems of individual countries (Callen et al., 2014).

Callen et al. (2014) asserted that the GCC countries do not appear to suffer from the Dutch disease that typically afflicts many commodity-producing countries due to an overvalued real exchange rate. That being the case, the distribution of oil revenues
within each of these economies may actually crowd out non-oil tradeables production in other ways.

Fasano and Iqbal (2003, pp. 3-4) provided the following comparison of diversification efforts in the GCC relevant to structural reforms, which researchers agree are necessary for actual economic activities to proceed:

**Table 8 GCC Countries: Recent Key Structural Reforms**

<table>
<thead>
<tr>
<th>Financial Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
</tr>
<tr>
<td>Kuwait</td>
</tr>
<tr>
<td>Oman</td>
</tr>
<tr>
<td>Qatar</td>
</tr>
<tr>
<td>Saudi Arabia</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Foreign Direct Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Country</td>
</tr>
<tr>
<td>-------------</td>
</tr>
<tr>
<td>Bahrain</td>
</tr>
<tr>
<td>Kuwait</td>
</tr>
<tr>
<td>Oman</td>
</tr>
<tr>
<td>Qatar</td>
</tr>
<tr>
<td>Saudi Arabia</td>
</tr>
<tr>
<td>United Arab Emirates</td>
</tr>
</tbody>
</table>

**State Enterprise Reform and Privatization**

<table>
<thead>
<tr>
<th>Country</th>
<th>Measures Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>Privatized the Public Slaughter House and the capital's waste collection and incineration. Other privatizations are under way, including the public transport company (bus) and tourism facilities. The telecommunications and postal services sectors are being liberalized.</td>
</tr>
<tr>
<td>Kuwait</td>
<td>The privatization law, approved by the Finance Committee of the National Assembly, established a comprehensive framework for large-scale privatization, identified areas and modes of privatization, and set up a pricing mechanism and safeguards against job losses. The government plans to offer for sale to the private sector most of the 62 public sector entities still under its control.</td>
</tr>
<tr>
<td>Oman</td>
<td>The power sector is at the forefront of privatization efforts, with three power plants now under construction by foreign investors under a build-own-operate basis. Existing government power plants are being restructured for their future privatization. Oman has also recently privatized the management of airport services. Other services to be privatized in the near future include water distribution, waste water network, postal services, and telecommunications. The government also plans to gradually sell its participation in the few remaining non-oil public companies listed in the local stock market.</td>
</tr>
<tr>
<td>Qatar</td>
<td>Partially privatized the Telecommunications Company at end-1998. Corporatized the electricity and water sector and sold most of the government's power generation plants to Qatar Electricity and Water Company, which is majority-owned by the local private sector. Construction is under way of the first independent power and water plant, which is majority-owned by a foreign developer. Sold 60 percent of the government's stake in a recently created company— spun off from Qatar Petroleum—to take over the local distribution of gasoline.</td>
</tr>
</tbody>
</table>
Saudi Arabia announced in June 2002 a new privatization strategy under which autonomization of management would be followed by deregulation (corporatization) and ultimately private ownership. Twenty sectors are presently identified for privatization, including telecommunications, electricity, industrial parks, postal services, water, railroad, education, and air transportation. Saudi Arabia has recently privatized 30 percent of the Saudi Telecommunications Company. Eight regional electricity companies have been merged into the Saudi Electricity Company, and a regulatory authority was established to set tariff rates and regulate market access to new entrants.

United Arab Emirates embraced utility privatization, embarking on new power projects through joint ventures with foreign investors, and selling some existing assets.

Labor Market Reform

Bahrain recently developed a new National Employment Strategy that includes providing fiscal subsidies for training nationals in the private sector and financial aid for the unemployed. Introduced measures to improve general education standards, and vocational and technical training programs, and increased employment quota of Bahrainis in small and medium-sized companies while abolishing the "free visa" system to expatriate labor force.

Kuwait established Manpower and Government Restructuring Program (MGRP) in July 2001 to implement the labor law, provide unemployment benefits to unemployed Kuwaiti nationals, and provide training and facilitate employment of Kuwaiti nationals in the private sector. Approved, in September 2002, quotas for the proportion of Kuwaitis that private companies must employ; companies that fail to meet this target would be subject to a fine and sanctions such as exclusion from bidding for government contracts.

Oman introduced measures to improve vocational and technical training programs, and set a uniform minimum wage for Omanis at RO 100 (plus RO 20 as transportation allowance) instead of the previous two-tiered (skilled/unskilled) minimum wage. The authorities are also modernizing the educational system at all levels. A new ministry of manpower was created in 2002 and a new labor law adopted in May 2003.

Qatar formally ended the policy of automatic employment for Qatari graduates. Now assists job seekers by maintaining information on job openings and by counseling and training. Established a department in the ministry of civil service with responsibility for this function.

Saudi Arabia created the Human Resources Development Fund (HRDF)—with financial participation of the private sector—to provide training of Saudi labor force in skills required by the private sector, and development of a database for matching and placement of Saudi workers in the private sector.

United Arab Emirates established the National Human Resource Development and Employment Authority to help improve skills of U.A.E nationals looking for jobs; and established a national labor market database to facilitate nationals' job searches.

These efforts, now some 14 years old, have been augmented by other policy reforms that, according to Callen et al. (2014), are bearing fruit.

The statistical tables below illustrate the current economic situations of several of the target GCC counties.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population (million)</strong></td>
<td>1.2</td>
<td>1.2</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>GDP per capita (USD)</strong></td>
<td>25,154</td>
<td>26,109</td>
<td>26,258</td>
<td>23,988</td>
<td>24,067</td>
</tr>
<tr>
<td><strong>GDP (USD bn)</strong></td>
<td>30.7</td>
<td>32.5</td>
<td>33.3</td>
<td>31.1</td>
<td>31.8</td>
</tr>
<tr>
<td><strong>Economic Growth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(GDP, Variation in %)</td>
<td>3.7</td>
<td>5.4</td>
<td>4.4</td>
<td>2.9</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Consumption (annual variation in %)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>9.9</td>
<td>-0.7</td>
<td>1.9</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Investment (annual variation in %)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.8</td>
<td>16.9</td>
<td>5.9</td>
<td>-12.1</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Unemployment Rate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.9</td>
<td>4.3</td>
<td>4.1</td>
<td>4.2</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Fiscal Balance (% of GDP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0</td>
<td>-3.3</td>
<td>-3.6</td>
<td>-13.0</td>
<td>-13.0</td>
<td></td>
</tr>
<tr>
<td><strong>Public Debt (% of GDP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33.6</td>
<td>41.3</td>
<td>42.0</td>
<td>60.3</td>
<td>72.8</td>
<td></td>
</tr>
<tr>
<td><strong>Money (annual variation in %)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>8.2</td>
<td>6.5</td>
<td>4.8</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td><strong>Inflation Rate (CPI, annual variation in %)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>3.3</td>
<td>2.7</td>
<td>1.8</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td><strong>Policy Interest Rate (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
<td>0.75</td>
<td>1.00</td>
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</tr>
<tr>
<td><strong>Exchange Rate (vs USD)</strong></td>
<td></td>
<td></td>
<td></td>
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<td>-------------------------</td>
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<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td><strong>Exchange Rate (vs USD, aop)</strong></td>
<td>0.38</td>
<td>0.38</td>
<td>0.38</td>
<td>0.38</td>
<td>0.38</td>
</tr>
<tr>
<td><strong>Current Account (% of GDP)</strong></td>
<td>8.4</td>
<td>7.4</td>
<td>4.6</td>
<td>-2.4</td>
<td>-4.7</td>
</tr>
<tr>
<td><strong>Current Account Balance (USD bn)</strong></td>
<td>2.6</td>
<td>2.4</td>
<td>1.5</td>
<td>-0.8</td>
<td>-1.5</td>
</tr>
<tr>
<td><strong>Trade Balance (USD billion)</strong></td>
<td>6.5</td>
<td>7.3</td>
<td>7.4</td>
<td>0.8</td>
<td>-0.8</td>
</tr>
<tr>
<td><strong>Exports (USD billion)</strong></td>
<td>19.7</td>
<td>20.9</td>
<td>20.7</td>
<td>16.5</td>
<td>12.8</td>
</tr>
<tr>
<td><strong>Imports (USD billion)</strong></td>
<td>13.2</td>
<td>13.6</td>
<td>13.3</td>
<td>15.7</td>
<td>13.6</td>
</tr>
<tr>
<td><strong>Exports (annual variation in %)</strong></td>
<td>0.5</td>
<td>6.1</td>
<td>-1.0</td>
<td>-29.6</td>
<td>-22.7</td>
</tr>
<tr>
<td><strong>Imports (annual variation in %)</strong></td>
<td>9.1</td>
<td>3.0</td>
<td>-2.2</td>
<td>-20.6</td>
<td>-13.5</td>
</tr>
<tr>
<td><strong>International Reserves (USD)</strong></td>
<td>5.2</td>
<td>5.3</td>
<td>5.2</td>
<td>3.1</td>
<td>2.2</td>
</tr>
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</table>

**Kuwait Economy Data**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Population (million)</strong></td>
<td>3.8</td>
<td>3.9</td>
<td>4.0</td>
<td>4.1</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>GDP per capita (USD)</strong></td>
<td>45,985</td>
<td>44,511</td>
<td>41,101</td>
<td>27,617</td>
<td>-</td>
</tr>
<tr>
<td><strong>GDP (USD bn)</strong></td>
<td>174</td>
<td>173</td>
<td>164</td>
<td>114</td>
<td>-</td>
</tr>
<tr>
<td><strong>Economic Growth (GDP, annual variation in %)</strong></td>
<td>6.6</td>
<td>1.2</td>
<td>0.5</td>
<td>1.9</td>
<td>-</td>
</tr>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Consumption (annual variation in %)</strong></td>
<td>10.4</td>
<td>5.6</td>
<td>2.6</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td><strong>Investment (annual variation in %)</strong></td>
<td>5.1</td>
<td>8.9</td>
<td>4.5</td>
<td>13.0</td>
<td></td>
</tr>
<tr>
<td><strong>Unemployment Rate</strong></td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td><strong>Fiscal Balance (% of GDP)</strong></td>
<td>33.2</td>
<td>22.2</td>
<td>19.9</td>
<td>-11.0</td>
<td></td>
</tr>
<tr>
<td><strong>Inflation Rate (CPI, annual variation in %)</strong></td>
<td>2.9</td>
<td>2.7</td>
<td>2.9</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td><strong>Policy Interest Rate (%)</strong></td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.25</td>
<td></td>
</tr>
<tr>
<td><strong>Exchange Rate (vs USD)</strong></td>
<td>0.28</td>
<td>0.28</td>
<td>0.29</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td><strong>Exchange Rate (vs USD, aop)</strong></td>
<td>0.28</td>
<td>0.28</td>
<td>0.28</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td><strong>Current Account (% of GDP)</strong></td>
<td>45.5</td>
<td>39.9</td>
<td>33.4</td>
<td>5.2</td>
<td></td>
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**Qatar Economy Data**

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<tr>
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<td>8.0</td>
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</tr>
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Fiscal Balance (% of GDP) 13.5 19.3 12.3 1.2 -
Public Debt (% of GDP) 37.2 33.1 32.3 34.9 -
Money (annual variation in %) 22.9 19.6 10.6 3.4 -4.6
Inflation Rate (CPI, annual variation in %) 2.6 2.5 2.9 1.7 2.8
Policy Interest Rate (%) 4.50 4.50 4.50 4.75
Exchange Rate (vs USD) -0.01 0.01 0.0 0.03 -0.02
Exchange Rate (vs USD, aop) 3.64 3.64 3.64 3.64 3.64
Current Account (% of GDP) 33.2 30.4 24.0 8.4 -5.5
Current Account Balance (USD bn) 62.0 60.5 49.4 13.7 -8.3
Trade Balance (USD billion) 102 102 95.5 48.8 25.3
Exports (USD billion) 133 133 127 77.3 57.2
Imports (USD billion) 30.8 31.5 31.1 28.5 31.9
Exports (annual variation in %) 16.3 0.3 -5.0 -39.0 -25.9
Imports (annual variation in %) 14.3 2.3 -1.0 -8.5 12.1
International Reserves (USD) 33.1 42.0 43.0 37.1 31.6

(http://www.focus-economics.com/countries, 2016, pp. 1 – 6)

Hvidt (2013) referenced these data sets to suggest that diversification efforts across the GCC have produced mixed results. Different strategies have been pursued in each of the target countries, but Hvidt (2013) made the case that economic diversification in and of itself is not a new strategy in the GCC. Industrial cities in Saudi Arabia such as Yanbu, Jubail, and the Dubai ports date back to the 1970s, although more recent developments in terms of structural reforms have opened up these economies to new business development.

Hvidt (2013) argues that questions of diversification in the GCC must be approached in the context of political matters as well as economic ones. Given that the
Arab Spring likely boosted the political positions of pro-reform individuals, groups, and coalitions within each regime, it is unclear whether the target countries’ focus on economic diversification is primarily a response to concerns regarding the finite nature of oil resource or a strategy to pacify political dissidents.

In this context, Ennis (2013) asserted that governance in the Gulf is best understood as a tension between reforms and rentier patterns. Making the transition from dependence on the global oil market to a more independent economy is inherently challenging. The problem is that export diversification and quality upgrading have not taken center stage, and these issues need to be addressed more completely. Callen et al. (2014) made precisely this point and maintained that overall, in each of the target countries, “progress toward genuine output diversification has been modest,” and “despite strong growth in non-oil output, the private sector generated only a limited number of job opportunities for nationals” between 2000 and 2010” (p. 12).

According to some analysts, Dubai has made the greatest advances in terms of diversification and has succeeded in transforming itself into a modern economy (Callen et al., 2014). Diversification on the fiscal front elsewhere in the region has been less successful. Callen et al. (2014) stated that in the Global Competitiveness Report 2014-2015, of the 144 countries ranked regarding competitiveness, the UAE is identified as number 12, Qatar as number 16, Saudi Arabia as number 24, and Bahrain and Kuwait in the top 46 countries.

**The Cultural Dimension**

Implicit within Saudi Vision 2030 is the necessity of reforms that go beyond structural matters to include aspects of culture (Neil & Sprusansky, 2017). Anyone even
remotely familiar with the Kingdom is aware that it is home to a highly conservative and traditional culture in which patriarchy remains dominant, and, while women enjoy the protections provided in the Qur’an, they are largely unable to function as autonomous members of society. Additionally, writers including Wiebke Walther (1995) and Gettleman and Schaar (2005) have asserted that Saudi culture is inherently authoritarian and, as such, positions males as heads of families, with all other family members, including younger men, in subordinate roles.

Walther (1995) distinguishes the subordination of younger males within the family unit from the subordination of women within that unit, stating that the Koran “assigns women a social position subordinate to men. Religious tradition required them to subject themselves to the will of men” (p. 103). While it is certainly true that the wives of the Prophet Mohammad, including A’isha, enjoyed privileges and status that reflected a degree of authority, this authority was focused on what could be viewed as women’s issues or family matters rather than the larger questions of social governance. Walther (1995) observed that in the twentieth century, a unique form of Islamic feminism has arisen in which some activist women in countries such as Iran have embraced the veil, while others have called upon their country’s leaders to reduce the prohibitions that limit women’s participation in public or private sector careers.

Gettleman and Schaar (2005) commented that there is a very real tension in many Islamic societies, including Saudi Arabia, between drives for reform and modernization and adherence to cultural norms, values, and expectations. The same point was made by Koyame-Marsh (2017), who identified a dissonance within Saudi Arabia with respect to certain aspects of gender relations. For example, while the Saudi government has
actively supported women’s educational advancement to the tertiary level and beyond, in 2015 about 68 percent of Saudi women with a postsecondary degree were unemployed and excluded from economically productive activities.

This issue has proven to be challenging for the Saudi Ministry of Labor. Despite the institution of several women-oriented labor laws aimed at promoting female employment, Saudi women in 2015 had an unemployment rate of 33.8 and a labor participation rate of 17.3 percent.

Koyame-Marsh (2017) argued that the gender issue has particular bearing on the government program of Saudization, the replacement of foreign labor with Saudi nationals. Labor policies such as the Nitaqat programs and the Council of Ministers Resolution No. 120 were adopted to promote the employment of Saudi women, particularly in the private sector. In 2015, 66.6 percent of employed Saudi females had an undergraduate degree or higher, compared to only 29.4 percent of men. Given that more and more Saudis, both male and female, are obtaining university degrees both at home and abroad, providing meaningful employment for these young Saudis is a necessity. It is also one of the key goals of Saudi Vision 2030 (Neil & Sprusansky, 2017).

In designing Saudi Vision 2030, Prince Mohammad bin Salman strongly emphasized investment in higher education. The country has four times more universities in 2017 than it did 10 years ago. It finances the overseas college and university programs of about 200,000 students each year. These young men and women are expected to return home and to put the skills, knowledge, and education they have acquired to work in the Kingdom (Neil & Sprusansky, 2017).
Ian Bremmer (2017) stated that Vision 2030 seeks to increase the percentage of women in the workforce from 22 percent to 30 percent. This is an admirable goal, but it is likely to be difficult to achieve. Many within the Kingdom who hold conservative views on questions of gender equality and modernization have pushed back on social reform efforts. Bremmer (2017) observed that “in 2017, Saudi political stability still depends on a pact between Saudi royals and the Kingdom’s conservative clerics. The ruling family subsidizes clerics and lets them preach as they choose; the clerics, in turn, support the royals’ political legitimacy. Royals challenge religious conservatives at their peril.”

The issue of liberalization can be characterized as “the elephant in the room.” Bremmer (2017) remarked that, although Westerners in general assume that youth everywhere want individual freedom, there is no body of evidence demonstrating that this is in fact the case in Saudi Arabia or other traditional Muslim countries. Writing about the same issue, Mark Thompson (2017) questioned whether Saudis who themselves lack economic opportunities in the private sector consider the questions of gender relations and women’s employment to be significant. In Thompson’s (2017) view, Saudi Vision 2030 promises Saudis a better future and better governance and is raising hopes among a new generation of younger and better educated Saudis, many of whom have lived and studied in the West. That said, it remains unclear how even younger Saudis will respond to the particular vision of reform that is advanced in Prince Mohammad bin Salman’s ambitious agenda.

In discussing Saudi Vision 2030, Gordon Platt (2017) commented that the first elements addressed by the plan include providing more options for Saudis to own their
own homes, more services for religious pilgrims, and the development of a stronger national identity based on Islamic values. It is expected that this will make conservative Saudis more invested in the plan’s success.

Also on deck are plans to strengthen the role of the Public Investment Fund, develop Saudi capital markets, improve leadership of Saudi based companies, develop infrastructure and logistic services, and enhance private sector roles and activities. These initiatives do not speak directly to questions of changing culture in any significant way. Platt (2017) has argued that most of these initiatives tend to reinforce traditional Saudi culture without bringing about any major changes in the ways in which women are positioned in the society.

The September 27, 2017 royal decree lifting the ban on women drivers has been promoted as evidence of governmental efforts to reform society in part through empowering women. Taylor Luck (2017, p. 1) stated that “while some were quick to hail the long-discussed move as a giant leap forward for women’s rights in conservative Saudi Arabia, longtime observers are reserving judgement on whether the step is likely to lead to greater reforms or was simply a political maneuver.” Saudi culture is historically patriarchal and, as such, any legal and regulatory changes that have the effect of empowering women and fostering their independence may, Luck noted (2017), be a precursor to other changes in gender roles and relationships that more conservative Saudis would rather not see.

The new policy does not require that a male guardian or relative give a woman permission to receive a driver’s license or that a male relative be present when a woman drives. Luck (2017) said that “no Islamic religious authority except for the hardline
Wahhabi clerics, upon whom the House of Saud relies for legitimacy, have attempted to use Islam as an excuse to ban women from driving.” Not only has the ban on female drivers been a major barrier to Saudi women entering the workforce, it has also forced those families who can afford it to hire imported chauffeurs to drive female relatives around (Luck, 2017).

Saudi women have enthusiastically embraced Vision 2030. Research by Metin Mitchell and Company (2017) indicated that Saudi women are more confident about their working futures because of Vision 2030. Her Royal Highness Princess Banderi bint Abdulrahman Al Faisal, the Director General at King Khalid Foundation, was particularly enthusiastic about the plan, commenting:

We need to change some of the male and female stereotypes and set roles. People should be equal, it isn't your gender that matters, it’s what you do and how and what you contribute to your family and society. We already see two-income households more and more in the country. Recently, especially in Vision 2030, the focus is on providing women with opportunities to study and work. Our society is changing and both men and women need to be open to change. I think female economic empowerment is very important for the future of our country. (Metin Mitchell & Co, 2017, p. 3)

Lifting the ban on women driving will ultimately create additional economic opportunities for Saudi women. Not only will they be able to transport themselves to and from work and other destinations, they will also be given opportunities to become driving instructors, administrators, and perhaps even police officials.

Some of the 800,000 or so imported chauffeurs will certainly lose jobs, and the money paid to them will be freed up for other purposes (Luck, 2017). Luck (2017, p. 3) pointed out, however, that despite “hints that the Kingdom may be willing to amend or [entirely] drop” the guardianship system that “require[s] Saudi women to get permission
from a male relative to travel, obtain a passport, enter a hospital, or sign a work contract,”
this system has not yet been explicitly targeted for reform.

Skeptics also pointed out that the timing of the royal decree permitting women to
drive coincided with international opposition to the Kingdom’s seemingly never-ending
war with Yemen (Luck, 2017).

Beyond concerns that the decree may have been a cynical public relations
stratagem, objectors are met with responses that make the limits of this liberalizing
program very clear. Most clerics have come out in support of ending this ban, and those
who have found themselves at odds with Mohammad bin Salman and Vision 2030 are
losing their jobs or being jailed. Luck (2017, p. 2) stated that “the prince is far from a
liberal or a democrat (and) is looking to assume the throne and aiming to silence
opposition once and for all.”

In the two months prior to the driving decree, 20 prominent Saudi clerics and
activists were detained, along with dozens of journalists, writers, and academics who
opposed or appeared to oppose the regime and some of its policies. It will certainly take
more than a royal decree to bring about meaningful change in Saudi culture, particularly
with respect to aspects of patriarchy and authoritarianism. Hilal Khashan (2017)
suggested that Riyadh’s cultural values ultimately do not support the objectives of Saudi
Vision 2030. The society is closed, status oriented, and tribally structured. This analyst
believes that Saudis are not law-abiding citizens in general and tend to treat expatriates,
especially laborers from poor countries, as nonentities. This social environment is the
antithesis of the universalistic values that are essential to the operation of a modern
economy.
As described by Khashan (2017, p. 2), Vision 2030 calls for Saudi society to adopt “the values of moderation, tolerance, discipline, equity, and transparency.” It is nevertheless difficult for the government to impose such values in a society where family, tribal, and regional ties are often significantly stronger than the conception of a state identity. Comparisons of Saudi Arabia to neighboring Dubai highlight this issue.

Unlike Saudi Arabia, where most of the merchant community hails from Yemen’s Hadramaut region, Dubai has a strong and well-established entrepreneurial spirit (Khashan, 2017). Its indigenous population follows the Maliki school of thought in Sunni Islam, which is considered to be significantly more moderate than the Wahhabi doctrine of the Saudi rulers. In Wahhabism, the ruler controls society and enforces policy, whereas the Maliki ruler does not enforce compliance with the faith, but considers it the purview of individual believers. Further, whereas in Dubai the emirate facilitates the achievements of a vibrant private sector, in Saudi Arabia, the state drives economic development.

Khasan (2017) has commented that the Saudis will need to be more open and responsive to a likely influx of non-Muslim women whose companies will be doing more business in the Kingdom once the proposed sale of a stake in Saudi Aramco is finalized. The Kingdom’s culture will need to accommodate a more open approach to dealing with this and other aspects of Western business organization and patterns. It is not unreasonable to expect that those companies doing business with the Kingdom will be respectful of its traditions and values, but it is equally important for the Kingdom and its public and private sector organizations to acknowledge the legitimacy of other cultures.
and their traditions. These are the kinds of issues that arise as a consequence of Saudi Vision 2030.

**Gaps in the Literature**

The present study offers a unique opportunity to address several gaps in the literature briefly discussed above. While there is a wealth of commentary on the unique Saudi economic situation and the need for diversification, as well as a growing body of literature discussing the elements of Saudi Vision 2030, there are some notable gaps in the scholarly literature. First, limited attention has been given thus far to determining how Saudi nationals themselves feel about Vision 2030, what concerns they may have, and what expectations they possess regarding its likely impact upon their businesses, their culture, and their political relationships. Secondly, Saudi Vision 2030 will inevitably require cultural changes that may or may not be readily understood and may be challenging to many conservative, traditional Saudis.

Additionally, while both Ennis (2013) and Fasano and Iqbal (2003) have examined economic transformations in GCC countries, the literature does not provide a current comparison of the transformation process in these countries. This is a significant issue that will also be explored in this project. Specifically, the literature does not examine the relative successes and failures of GCC diversification efforts in any depth, nor does the literature offer a direct comparison of these efforts in the context of the Saudi plan.
CHAPTER III
Methodology

Introduction

The purpose of this research was to assess the relative likelihood of Saudi Vision 2030’s success through comparison to economic diversification efforts in a select sample of GCC countries. Such a study can provide much-needed insight into the question of whether or not Saudi Vision 2030 has the potential to meet its stated goals and objectives and to be well-received by the individuals most directly affected by its provisions. To that end, the project was originally planned to include a survey of male and female registered voters in the two largest cities in the Kingdom – Riyadh and Jeddah. However, while lists of registered voters are available, contact information is not easily accessible. Consequently, the researcher was forced to eliminate the survey and focus instead on the Small N comparative case study described in this chapter.

Research Questions

The overarching research question this chapter explores is:

To what extent does Saudi Vision 2030 reflect economic diversification efforts and proposals that have succeeded in selected GCC states?

Related questions include:

- What specific economic outcomes can be identified in select GCC states that have begun economic diversification away from a dependence on rents?
- What efforts are or have been underway in target GCC states to achieve economic diversification?
- Using standard economic measures such as GDP, GNP, PPP, government budgets, trade balances, and currency rate fluctuations, to what extent does
diversification appear to have generated positive outcomes in the target countries when 1990-2000 is compared to 2012-2016?

• What specific social and political changes linked to diversification can be identified in the target countries?

• Using 1990-2000 as a baseline, what changes in the official Human Development Index (HDI) and the Gini coefficient can be observed in the target states when data from 2012-2016 are examined?

• Based upon the experiences of the select GCC countries, what assumptions and projections regarding the likely effects of Saudi Vision 2030 can be identified?

**Research Design and Approach**

A Small N Case Study approach was selected for this study. Small N comparative research is an investigation of a contemporaneous phenomenon in a real-world setting by employing a variety of evidentiary sources (Dooley, 2002). Small N is an abbreviation for a “Small Number of cases.” It is a comparative methodology that uses a relatively small sample of cases rather than either a single case or a larger sample of cases. Within this context, Small N comparative methodology is not driven by generalization or prediction, but rather, “emphasizes a specific interest and wishes to understand it completely by observing all of the variables and their interacting relationships” (Dooley, 2002, p. 336). This approach allows for the use of both primary and secondary source material. According to Dooley (2002), small N comparative-historical methods expand insight into diverse social phenomena and allow social scientists to analyze and offer important insight into complex social issues in a climate characterized by change and
volatility. This study uses small N comparative historic research strategies, focusing on the cases of the target GCC countries and Saudi Arabia.

Thus, the study consists of a mixed-methods research design combining an extensive review of theoretical and scholarly literature and published data and a small N case study comparing the experiences of selected rentier states and linking those experiences to the projected impact of the reforms of Saudi Vision 2030. The literature review focuses on the economic, political, and cultural challenges of the Saudi rentier state and the potential of Saudi Vision 2030 to provide a solution to those challenges; it examines in depth the economic transformations and policy shifts occurring in a sample of GCC countries (e.g., Bahrain, Kuwait, Qatar, and the United Arab Emirates) and identifies the key economic, social and political outcomes of those efforts.

Drawing upon readily accessible economic and other data sets from such sources as the World Bank, the International Monetary Fund, and the United Nations and its various organs, as well as national authorities, the research considers a host of economic, social, and other variables as indicative of diversification. A similar study was conducted by Fasano and Iqbal (2003) with respect to the target GCC countries and a number of key economic indicators. This work is useful in the present study because it identifies some of the key variables for a comparative analysis, such as nominal GDP, overall fiscal balance, total government gross debt, central bank foreign assets, current account balances as a percentage of GDP, and essential policy reforms and initiatives. In this respect, this study builds on the work of Fasano and Iqbal (2003), which included Saudi Arabia as well as Bahrain, Kuwait, Oman, Qatar, and the UAE.
As Al-Alawi and Al-Ali (2015) have observed, the many variables that directly and indirectly combine or act independently to affect an economy can make it extremely difficult to identify causal relationships between a dependent variable (e.g., the economy as measured by GDP) and a specific independent variable (e.g., increased FDI inflows, improved judicial and regulatory systems, enhanced use and availability of new technologies, pursuit of International Joint Ventures [IJV], and so on). Rather, the analyst must look for potential correlations between the independent variables and the dependent variable and must further take into account any extraneous or intervening variables (e.g., volatility in oil pricing and production, increased spending on military operations, political instability). For example, it may be the case that in one country a combination of independent variables can be correlated with improved per capita GDP, while in another country a different set of independent variables has the same impact. Thus, correlation between selected independent variables and GDP over time will be employed in considering economic diversification effects in the target countries in order to arrive at a broad profile of effective measures linked to improved economic performance. Standard data sets will be employed to construct profiles of diversification in Oman, Qatar, Kuwait, the UAE, and Bahrain.

Next, the diversification proposals of Saudi Vision 2030 will be identified and thoroughly analyzed. Comparison via correlation analysis of this profile with the outcome of the efforts in the other countries will allow the research to make tentative predictions as to the potential for success of Saudi Arabia’s efforts.

Comparative-historical small N strategies do facilitate the derivation of conclusions through comparisons of cases that share some similar characteristics.
Typically, interpretive work attempts to account for specific historical outcomes or sets of comparable outcomes or processes chosen for study because of their significance for current institutional arrangements or for social life in general. Small N studies employ systematic analysis of similarities and differences. When causal and correlational arguments are combinatorial, it is not the number of cases but their limited variety that imposes constraints on vigor. Small N case studies employ some of the characteristics and techniques associated with quantitative analysis, but with an emphasis on descriptive rather than inferential statistical analysis (Dooley, 2002; Fasano & Iqbal, 2003).

Ragin (1989) says that this type of case study is interpretative and designed to account for historical or comparable outcomes. The rigor of a Small N study depends on systematic assessment of identified similarities and differences. Small N case studies primarily diverge from the characteristics and techniques commonly employed in quantitative analysis in their emphasis on descriptive analysis strategies rather than on inferential statistical analysis tools.

Small N studies have a fundamentally deterministic, as opposed to probabilistic, approach. These studies seek to answer questions of why, how, and/or when certain events occurred, or certain policies were developed, as is the case in this study. As a case study strategy, such an approach is useful when it is impossible to manipulate the behavior of the actors whose actions are the focus of the study and when it is essential to examine contextual conditions assumed to be relevant to the phenomena being examined (Baxter & Jack, 2008).

The methodological logic of the Small N case study is compatible with an effort to derive observational implications while simultaneously considering the observations in
light of empirical observations. The approach requires the exercise of reason and care in selecting the case, determining variables, examining relationships, and considering the case in the context of one or more theoretical lenses. Such a strategy, per Lange (2013), further permits a researcher to optimize insights and to address the challenge of balancing the very general and the very particular.

In sum, the case study may not offer insights and rigor that are comparable to other methods from the quantitative realm (Babbie, 2004). Nevertheless, qualitative case studies allow a researcher to embrace both quantitative data and multiple research paradigms. This method, as described by Baxter and Jack (2008), allows a researcher to draw on multiple studies, explore issues of mass mobilization and strategy via a variety of data sources, and provide a detailed examination of concepts and theories that allows for the development and testing of historical explanations that may be generalized to other events.

Data Collection and Analysis

The study employed a highly focused literature review and thematic analysis that was based upon an assortment of relevant primary and secondary source materials. This included government documents, global national and non-governmental organizations’ data (CIA, IMF, World Bank, and so on, scholarly analyses in peer-reviewed journals, mainstream press reports, and theoretical texts. It proceeded as a form of content analysis over the course of several months, during which research materials were assembled, analyzed, compared, and contrasted.

Any study employing a literature review as the research design and method, as described by Babbie (2004), is exploratory rather than explanatory in nature. It is based
on an assessment of published literature, observations, theory, and case analyses. It may generate new data by reinterpreting previously generated data sets, but for the most part, qualitative research is narrative rather than statistical.

Similarly, the central goal of any research study is to systematically explain and predict discipline-specific phenomena (Babbie, 2004). In the case of a literature review, explanation rather than prediction is predominant. According to Babbie (2004), explanation can be achieved via qualitative or quantitative research methodologies. Such an approach enables the researcher to identify relevant variables affecting a specific situation and narrowly define the area to be quantitatively investigated. A literature review is fundamentally different from quantitative research. It is designed to address one or more of the following purposes:

- Description, to reveal the nature of a phenomenon;
- Interpretation, to gain insights about the nature of a phenomenon, develop new concepts or theoretical perspectives about the phenomenon, or discover problems within the phenomenon;
- Verification of certain assumptions, theories, or generalizations within real world contexts;
- Evaluation to judge the effectiveness of particular policies, practices, or innovations. (Leedy & Ormrod, 2001, pp. 60-62)

Access to data was not an issue for this study. The Internet provides near-instantaneous access to a wide range and variety of popular and scholarly materials. It also contains public statements and policy documents published by governments and international organizations. Consequently, a wealth of information was available for the research process. The resulting challenge for the researcher centered on selection of appropriate materials for inclusion.
Database keyword searches were employed to identify data suitable for inclusion in the study. The difficulty was not identifying relevant data and commentary. Rather, it was selecting the most appropriate materials for analysis. Various databases (i.e., Lexis/Nexis, ProQuest, EBSCOHost, and a general Google search) provided immediate access to a wide variety of relevant sources.

The data were analyzed through the processes inherent in content analysis. Content Analysis is a strategy used to identify key themes expressed in a set of documents (Corbin & Strauss, 2008). It is a narrative rather than an empirical methodology. One can trace changes over time, focusing on unity as well as dissonance (Reisman, 2008). It enables a researcher to examine current situations, historical patterns and projected future trends.

Data were analyzed using the basic steps of content analysis. These are:

1) Copy and read through the texts, making brief notes in the margin when interesting or relevant information is found

2) Go through the notes made in the margins and list the different types of information found

3) Read through the list and categorize each item in a way that offers a description of what it is about

4) Identify whether or not the categories can be linked any way and list them as major categories (or themes) and/or minor categories (or themes)

5) Compare the various major and minor categories

6) If there is more than one text, repeat the first five stages again for each transcript

7) When you have done the above with all of the texts, collect all of the categories or themes and examine each in detail to evaluate whether it fits and its relevance

8) Once all the data is categorized into minor and major categories/themes, review in order to ensure that the information is categorized as it should be.
9) Review all of the categories and ascertain whether some categories can be merged or whether some need to be sub-categorized

10) Return to the original transcripts to ensure that all the information that needs to be categorized has been so. (The ten steps to content analysis, 2013, p. 1)

Based on these steps, the data were summarized and presented as indicated in a narrative format in Chapter Four.

**Ethical Considerations**

No significant ethical considerations were addressed in this study. Case studies, Small N or otherwise, do not generally require manipulation of individuals or settings (Babbie, 2004). No “subjects” or “participants” were involved in the study. Given that that the original plan to survey attitudes and beliefs of Saudi registered voters was abandoned as impractical due to lack of contact data, no IRB approval was required.

**Limitations and Delimitations of the Study**

The present study was limited due to the research design. Literature reviews have limitations that quantitative research does not due to the nature of the design, which limits the ability to generalize the results to the larger population. Because the study is a narrative, literature-based review, it does not develop new primary data, nor does it test any hypothesis or intervention with human subjects.

While this study was a synthesis of literature and not a meta-analysis (which directly compares the findings of studies that are selected in accordance with specific inclusion criteria), the present study provides a foundation on which professionals in the field of economic and foreign policy development can compare the efficacy of different approaches to a specific geopolitical relationship.
The case study will reveal that Saudi Vision 2030 reflects many of the economic diversification strategies used in comparable GCC rentier states. Specifically, encouragement of FDI, support for technological innovation and entrepreneurship, an increase in International Joint Ventures (IJV), and interaction with foreign businesses emerge as being in accord with such efforts in other GCC states.

**Expected Outcomes**

It is anticipated that the research will demonstrate that successful economic diversification in the GCC is linked to a variety of elements such as enhanced joint ventures, the creation of a favorable regulatory climate to encourage foreign direct investment, entrepreneurial activity and corresponding government support for such activity, and government support for non-extractive industry development. It is further expected that this portion of the research will demonstrate that similar paths to achieving economic diversification have been pursued in each of the countries begin considered, but that each country has had a unique experience in this area. The study will also consider the effects of intervening variables such as oil price volatility. Finally, when Saudi Vision 2030 is compared to these strategies, it is expected that many of its proposed strategies will be found to be similar to those undertaken by other rentier states, and therefore potentially predictive of success in achieving some level of economic diversification.

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CHAPTER IV
Results

Introduction

This fourth chapter of the study presents the results of an extensive analysis of data on the developmental status, activities, and outcomes of a select number of GCC countries’ attempts to reduce their dependence upon the extractive industries. Most of these data were obtained from sources such as the World Bank, the IMF, the CIA, the GCC, and the governments of the individual countries. To an extent, the findings replicate those of Fasano and Iqbal (2003), who conducted the most recent comparative analysis of the target countries’ economic and development progress. However, because the report provided by Fasano and Iqbal (2003) was conducted some 17 years ago, it did not include Saudi Vision 2030. In this respect, the data presented update their report. After presenting the raw data collected from these sources, this chapter also presents a
comparative table identifying key diversification activities in each country and a researcher-designed table ranking each country based on a 1-5 scale assessing overall economic diversity variables in the target countries.

The Gini Comparison

The World Bank (2020) identifies the Gini Index as a summary measure of income inequality. The Gini coefficient incorporates detailed shares data into a single statistic, which summarizes the dispersion of income across the entire income distribution. The Gini coefficient ranges from 0, indicating perfect equality (where everyone receives an equal share), to 1, perfect inequality (where only one recipient or group of recipients receives all the income). The Gini is based on the difference between the Lorenz curve (the observed cumulative income distribution) and the notion of a perfectly equal income distribution. However, the most recent World Bank (2020) listing of Gini coordinates for all countries of the world did not include any of the countries studied in this dissertation. Income inequality is one of the issues that speaks directly to the level of economic opportunity available in a given country. It would have been useful to have such data available for this comparative case analysis. Other World Bank (2020) data were valuable, however, and will be presented in subsequent sections of this chapter.

Human Development Index Ranking

The United Nations Development Programme (UNDP) (2019, p.1) described the Human Development Index (HDI) as follows:

The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions.
A total of 189 countries are included in this ranking, with additional territories and countries.

In its most recent ranking of the target countries, the UNDP presented the following information.

**Table 10 HDI Current Rankings**

<table>
<thead>
<tr>
<th>Country</th>
<th>HDI Rank</th>
<th>HDI Index</th>
<th>Life Expectancy</th>
<th>Years Schooling</th>
<th>GNI Per Capita</th>
<th>HDI Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oman</td>
<td>47</td>
<td>0.834</td>
<td>77.8</td>
<td>9.7</td>
<td>37,039</td>
<td>48</td>
</tr>
<tr>
<td>Kuwait</td>
<td>57</td>
<td>0.808</td>
<td>75.4</td>
<td>7.3</td>
<td>71,154</td>
<td>57</td>
</tr>
<tr>
<td>Bahrain</td>
<td>45</td>
<td>0.838</td>
<td>77.2</td>
<td>9.4</td>
<td>40,399</td>
<td>45</td>
</tr>
<tr>
<td>S. A.</td>
<td>36</td>
<td>0.857</td>
<td>75.0</td>
<td>9.7</td>
<td>49,338</td>
<td>35</td>
</tr>
<tr>
<td>UAE</td>
<td>35</td>
<td>0.866</td>
<td>77.8</td>
<td>11.0</td>
<td>66,912</td>
<td>35</td>
</tr>
<tr>
<td>Qatar</td>
<td>41</td>
<td>0.848</td>
<td>80.1</td>
<td>9.7</td>
<td>110,489</td>
<td>40</td>
</tr>
</tbody>
</table>


Each of the HDI components and ranks presented above positions the target countries of the UAE, Saudi Arabia, Qatar, Bahrain, Oman, and Kuwait within the category of Very High Human Development. These rankings have changed over time. According to the UNDP (2020), the current ranking of the UAE at number 35 among countries with Very High Human Development changed by five percent between 2013 and 2018. For Saudi Arabia, at number 36 in 2018, a minus one percent decline in ranking
occurred between 2013 and 2018. Currently ranked at 41, Qatar experienced a minus nine percent change in HDI rank between 2013 and 2018. Bahrain, currently ranked at 45, experienced a positive change of 0.74 in this time period. Oman, at 47 currently, had a minus one percent in HDI rank between 2013 and 2018 with no new data for the following year. At 57, Kuwait had a minus two percent HID change between 2013 and 2018.

Other UNDP (2020) data capture additional information about these countries. For example, in the UAE, the richest one percent of the population controls 22 percent of income share, and data show an inequality in life expectancy in the country based on changes between 2015 and 2017 of 0.843 percent and an inequality in education percent change in 2018 of 0.608. Turning to Saudi Arabia, the inequality in life expectancy between 2015 and 2020 was 0.782, while inequality in education as of 2018 was 18.0 percent, and the richest one percent of the population controlled 19.7 percent of all income. For Oman, the richest one percent control 19.5 percent of all income, and the country experiences an inequality in life expectancy of 6.7 percent and an inequality in education of 11.9 percent. In Kuwait, inequality in life expectancy is 5.9 percent, inequality in education is 22.1 percent, and as of 2016, the richest one percent controlled 19.9 percent of all income. In Qatar, inequality in life expectancy is 0.872 percent, inequality in education is 11.5 percent, and the richest one percent of Kuwaitis controlled 29.0 percent of all income between 2010 and 2017. In Bahrain, inequality in life expectancy is 5.5 percent, inequality in education is 22.7 percent, and the richest one percent between 2010 and 2018 controlled 18.0 percent of all income.
In its comprehensive assessment of Human Development, the UNDP (2020) also tracked a Gender Inequality Index and Gender Development Index.

### Table 11 UNDP Gender Inequality and Development Indices (Women)

<table>
<thead>
<tr>
<th>Country</th>
<th>Gender Inequality Index</th>
<th>Gender Dev. Index</th>
<th>Labor Force Participation</th>
<th>Mean Yrs. Schooling</th>
<th>% Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oman</td>
<td>0.304</td>
<td>0.943</td>
<td>31.0%</td>
<td>10.6</td>
<td>8.8</td>
</tr>
<tr>
<td>Kuwait</td>
<td>0.245</td>
<td>0.999</td>
<td>57.5</td>
<td>8.0</td>
<td>3.1</td>
</tr>
<tr>
<td>S. A.</td>
<td>0.224</td>
<td>0.879</td>
<td>23.4</td>
<td>9.0</td>
<td>19.9</td>
</tr>
<tr>
<td>UAE</td>
<td>0.202</td>
<td>0.965</td>
<td>56.4</td>
<td>12.0</td>
<td>22.5</td>
</tr>
<tr>
<td>Bahrain</td>
<td>0.207</td>
<td>0.937</td>
<td>48.3</td>
<td>9.3</td>
<td>18.8</td>
</tr>
<tr>
<td>Qatar</td>
<td>0.202</td>
<td>1.043</td>
<td>57.8</td>
<td>11.1</td>
<td>22.7</td>
</tr>
</tbody>
</table>

Unless otherwise indicated, numbers represent either a ranking, or, in the case of Labor Force Participation, a percentage of individuals or ranks based upon individual variables captured within both the Gender Inequality Index and Gender Development Index. These data, according to the UNDP (2020), all refer to women in these nations. When the overall ranking on gender development for each of the countries as of 2018 is considered, the UAE has a ranking of two, Saudi Arabia has a ranking of five, Qatar’s ranking is two, Bahrain’s is three, Oman’s is three, and Kuwait’s is one. In terms of the gender inequality index, the 2018 rankings for these countries are 26 for the UAE, 49 for
Saudi Arabia, 45 for Qatar, 47 for Bahrain, 65 for Oman, and 53 for Kuwait (UNDP, 2020).

It should be noted that the UAE and Kuwait have lower gender inequality rankings when compared to their respective HDI ranks. Saudi Arabia’s gender inequality rank is higher than its HDI rank, as are those of Qatar and Bahrain. When looking at the Gender Development Index ranking, the UAE has a rank of two, Saudi Arabia a rank of five, Qatar, a rank of two, Bahrain, a rank of three, Oman, a rank of three, and Kuwait, a rank of one (UNDP, 2020).

The UNDP (2020) also reports on a loss of human development in all of the Arab states due to inequality of 27.4 percent as of 2010 and 24.5 percent as of 2018. Presented below is each of these countries’ human development average annual growth in HDI in percentages.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Kuwait</td>
<td>1.0</td>
<td>0.10</td>
<td>0.22</td>
<td>0.045</td>
</tr>
<tr>
<td>Oman</td>
<td>NA</td>
<td>1.19</td>
<td>0.63</td>
<td>NA</td>
</tr>
<tr>
<td>Qatar</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>0.64</td>
<td>0.85</td>
<td>0.71</td>
<td>0.74</td>
</tr>
<tr>
<td>UAE</td>
<td>0.79</td>
<td>0.48</td>
<td>0.68</td>
<td>0.85</td>
</tr>
</tbody>
</table>

(NA = Not Available)

These data demonstrate some fairly significant declines in annual HDI growth rates, particularly in the cases of Kuwait, Saudi Arabia, and Oman. Overall, according to
the UNDP (2020), between 1990 and 2018, Kuwait’s annual HDI growth was more than halved, while that of Saudi Arabia improved by 0.10 percent, and that of the UAE improved by 0.85 percent. No data were available on this measure of HDI growth for Bahrain, Oman, or Qatar. The UNDP (2020) has commented that in terms of overall quality of human development, the UAE, Saudi Arabia, Bahrain, Oman, and Kuwait continue to rank among the countries identified as having very high human development based on such variables as quality of health and education services and overall quality of standard of living.

Secondly, in terms of the life course gender gap, the UNDP (2020) positions the UAE, Saudi Arabia, Qatar, Bahrain, Kuwait, and Oman as exhibiting above average characteristics with respect to gross enrollment ratio of children and youth, youth unemployment, and some population with at least some secondary education. However, in terms of unemployment rate, the UAE comes in at 4.1 percent, Saudi Arabia at 6.77 percent, Qatar at 6.0 percent, Bahrain at 11.67 percent, Oman at 7.9 percent, and Kuwait at 5.11 percent. These are substantially higher unemployment figures than are typically found within the UNDP Very High Human Development countries.

In terms of women’s empowerment, once again the UNDP (2020) found significant differences with respect to a number of variables such as the share of graduates in science, technology, economics, and mathematics at tertiary levels. Women’s share of positions in senior and middle management in the UAE is 12.2 percent. No such data are available for Saudi Arabia or for Qatar, Bahrain, Oman, or Kuwait.
With respect to environmental sustainability, the UAE, Saudi Arabia, Qatar, Bahrain, Oman, and Kuwait have varying scores on natural resource depletion at 4.0 percent, 7.9 percent, 7.4 percent, 0.3 percent, 18.1 percent, and 8.1 percent, respectively. The outlier in this group is Bahrain at 0.3 percent.

None of the countries contributed total debt service data to UNDP (2020) data on socioeconomic sustainability. However, with respect to adjusted net savings, only the UAE offers no information, whereas Saudi Arabia claims that 13.4 percent of GNP is saved, Qatar claims 26.8 percent, Bahrain claims 20.4 percent, Oman claims a deficit of 11.3 percent, and Kuwait claims an adjusted net savings rate of 14.6 percent.

Research and development (R&D) are significant to economic stability as well. The UAE invests 1.0 percent of GDP in R&D as compared to 5.6 percent of GDP in military expenditures. In Saudi Arabia, R&D receives a 0.8 percent share of GDP as compared to 8.8 percent of military expenditures. In Qatar, 0.5 percent of GDP is spent on R&D, whereas 1.5 percent of GDP is allocated to military expenditures. For Bahrain, R&D comprises 0.1 percent, whereas military expenditures comprise 3.6 percent of GDP. In Oman, 0.2 percent of GDP is spent on R&D, and 8.2 percent of GDP goes to military expenditures. Kuwait spends 0.1 percent of GDP on R&D and 5.1 percent of GDP on military expenditures. These data are indicative of societies that do not appear to be adequately investing in research and development expenditures in comparison to their military expenditures.

**Economic Sector Performance**

According to a World Bank (2020) study, Bahrain appears to have increased its crude oil production, measured as 1,000 barrels per day, from 0.17 to 0.20 in the second
quarter of 2019. Kuwait increased its crude oil production from 2.46 barrels per day in 2012 to 2.65 in 2019, third quarter. Oman has been relatively stable between 2012 and the third quarter of 2019, with production in the 0.74 to 0.98 range. Qatar significantly increased oil production from 0.74 units (understood as 1,000 barrels per day) to 2.0 units in the third quarter of 2019. Saudi Arabia has also been relatively consistent between 2012 and 2019’s third quarter, having produced 9.51 units in 2012 and 9.49 units in 2019. The UAE is also producing at a fairly stable rate of 2.65 units in 2012 and 3.07 units in the third quarter of 2019. Significantly, in each of these years, from 2012 to the third quarter of 2019, Saudi Arabia produced more units of crude oil than any of its neighbors and, in fact, more than the total together produced by the other five countries in this group.

The World Bank (2020) offered the following comparative data that depict aspects of the economic situations of the target countries.

**Figure 9**

![Comparative Data](image-url)
Figure 10 Visualization of Economic Diversification

Figure 11, also provided by the World Bank (2020), further breaks down contributions of different sectors to the total economy of the target countries.

Figure 11 Graphic Images of Relationships in State Economies
Figure 12 is the World Bank’s (2020) assessment of the Progress of Doing Business.
Indicator, a figure that ranks countries in terms of their percentage score on a 100 point scale.

**Figure 12**

<table>
<thead>
<tr>
<th>Rank 2017/18</th>
<th>Rank 2018/19</th>
<th>Change</th>
<th>Economy</th>
<th>Score 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>16</td>
<td>↓</td>
<td>UAE</td>
<td>80.9</td>
</tr>
<tr>
<td>62</td>
<td>43</td>
<td>↑</td>
<td>Bahrain</td>
<td>76</td>
</tr>
<tr>
<td>92</td>
<td>62</td>
<td>↑</td>
<td>Saudi Arabia</td>
<td>71.6</td>
</tr>
<tr>
<td>78</td>
<td>68</td>
<td>↑</td>
<td>Oman</td>
<td>70</td>
</tr>
<tr>
<td>83</td>
<td>77</td>
<td>↑</td>
<td>Qatar</td>
<td>68.7</td>
</tr>
<tr>
<td>97</td>
<td>83</td>
<td>↑</td>
<td>Kuwait</td>
<td>67.4</td>
</tr>
</tbody>
</table>

Figure 13 compares the current budgets of the target countries.

**Figure 13**

General government budgets for 2019

Percent of GDP

Sources: National authorities.

(World Bank, 2020)
Other data are also worth examining in assessing the economies of these countries and their efforts to reduce their dependence upon oil. Figure 14 depicts these comparisons in several distinct areas.

**Figure 14**

- International government debt securities outstanding in US$ billion
  - Comparison includes Q1-2015 and Q2-2019 data for Saudi Arabia, Qatar, UAE, Oman, Bahrain, and Kuwait.

- General government gross debt as a percent of GDP
  - Source: IMF, World Economic Outlook Database, October 2019.
  - Comparison includes data for Bahrain, Oman, Qatar, Saudi Arabia, UAE, and Kuwait for 2011 and 2019.

- Contribution to GDP growth
  - Percentage points for Saudi Arabia, UAE, Qatar, Kuwait, Oman, and Bahrain for 2017 to 2021f.
Fiscal balance
Percent of GDP

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<thead>
<tr>
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<tbody>
<tr>
<td>Saudi Arabia</td>
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<tr>
<td>UAE</td>
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<td></td>
</tr>
<tr>
<td>Qatar</td>
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<tr>
<td>Kuwait</td>
<td></td>
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</tr>
<tr>
<td>Oman</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Bahrain</td>
<td></td>
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</tbody>
</table>

Fiscal break-even price of oil
US$ per barrel
Source: IMF, Regional Economic Outlook: Middle East and Central Asia, October 2019.
Note: The oil price at which the fiscal balance is zero.

<table>
<thead>
<tr>
<th>Year</th>
<th>Bahrain</th>
<th>Oman</th>
<th>UAE</th>
<th>Saudi Arabia</th>
</tr>
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<tbody>
<tr>
<td>2016</td>
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<tr>
<td>2020</td>
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</tbody>
</table>

Excise tax and VAT implementation schedule

<table>
<thead>
<tr>
<th>Year</th>
<th>VAT</th>
<th>Excise Taxes</th>
</tr>
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<tbody>
<tr>
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<tr>
<td>2019</td>
<td>Qatar</td>
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<tr>
<td>2020</td>
<td>Kuwait</td>
<td>Kuwait</td>
</tr>
<tr>
<td>2021</td>
<td>Oman</td>
<td>Oman</td>
</tr>
<tr>
<td></td>
<td>Bahrain</td>
<td>Bahrain</td>
</tr>
</tbody>
</table>

Estimated excise tax and VAT revenues
Percent of GDP
Source: International Monetary Fund

Non-oil GDP
Percent of GDP
Source: IHS Markit.
Note: Non-oil versus oil sector data before 2010 are not available for the UAE and Kuwait.
This next set of tables, provided by the most current editions of the *CIA World Factbook* (2020) for each of the target countries, offers an in-depth assessment of key economic indicators. These tables also include a country ranking on selected indicators relative to the rest of the world, which are useful for the researcher’s development of a listing of country-specific items as well as a scale to determine relative status of each country. Noting, for example, that Bahrain has a rank of 33 in terms of GDP per capita when compared to the other countries identified in these data sets provides for a point of comparison that is valuable.

**Table 13 Leading Economic Indicators, CIA World Factbooks, 2019**

**Bahrain**

**GDP - per capita (PPP):**
$49,000 (2017 est.)
$48,200 (2016 est.)
$48,400 (2015 est.) **note:** data are in 2017 dollars

country comparison to the world: 33

**Gross national saving:**
19.8% of GDP (2017 est.)
21.2% of GDP (2016 est.)
22% of GDP (2015 est.)
country comparison to the world: 99

**GDP - composition, by end use:**
household consumption: 45.8% (2017 est.)
government consumption: 15.5% (2017 est.)
investment in fixed capital: 26.1% (2017 est.)
investment in inventories: 0.4% (2017 est.)
exports of goods and services: 80.2% (2017 est.)
imports of goods and services: -67.9% (2017 est.)

**GDP - composition, by sector of origin:**
agriculture: 0.3% (2017 est.)
industry: 39.3% (2017 est.)
services: 60.4% (2017 est.)

**Industrial production growth rate:**
0.6% (2017 est.)
country comparison to the world: 165
Labor force:
831,600 (2017 est.)

note: excludes unemployed;
44% of the population in the 15-64 age group is non-national
country comparison to the world: 149

Labor force - by occupation:
agriculture: 1%
industry: 32%
services: 67% (2004 est.)

Unemployment rate:
3.6% (2017 est.)
3.7% (2016 est.)

note: official estimate; actual rate is higher
country comparison to the world: 43

Population below poverty line: NA

Household income or consumption by percentage share:
lowest 10%: NA
highest 10%: NA

Taxes and other revenues:
16.6% (of GDP) (2017 est.)
country comparison to the world: 176

Budget surplus (+) or deficit (-):
-10.1% (of GDP) (2017 est.)
country comparison to the world: 211

Public debt:
88.5% of GDP (2017 est.)
81.4% of GDP (2016 est.)
country comparison to the world: 26

Inflation rate (consumer prices):
1.4% (2017 est.)
2.8% (2016 est.)
country comparison to the world: 76

Current account balance:
-$1.6 billion (2017 est.)
-$1.493 billion (2016 est.)
country comparison to the world: 159

Exports:
$15.38 billion (2017 est.)
$12.78 billion (2016 est.)
country comparison to the world: 75

Exports - partners:
UAE 19.6%, Saudi Arabia 11.7%, US 10.8%, Oman 8.1%, China 6.5%, Qatar 5.7%,
Japan 4.2% (2017)

Exports - commodities:
petroleum and petroleum products, aluminum, textiles
Imports:
$16.08 billion (2017 est.)
$13.59 billion (2016 est.)
country comparison to the world: 84

Imports - commodities:
crude oil, machinery, chemicals

Imports - partners:
China 8.8%, UAE 7.2%, US 7.1%, Australia 5.3%, Japan 4.8% (2017)

Reserves of foreign exchange and gold:
$2.349 billion (31 December 2017 est.)
$3.094 billion (31 December 2016 est.)
country comparison to the world: 118

Debt - external:
$52.15 billion (31 December 2017 est.)
$42.55 billion (31 December 2016 est.)
country comparison to the world: 63

Exchange rates
Bahraini dinars (BHD) per US dollar -
0.376 (2017 est.)
0.376 (2016 est.)
0.376 (2015 est.)
0.376 (2014 est.)
0.376 (2013 est.)

Kuwait

GDP PPP
$65,800 (2017 est.)
$69,900 (2016 est.)
$69,200 (2015 est.)

note: data are in 2017 dollars
country comparison to the world: 15

Gross national saving:
35.4% of GDP (2017 est.)
32.9% of GDP (2016 est.)
37.1% of GDP (2015 est.)
country comparison to the world: 16

GDP - composition, by end use:
household consumption: 43.1% (2017 est.)
government consumption: 24.5% (2017 est.)
investment in fixed capital: 26.5% (2017 est.)
investment in inventories: 3.5% (2017 est.)
exports of goods and services: 49.4% (2017 est.)
imports of goods and services: -47% (2017 est.)

GDP - composition, by sector of origin:
agriculture: 0.4% (2017 est.)
industry: 58.7% (2017 est.)
services: 40.9% (2017 est.)

Industrial production growth rate
2.9%
country comparison to the world: 109

Labor force:
2.695 million (2017 est.)

note: non-Kuwaitis represent about 60% of the labor force
country comparison to the world: 112

Labor force - by occupation:
agriculture: NA
industry: NA
services: NA

Unemployment rate:
1.1% (2017 est.)
1.1% (2016 est.)
country comparison to the world: 11

Population below poverty line: NA

Household income or consumption by percentage share:
lowest 10%: NA
highest 10%: NA

Taxes and other revenues:
41.8% (of GDP) (2017 est.)
country comparison to the world: 32

Budget surplus (+) or deficit (-):
-10% (of GDP) (2017 est.)
country comparison to the world: 210

Public debt:
20.6% of GDP (2017 est.)
9.9% of GDP (2016 est.)
country comparison to the world: 188

Inflation rate (consumer prices):
3.5% (2016 est.)
country comparison to the world: 83

Current account balance:
$7.127 billion (2017 est.)
-$5.056 billion (2016 est.)
country comparison to the world: 26

Exports:
$55.17 billion (2017 est.)
$46.26 billion (2016 est.)
country comparison to the world: 50

Exports - partners:
South Korea 18.3%, China 17.4%, Japan 11.5%, India 11.2%, Singapore 6.3%, US 5.7% (2017)

Exports - commodities:
oil and refined products, fertilizers

Imports
$29.53 billion (2017 est.)
$26.56 billion (2016 est.)
country comparison to the world: 69

Imports - commodities
food, construction materials, vehicles and parts, clothing

Imports - partners:
China 13.5%, US 13.3%, UAE 9.5%, Saudi Arabia 5.8%, Germany 5.4%, Japan 5%,
India 4.7%, Italy 4.5% (2017)

Reserves of foreign exchange and gold:
$33.7 billion (31 December 2017 est.)
$31.13 billion (31 December 2016 est.)
country comparison to the world: 48

Debt - external:
$47.24 billion (31 December 2017 est.)
$38.34 billion (31 December 2016 est.)
country comparison to the world: 68

Exchange rates:
Kuwaiti dinars (KD) per US dollar -
0.3041 (2017 est.)
0.3022 (2016 est.)
0.3022 (2015 est.)
0.3009 (2014 est.)
0.2845 (2013 est.)

Oman

GDP (purchasing power parity):
$191.9 billion (2016 est.)
$182.8 billion (2015 est.)

note: data are in 2017 dollars
country comparison to the world: 67

GDP (official exchange rate): $70.78 billion (2017 est.)

GDP - real growth rate:
-0.9% (2017 est.)
5% (2016 est.)
4.7% (2015 est.)
country comparison to the world: 201

GDP - per capita (PPP):
$46,000 (2017 est.)
$47,900 (2016 est.)
$48,400 (2015 est.)

**note:** data are in 2017 dollars

country comparison to the world: 37

**Gross national saving:**
16.1% of GDP (2017 est.)
10.5% of GDP (2016 est.)
14.3% of GDP (2015 est.)
country comparison to the world: 127

**GDP - composition, by end use**

household consumption: 36.8% (2017 est.)
government consumption: 26.2% (2017 est.)
investment in fixed capital: 27.8% (2017 est.)
investment in inventories: 3% (2017 est.)
exports of goods and services: 51.5% (2017 est.)
imports of goods and services: -46.6% (2017 est.)

**GDP - composition, by sector of origin:**

agriculture: 1.8% (2017 est.)
industry: 46.4% (2017 est.)
services: 51.8% (2017 est.)

**Industrial production growth rate:**
-3% (2017 est.)
country comparison to the world: 188

**Labor force:**
2.255 million (2016 est.)

**note:** about 60% of the labor force is non-national
country comparison to the world: 119

**Labor force - by occupation:**

agriculture: 4.7% NA
industry: 49.6% NA
services: 45% NA (2016 est.)

**Unemployment rate:** NA

**Population below poverty line:** NA

**Household income or consumption by percentage share:**

lowest 10%: NA
highest 10%: NA

**Taxes and other revenues:**
31.3% (of GDP) (2017 est.)
country comparison to the world: 73

**Budget surplus (+) or deficit (-):**
-13.8% (of GDP) (2017 est.)
country comparison to the world: 216

**Public debt:**
46.9% of GDP (2017 est.)
32.5% of GDP (2016 est.)

**note:** excludes indebtedness of state-owned enterprises
Inflation rate (consumer prices):
1.6% (2017 est.)
1.1% (2016 est.)

Current account balance:
-$10.76 billion (2017 est.)
-$12.32 billion (2016 est.)

Exports:
$103.3 billion (2017 est.)
$27.54 billion (2016 est.)

Exports - partners:
China 43.7%, UAE 11%, South Korea 7.9%, Saudi Arabia 4.2% (2017)

Exports - commodities:
petroleum, reexports, fish, metals, textiles

Imports
$24.12 billion (2017 est.)
$21.29 billion (2016 est.)

Imports - commodities:
machinery and transport equipment, manufactured goods, food, livestock, lubricants

Imports - partners:
UAE 35.5%, US 27.8%, Brazil 4% (2017)

Reserves of foreign exchange and gold:
$16.09 billion (31 December 2017 est.)
$20.26 billion (31 December 2016 est.)

Debt - external:
$46.27 billion (31 December 2017 est.)
$27.05 billion (31 December 2016 est.)

Exchange rates:
Omani rials (OMR) per US dollar -
0.3845 (2017 est.)
0.3845 (2016 est.)
0.3845 (2015 est.)
0.3845 (2014 est.)
0.3845 (2013 est.)

Qatar

GDP (purchasing power parity):
$339.5 billion (2017 est.)
$334.2 billion (2016 est.)
$327.3 billion (2015 est.)

**note:** data are in 2017 dollars

country comparison to the world: 52

**GDP (official exchange rate):**

$166.9 billion (2017 est.)

**GDP - real growth rate:**

1.6% (2017 est.)
2.1% (2016 est.)
3.7% (2015 est.)

country comparison to the world: 169

**GDP - per capita (PPP)**

$124,100 (2017 est.)
$127,700 (2016 est.)
$134,200 (2015 est.)

**note:** data are in 2017 dollars

country comparison to the world: 2

**Gross national saving:**

50.2% of GDP (2017 est.)
42.4% of GDP (2016 est.)
47.4% of GDP (2015 est.)

country comparison to the world: 1

**GDP - composition, by end use**

household consumption: 24.6% (2017 est.)
government consumption: 17% (2017 est.)
investment in fixed capital: 43.1% (2017 est.)
investment in inventories: 1.5% (2017 est.)
exports of goods and services: 51% (2017 est.)
imports of goods and services: -37.3% (2017 est.)

**GDP - composition, by sector of origin:**

agriculture: 0.2% (2017 est.)
industry: 50.3% (2017 est.)
services: 49.5% (2017 est.)

**Agriculture - products:**
fruits, vegetables; poultry, dairy products, beef; fish

**Industries:** liquefied natural gas, crude oil production and refining, ammonia, fertilizer, petrochemicals, steel reinforcing bars, cement, commercial ship repair

**Industrial production growth rate:**

3% (2017 est.)

country comparison to the world: 105

**Labor force:**

1.953 million (2017 est.)

country comparison to the world: 126

**Unemployment rate:**

8.9% (2017 est.)
11.1% (2016 est.)
Population below poverty line: NA
Household income or consumption by percentage share:
  lowest 10%: 1.3%
  highest 10%: 35.9% (2007)
Budget:
  revenues: 44.1 billion (2017 est.)
  expenditures: 53.82 billion (2017 est.)
Taxes and other revenues:
  26.4% (of GDP) (2017 est.)
Budget surplus (+) or deficit (-):
  -5.8% (of GDP) (2017 est.)
Public debt:
  53.8% of GDP (2017 est.)
  46.7% of GDP (2016 est.)
Inflation rate (consumer prices):
  0.4% (2017 est.)
  2.7% (2016 est.)
Current account balance:
  $6.426 billion (2017 est.)
  -$8.27 billion (2016 est.)
Exports:
  $67.5 billion (2017 est.)
  $57.25 billion (2016 est.)
Exports - partners:
  Japan 17.3%, South Korea 16%, India 12.6%, China 11.2%, Singapore 8.2%, UAE 6.4% (2017)
Exports - commodities:
  liquefied natural gas (LNG), petroleum products, fertilizers, steel
Imports:
  $30.77 billion (2017 est.)
  $31.93 billion (2016 est.)
Imports - partners:
  China 10.9%, US 8.9%, UAE 8.5%, Germany 8.1%, UK 5.5%, India 5.4%, Japan 5.3%, Italy 4.3% (2017)
Reserves of foreign exchange and gold:
$15.01 billion (31 December 2017 est.)  
$31.89 billion (31 December 2016 est.)

country comparison to the world: 68

Debt - external:
$167.8 billion (31 December 2017 est.)  
$157.9 billion (31 December 2016 est.)

country comparison to the world: 39

Exchange rates:
Qatari rials (QAR) per US dollar -
3.64 (2017 est.)
3.64 (2016 est.)
3.64 (2015 est.)
3.64 (2014 est.)
3.64 (2013 est.)

Saudi Arabia

GDP (purchasing power parity):
$1.775 trillion (2017 est.)  
$1.79 trillion (2016 est.)
$1.761 trillion (2015 est.)

note: data are in 2017 dollars
country comparison to the world: 16

GDP (official exchange rate):
$686.7 billion (2017 est.)

GDP - real growth rate:
-0.9% (2017 est.)
1.7% (2016 est.)
4.1% (2015 est.)

country comparison to the world: 202

GDP - per capita (PPP):
$54,500 (2017 est.)
$56,400 (2016 est.)
$56,800 (2015 est.)

note: data are in 2017 dollars
country comparison to the world: 22

Gross national saving:
30.1% of GDP (2017 est.)
27.2% of GDP (2016 est.)
26.5% of GDP (2015 est.)

country comparison to the world: 32

GDP - composition, by end use:
household consumption: 41.3% (2017 est.)
government consumption: 24.5% (2017 est.)
investment in fixed capital: 23.2% (2017 est.)
investment in inventories: 4.7% (2017 est.)
exports of goods and services: 34.8% (2017 est.)
imports of goods and services: -28.6% (2017 est.)

**GDP - composition, by sector of origin:**
- agriculture: 2.6% (2017 est.)
- industry: 44.2% (2017 est.)
- services: 53.2% (2017 est.)

**Agriculture - products:**
wheat, barley, tomatoes, melons, dates, citrus; mutton, chickens, eggs, milk

**Industries:**
crude oil production, petroleum refining, basic petrochemicals, ammonia, industrial gases, sodium hydroxide (caustic soda), cement, fertilizer, plastics, metals, commercial ship repair, commercial aircraft repair, construction

**Industrial production growth rate:**
-2.4% (2017 est.)

- country comparison to the world: 186

**Labor force:**
This entry contains the total labor force figure. 13.8 million (2017 est.)

**note:** comprised of 3.1 million Saudis and 10.7 million non-Saudis

- country comparison to the world: 42

**Labor force - by occupation:**
- agriculture: 6.7%
- industry: 21.4%
- services: 71.9% (2005 est.)

**Unemployment rate:**
6% (2017 est.)
5.6% (2016 est.)

**note:** data are for total population; unemployment among Saudi nationals is more than double

- country comparison to the world: 92

**Population below poverty line:** NA

**Household income or consumption by percentage share:**
- lowest 10%: NA
- highest 10%: NA

**Budget:**
- revenues: 181 billion (2017 est.)
- expenditures: 241.8 billion (2017 est.)

**Taxes and other revenues:**
- 26.4% (of GDP) (2017 est.)

- country comparison to the world: 113

**Budget surplus (+) or deficit (-):**
-8.9% (of GDP) (2017 est.)

- country comparison to the world: 204

**Public debt:**
17.2% of GDP (2017 est.)
13.1% of GDP (2016 est.)
country comparison to the world: 193
Inflation rate (consumer prices):
-0.9% (2017 est.)
2% (2016 est.)
country comparison to the world: 3
Current account balance:
$15.23 billion (2017 est.)
-$23.87 billion (2016 est.)
country comparison to the world: 19
Exports:
$221.1 billion (2017 est.)
$183.6 billion (2016 est.)
country comparison to the world: 24
Exports - partners:
Japan 12.2%, China 11.7%, South Korea 9%, India 8.9%, US 8.3%, UAE 6.7%,
Singapore 4.2% (2017)
Exports - commodities:
petroleum and petroleum products 90% (2012 est.)
Imports:
$119.3 billion (2017 est.)
$127.8 billion (2016 est.)
country comparison to the world: 33
Imports - commodities:
machinery and equipment, foodstuffs, chemicals, motor vehicles, textiles
Imports - partners:
China 15.4%, US 13.6%, UAE 6.5%, Germany 5.8%, Japan 4.1%, India 4.1%, South
Korea 4% (2017)
Reserves of foreign exchange and gold:
$496.4 billion (31 December 2017 est.)
$535.8 billion (31 December 2016 est.)
country comparison to the world: 4
Debt - external:
$205.1 billion (31 December 2017 est.)
$189.3 billion (31 December 2016 est.)
country comparison to the world: 36
Exchange rates:
Saudi riyals (SAR) per US dollar -
3.75 (2017 est.)
3.75 (2016 est.)
3.75 (2015 est.)
3.75 (2014 est.)
3.75 (2013 est.)
United Arab Emirates (UAE)

**GDP (purchasing power parity):**
$696 billion (2017 est.)
$690.5 billion (2016 est.)
$670.5 billion (2015 est.)
**note:** data are in 2017 dollars

country comparison to the world: 32

**GDP (official exchange rate):**
$382.6 billion (2017 est.)

**GDP - real growth rate:**
0.8% (2017 est.)
3% (2016 est.)
5.1% (2015 est.)

country comparison to the world: 188

**GDP - per capita (PPP):**
$68,600 (2017 est.)
$70,100 (2016 est.)
$70,000 (2015 est.)
**note:** data are in 2017 dollars

country comparison to the world: 13

**Gross national saving:**
30.9% of GDP (2016 est.)
30.7% of GDP (2015 est.)

country comparison to the world: 39

**GDP - composition, by end use:**
household consumption: 34.9% (2017 est.)
government consumption: 12.3% (2017 est.)
investment in fixed capital: 23% (2017 est.)
investment in inventories: 1.8% (2017 est.)
exports of goods and services: 100.4% (2017 est.)
imports of goods and services: -72.4% (2017 est.)

**GDP - composition, by sector of origin:**
agriculture: 0.9% (2017 est.)
industry: 49.8% (2017 est.)
services: 49.2% (2017 est.)

**Agriculture - products**
dates, vegetables, watermelons; poultry, eggs, dairy products; fish

**Industries:**
petroleum and petrochemicals; fishing, aluminum, cement, fertilizer, commercial ship repair, construction materials, handicrafts, textiles

**Industrial production growth rate:**
1.8% (2017 est.)

country comparison to the world: 138

**Labor force:** This entry contains the total labor force figure.
5.344 million (2017 est.)

**note:** expatriates account for about 85% of the workforce
country comparison to the world: 78

**Labor force - by occupation:**
agriculture: 7%
industry: 15%
services: 78% (2000 est.)

**Unemployment rate:**
1.6% (2016 est.)
3.6% (2014 est.)
country comparison to the world: 14

**Population below poverty line:**
19.5% (2003 est.)

**Household income or consumption by percentage share:**
lowest 10%: NA
highest 10%: NA

**Budget:**
revenues: 110.2 billion (2017 est.)
expenditures: 111.1 billion (2017 est.)
**note:** the UAE federal budget does not account for emirate-level spending in Abu Dhabi and Dubai

**Taxes and other revenues:**
28.8% (of GDP) (2017 est.)
country comparison to the world: 90

**Budget surplus (+) or deficit (-):**
-0.2% (of GDP) (2017 est.)
country comparison to the world: 51

**Public debt:**
19.7% of GDP (2017 est.)
20.2% of GDP (2016 est.)
country comparison to the world: 190

**Inflation rate (consumer prices):**
2% (2017 est.)
1.6% (2016 est.)
country comparison to the world: 108

**Current account balance:**
$26.47 billion (2017 est.)
$13.23 billion (2016 est.)
country comparison to the world: 13

**Exports:**
$308.5 billion (2017 est.)
$298.6 billion (2016 est.)
country comparison to the world: 18

**Exports - partners:**
India 10.1%, Iran 9.9%, Japan 9.3%, China 5.4%, Oman 5%, Switzerland 4.4%, South Korea 4.1% (2017)

**Exports - commodities:**
crude oil 45%, natural gas, reexports, dried fish, dates (2012 est.)

**Imports:**
$229.2 billion (2017 est.)
$226.5 billion (2016 est.)
country comparison to the world: 21

**Imports - commodities**
machinery and transport equipment, chemicals, food

**Imports - partners:**
China 8.5%, US 6.8%, India 6.6% (2017)

**Reserves of foreign exchange and gold:**
$95.37 billion (31 December 2017 est.)
$85.39 billion (31 December 2016 est.)
country comparison to the world: 27

**Debt - external:**
$237.6 billion (31 December 2017 est.)
$218.7 billion (31 December 2016 est.)
country comparison to the world: 32

**Exchange rates:**
Emirati dirhams (AED) per US dollar -
3.673 (2017 est.)
3.673 (2016 est.)
3.673 (2015 est.)
3.673 (2014 est.)
3.673 (2013 est.)

As noted above, these data sets are extensive. However, they reflect the information most currently available to their creators and may not reflect 2019 and 2020 statistics.

Presented below is a World Bank (2020) forecast summary of various aspects of GCC and individual countries’ economic potential.
Figure 15

<table>
<thead>
<tr>
<th>MENA GCC forecast summary</th>
<th>2017</th>
<th>2018</th>
<th>2019f</th>
<th>2020f</th>
<th>2021f</th>
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<tr>
<td><strong>AGGREGATE GCC COUNTRIES</strong></td>
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<tr>
<td>GDP growth</td>
<td>-0.2</td>
<td>2.0</td>
<td>0.8</td>
<td>2.2</td>
<td>2.6</td>
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<td>Contributions to growth:</td>
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<td>Private consumption</td>
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<td>0.5</td>
<td>0.4</td>
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<td>Government consumption</td>
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<td>-0.3</td>
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<td>1.0</td>
<td>1.3</td>
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<td>-1.2</td>
<td>1.8</td>
<td>0.5</td>
<td>-0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Current account balance (% of GDP)</td>
<td>2.8</td>
<td>9.7</td>
<td>6.0</td>
<td>6.3</td>
<td>6.7</td>
</tr>
<tr>
<td>Fiscal balance (% of GDP)</td>
<td>-7.4</td>
<td>-3.5</td>
<td>-4.6</td>
<td>-3.6</td>
<td>-3.1</td>
</tr>
<tr>
<td>Terms of trade (% change)</td>
<td>-2.6</td>
<td>3.1</td>
<td>-1.3</td>
<td>-0.9</td>
<td>-0.6</td>
</tr>
<tr>
<td><strong>INDIVIDUAL GCC COUNTRIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bahrain</td>
<td>3.8</td>
<td>1.8</td>
<td>2.0</td>
<td>2.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Kuwait</td>
<td>-3.5</td>
<td>1.2</td>
<td>0.4</td>
<td>2.2</td>
<td>2.0</td>
</tr>
<tr>
<td>Oman</td>
<td>0.3</td>
<td>1.8</td>
<td>0.0</td>
<td>3.7</td>
<td>4.3</td>
</tr>
<tr>
<td>Qatar</td>
<td>1.6</td>
<td>1.5</td>
<td>0.5</td>
<td>1.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>-0.7</td>
<td>2.4</td>
<td>0.4</td>
<td>1.9</td>
<td>2.2</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>0.5</td>
<td>1.7</td>
<td>1.8</td>
<td>2.6</td>
<td>3.0</td>
</tr>
</tbody>
</table>

The researcher drew up the above datasets and used them to construct a new table identifying key variables associated with economic diversification. The next section of this chapter presents the researcher’s analysis of these data.

In their very current assessment of the progress of Vision 2030, Grand and Wolff (2020) observed that the Saudi government has in fact invested substantial time, energy, effort, and money in the Vision 2030 reforms and projects, with some noteworthy achievements. These achievements appear most readily in terms of fiscal stabilization and macroeconomic management, development of capital markets and the banking system, and social reforms as well as digitization of many government services. However, these analysts took the position that reform efforts are falling short of their intended results – most significantly in terms of creating new jobs and transforming the private sector into an engine of growth.

Data analyzed by Grand and Wolf (2020) arrived at much the same conclusions. These analysts also recommended that the continued sale of Saudi Aramco shares be
implemented and that more government reform efforts were needed – especially in the regulatory and legal systems. Further, government should turn away from a top-down and micro-managerial approach and make serious commitments to enhancing the technological skills of its citizens. It should also abandon the megaprojects that are quite costly, and focus instead on enhancing human capital and diversifying its capacity for global competitiveness.

**Data Analysis**

The IMF (2018b), working with data provided by the GCC, conducted a lengthy assessment of the keys to diversification taking place in the target countries. The following table, developed by the researcher and based on other data sets presented above, offers a summary of major diversification efforts in each country. A “Y” or “N” (Yes or No) or + / - indicates that the country has made efforts in each activity category or has experienced a negative or positive increase in a particular economic activity. Other specific comments are included as indicated, including percentages.

**Table 14 Key Diversification Activities in GCC Countries**

<table>
<thead>
<tr>
<th>Activity</th>
<th>UAE</th>
<th>Oman</th>
<th>Bahrain</th>
<th>S.A.</th>
<th>Kuwait</th>
<th>Qatar</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI Inflows (+/-) 2017</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ratio of Imports to Exports 2017 (Goods &amp; Services) Over 100%</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Hydrocarbon Export %(^1)</td>
<td>41.3</td>
<td>55.5</td>
<td>33.9</td>
<td>72.4</td>
<td>82.5</td>
<td>76.9</td>
</tr>
<tr>
<td>Chemicals Export %</td>
<td>6.2</td>
<td>9.4</td>
<td>4.1</td>
<td>17.2</td>
<td>6.9</td>
<td>6.9</td>
</tr>
<tr>
<td>Manufactured Goods Export%</td>
<td>15.8</td>
<td>7.3</td>
<td>19.9</td>
<td>2.6</td>
<td>6.9</td>
<td>3.0</td>
</tr>
</tbody>
</table>

\(^1\) Hydrocarbon Exports consist of fuels, lubricants and related materials.
The table presented above depicts key data comparing economic diversification efforts in each of the target countries. Using these data and others, the researcher created a scale of 1 = Very High, 2 = High, 3 = Moderate, 4 = Low, and 5 = Very Low. Each country was then given a composite ranking based on the data that have been presented in multiple forms throughout this report.

### Table 15 Diversification Rankings by Diversification Strategy

<table>
<thead>
<tr>
<th>Country</th>
<th>Qatar</th>
<th>Kuwait</th>
<th>S.A.</th>
<th>Oman</th>
<th>UAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2 Rank numbers refer to the relative position of target countries within the World Economic Forum’s Enabling Trade Index of 136 countries.

3 Scored from 0 to 5 and reflecting 2018 data.
<table>
<thead>
<tr>
<th>Public Procurement</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics Performance</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Export Diversification</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Domestic Market Access</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Foreign Market Access</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Border Administration</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Infrastructure Ranking</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Operating Envir. Rank</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total Score</td>
<td>22</td>
<td>31</td>
<td>23</td>
<td>25</td>
<td>14</td>
<td>23</td>
</tr>
</tbody>
</table>

The scale employed for domestic market access, foreign market access, border administration, infrastructure, and operating environment rankings is based on the relative score of each country on the World Economic Forum’s Enabling Trade Index, which assesses the position of each country among the 136 countries that are included in the scale.

Based on the total scores above, one can identify the relevant current status of economic diversification in the six target countries as follows:

- **Most Diversified** = UAE
- **Somewhat Diversified** = Qatar
- **Slightly Diversified** = Saudi Arabia, Bahrain, Oman
- **Least Diversified** = Kuwait

It should be noted that the researcher derived this assessment through close examination of each of the critical indicators of economic diversification. However, these indicators do
not fully explain the assessed differences in Diversification Scores; this must be undertaken in the context of the scholarly literature as well as the data discussed herein.
CHAPTER V
Discussion of Results

Introduction

This chapter synthesizes the ideas presented in the Review of Literature with the findings from the data analyzed in Chapter 4. Firstly, the discussion will consider the extent to which Saudi Vision 2030 has been implemented. Secondly, it will examine factors that have prevented and may continue to prevent full implementation of the multiple components of this ambitious transformation plan. Thirdly, Saudi Arabian diversification will be discussed in the context of its neighboring GCC countries. Finally, brief answers to each of the research questions will be provided, and the discussion will conclude with a summary of the chapter.

Implementation of Saudi Vision 2030

Before Mohammad bin Salman (Interview with Mohammad bin Salman, 2015) announced Saudi Vision 2030 in 2015, the Kingdom’s capacity to continue relying on oil and gas sector rents was a cause of increasing concern (Albassam, 2015). Both the National Transformation Program (NTP) and Vision 2030 (Kingdom of Saudi Arabia, 2020) proposed multiple programs designed to improve governance, reduce dependence on oil reserves to fulfill budgetary shortcomings, and provide government support for diversification efforts by entrepreneurs and others. In addition, FDI would give the government the opportunity to step back from its role as a major employer, which is also critical to economic progress to the Kingdom (Nour, 2014; Varga, 2016).

As Al-Mejren (2019) has pointed out, however, issues within the Kingdom have hitherto prevented any meaningful expansion of FDI. Some of these issues include acceptance of new roles for women in the workplace and in the public sector and the
likelihood that opening the Kingdom up to increased foreign business investment and
presence will necessitate greater levels of interaction with non-Muslims and therefore,
potentially, accommodation of other faiths. Stancati and Al Omran (2016) agreed with
Prince Mohammad bin Salman’s (Interview with Mohammad bin Salman, 2016)
observation that the Kingdom needed to undergo significant changes in terms of its social
relationships and its culture in order to facilitate diversification. Here as well, Grand and
Wolff (2020) commented that major changes in cultural and social traditions were
undoubtedly needed.

The data presented in Chapter 4 showed that Saudi Arabia had an aggregate GDP
growth of -0.7 percent in 2017 but an estimated 1.9 percent increase in 2020. This
comparison suggests that the Saudi economy continues to be firmly committed to
leveraging the value of its oil resources by refocusing investment away from upstream
activities toward downstream industries such as oil refining and petrochemical production
(World Bank, 2020). Further, when one looks at HDI as described by the UNDP, Saudi
Arabia’s HDI rank of 36 in the world places it within the top 100 countries but is bested
by the UAE at a rank of 35. As this ranking suggests, while Saudi Arabia has achieved
significant improvement in certain areas, such as responsiveness to human development
concerns centered on education and health, progress remains to be made in many other
areas.

In addition, Saudi Arabia spends only 0.8 percent of its GDP on research and
development – a sector on which the very expansive technological ambitions of Saudi
Vision 2030 heavily depend. Many projects that are critical to Vision 2030 have not as
yet been completed. This includes the Diriyah Gate Project, the Al-Qiddiya Project, the
NEOM Project, improvements to the downtown Jeddah Al Balad (central city), the Renewal Energy Project, the Amaala Project, the King Salman Energy Park, the Al-Ula Vision Project, and efforts focused on providing government grants to entrepreneurs as well as more opportunities for training in the technology sector (Saudi Vision 2030 explained, 2019; UNDP, 2020; and World Bank, 2020). Grand and Wolff (2020), however, are convinced that such megaprojects should be temporarily shelved and replaced with government reform initiatives as well as enhancement of human capital.

The World Bank (2020) also stated that the Saudi government budget for 2019 was likely to generate a -4.2 percent deficit, which would require further depletion of oil reserves at a time when oil prices remain volatile. The World Bank (2018) reported that Saudi Arabia’s non-oil percentage of GDP was 57 percent in 2018, an improvement over the 40 percent non-oil percentage of GDP in 2000.

Many of the structural reforms proposed by Saudi Vision 2030 have also not taken place as anticipated. Many of the Kingdom’s government agencies have not in fact been reconstructed or merged with an existing entity to simplify government processes (Saudi Vision 2030 explained, 2019). This includes key agencies such as the Council of Economic and Development Affairs and the Strategic Management Committee. At the same time, new organizations within the national government have emerged, such as the Ministries of Commerce and Investment, Labor, Energy, Industry and Mineral Resource, Environment (which includes agriculture and water), a combined Ministry of Hajj and Umruh, and an expanded Public Education Evaluation Committee.

Table 14 in Chapter 4 of this project compared diversification activities in Saudi Arabia and other GCC countries using data provided by the UNDP, the World Bank, and
other institutions. This assessment revealed that in comparison to its neighbors, Saudi Arabia was significantly lagging behind in terms of its export of manufactured goods, and that it had a low rating on foreign market access in the context of the HDI rankings of 136 Very Developed Countries. When all diversification strategies were ranked on a scale of 1 = Very High to 5 = Very Low on multiple aspects of diversification, Saudi Arabia had a total score of 23, which indicated that it is slightly diversified when it is compared to other countries.

Finally, Shiloh (2016) pointed out that many members of the Muslim clergy do not approve of the cultural changes that are taking place as a consequence of Vision 2030. The findings of Fasano and Iqbal (2003) indicated that while the Kingdom had begun to allow foreigners to trade on its stock market through open-ended mutual funds and new capital markets and also contemplated labor reform and privatization along with the deregulation of various sectors, more recent evidence provided by the CIA (2020) indicates many of these reforms have not yet taken effect. Most of the initiatives that have occurred under Vision 2030 to date have tended to reinforce Saudi culture and systems (Platt, 2017) despite the royal decree which has significantly empowered Saudi women with respect to driving vehicles, obtaining a driver’s license, and being granted scholarships for domestic and overseas studies (Luck, 2017). The Kingdom’s female labor force participation of only 23.4 percent (UNDP, 2020) underscores that Vision 2030 has not hitherto achieved its goal of significantly empowering women.

Thus, the evidence does not support the conclusion that Vision 2030 has been a complete success. Saudi Arabia is still attempting to adopt values of moderation, tolerance, equity, and transparency to create a more open and responsive society that will
foster FDI inflows and create unique partnerships with foreign countries (World Bank, 2020; Khashan, 2017). While much progress has been made in a relatively short period, Saudi Vision 2030 remains more of a vision than a reality in areas such as:

- research and development
- restructuring of government agencies
- economic and social empowerment of women
- increasing partnerships with foreign businesses
- decreasing governmental subsidies to Saudi nationals.

**Factors Impacting Saudi Vision 2030 Implementation**

In addition to the cultural inertia discussed above, a number of other issues have affected Saudi Arabia’s ability to fulfill its plans as articulated in both the NTP and Vision 2030. One such issue is the ongoing war in Yemen (Luck, 2017). Luck (2017) argued that this war, along with the overall antagonism between Saudi Arabia and Iran, caused the Saudi government to invest far more in military expenditures than in other areas of the economy (World Bank, 2020). In addition, the World Bank (2020) found that Saudi Arabia has substantially higher international government debt securities outstanding than its fellow GCC members. As of 2019, the Kingdom had almost US$ 80 billion in outstanding international government debt securities.

As the World Bank has noted (2020), Saudi Arabia’s expected growth rate in GDP of 1.9 percent by the end of 2020 is not expected to be realized; this could be detrimental to government’s capacity for meeting its development goals and completing some of the ongoing projects described elsewhere in this study. Nor has the Kingdom increased its exports of manufactured goods, its foreign market access ranking, or its
border administration ranking, according to the World Bank (2020) and the CIA (2020). Volatility in the oil market is among the major issues that Alomari and Bashayreh (2020) identified as critically affecting the Kingdom and the GCCC as a whole with respect to diversification of domestic economies and improving public sector business activities.

At the same time, Teller (2018), who called Saudi Vision 2030 a neoliberal blueprint, contended that in the first two years after its inception, Vision 2030 got off to an impressive start, but by 2018, the decline in oil prices halted many of the projects that it had planned. Teller (2018) maintained that when it gains extra oil revenues and its reserves of currency and revenues increase, the Saudi government tends to be less concerned about economic diversification. When oil revenues decline, the opposite is true.

One must also acknowledge that the global Covid-19 pandemic has had a negative impact on Saudi Arabia and other GCC countries, not to mention the rest of the world. The United Nations ESCWA (2020) stated that the pandemic has disrupted supply chains and production networks and restricted the flow of goods and services, capital movement, and FDI inflows. Of course, Saudi Arabia is hardly immune to these effects, which have also damaged the United States and European economies. The Saudi 2020 budget planned for a downward trajectory until 2022, but lower oil prices and the Covid-19 pandemic have forced the country to restructure its budget and, ideally, to achieve greater fiscal responsibility. Many of the programs and subsidies that Saudis have come to take for granted are being reduced or, in some instances, eliminated (Metin Mitchell & Co, 2017; Muzoriwa, 2020).
Henderson (2020) and Koyame-Marsh (2017) have identified other impediments to the full realization of Vision 2030, some of which center on public perceptions of Crown Prince Mohammad bin Salman. In recent years, his popularity has diminished somewhat due to clerics’ antagonism toward the cultural changes affecting women in Saudi society (Thompson, 2017), as well as the death of journalist and dissident Jamal Khashoggi.

The Saudi Arabian government’s response to Khashoggi’s killing has come under scrutiny as well. Although the Kingdom has begun an investigation of Khashoggi’s death and 20 Saudi Arabians were found guilty of participating in his murder, Schwartz (2020) claimed that none of the accused were present in the Istanbul, Turkey courtroom where the judges issued life sentences for the accused.

The completion of the sale of five percent of Saudi Aramco to international investors has not yet taken place (Interview with Mohammad bin Salman, 2016). These new funds were to be instrumental in facilitating many new development projects, some of which are still in the pre-construction stages. With 2 percent of Saudi Aramco shares sold to domestic investors (Grand & Wolff, 2020), some funds have been generated; however, the funds are not sufficient to permit completion of many of the projects identified in Saudi Vision 2030. As Glum (2016) has observed, the Kingdom is known for providing a robust state welfare program that includes no taxes on income and sales, along with heavily subsidized municipal services and consumer goods such as fuel and food. These are the kinds of issues that appear to be having a negative impact upon the realization of Saudi Vision 2030.

Case Comparisons
In a study of growth and development measures in rentier economies such as those of the GCC, Al-Mejren (2019) identified a number of adverse effects resulting from excessive reliance on rents, including high exposure to external shocks, a high ratio of expatriates and remittances, symptoms of the Dutch Disease including expanded government provision of services and subsidies to its citizens, vulnerability to fiscal and administrative corruption, and the resource curse.

However, Al-Mejren (2019), along with the IMF (2020), the World Bank (2020), and Alomari and Bashayreh (2020), has recognized the fundamental differences among the GCC rentier states that have produced noteworthy variations in their development performance, as measured by their ability to reduce dependence on rentier income. Among these differences, Al-Mejren (2019) emphasized the countries’ varying degrees of dependency on natural resources – a dependency which is highest in Kuwait, Qatar, and Saudi Arabia and lower in both Bahrain and the UAE. The countries also have distinct fiscal vulnerabilities due to such variables as oil revenues, oil prices, number of government employees, level of FDI inflows, the amount of public subsidies, labor market imbalances, high rates of youth unemployment (particularly in the Kingdom, Bahrain, and Oman), and per capita GDP variations.

The data presented in Chapter 4 support the distinctions drawn among GCC states by Al-Mejren (2019) and Alomari and Bashayreh (2020), both of whom make the case that it is the UAE that has been most aggressive in pursuing alternatives to rentier income. Although all the GCC countries rank in the UNDP (2020) HDI in the top levels of very highly developed countries, the UAE holds the highest HDI ranking and is in fact followed by Saudi Arabia. In descending order, Qatar, Bahrain, Oman, and Kuwait have
lower HDI rankings. Recall that HDI is a summary measure of average achievement in such dimensions of human development as life expectancy at birth, years of education, and gross national income per capita (UNDP, 2020).

Another variable associated with diversification is wealth control, which the UNDP (2020) has described. The richest one percent of Kuwaitis controlled 29.0 percent of all income between 2010 and 2017, followed by Bahrain at 18.0 percent, Oman at 19.5 percent, Saudi Arabia at 18.0 percent, and the UAE at 22.0 percent. These percentages reflect a high level of income inequality in each country despite its HDI ranking and its economic diversification efforts.

In terms of gender inequality and development indices, it appears that Kuwaiti females have a lower mean score for years of schooling and membership in the national legislative body than other GCC countries. Saudi Arabian women have a mean of 9.0 years of schooling and hold 19.9 percent of seats in the legislature, but only comprise 23.4 percent of the labor force. In the UAE, 56.4 percent of women are in the labor force, and women have a mean of 12 years of schooling and hold 22.5 percent of the seats in the country’s parliament.

With respect to environmental sustainability, the UAE is depleting its resources at a current rate of 4.0 percent compared to 7.9 percent in Saudi Arabia, 7.4 percent in Qatar, 0.3 percent in Bahrain, 18.1 percent in Oman, and 8.1 percent in Kuwait (UNDP, 2020). Research and development spending is another important point of comparison. Kuwait and Bahrain each spend 0.1 percent of GDP on R&D. Oman spends 0.2 percent on R&D and Qatar spends 0.5 percent, whereas Saudi Arabia spends 0.8 percent on R&D. The clear leader in this category is the UAE, which invests 1.0 percent of its GDP
on R&D activities and has one of the lower percentages of GDP allocated to military expenditures, at 5.6 percent. Saudi Arabia spends 8.8 percent of its GDP on military expenditures, while Oman dedicates 8.2 percent of GDP to military spending. Qatar invests only 1.5 percent of GDP to military expenditures while Bahrain spends 3.6 percent.

In conclusion, these data suggest that none of the GCC countries have succeeded in expending adequate amounts of their GDP on R&D. The IMF (2020) concluded in its analysis of the GCC that most of its countries have made relatively limited progress in diversifying their economies away from hydrocarbons. Additionally, the IMF (2020) found that FDI inflows into the entire region have stalled in recent years, even though the GCC countries are highly engaged in trade in goods including non-hydrocarbon exports.

Bahrain, at 82 percent of non-oil percentage GDP as of 2018, was the most diversified of the GCC countries. The UAE had the second highest non-oil percentage at 70 percent, followed by Oman at 59 percent, Saudi Arabia at 57 percent, Qatar at 53 percent, and Kuwait at 48 percent.

In terms of the export of fuel, lubricants, and related materials, Kuwait leads the GCC at 82.5 percent. Next is Qatar at 76.9 percent, followed by Saudi Arabia at 72.4 percent, Oman at 66.5 percent, the UAE at 41.4 percent, and Bahrain at 33.5 percent. In terms of the export of manufactured goods, Bahrain leads at 19.9 percent, followed by the UAE at 15.8 percent and Oman at 7.3 percent. In Saudi Arabia, Qatar, and Kuwait, manufactured goods come in at less than three percent of all exports (IMF, 2020).

In the important chemicals and related produces export sector, it is Saudi Arabia, at 17.2 percent, that has the greatest degree of export diversification in the GCC. Next is
Oman at 9.35 percent, followed by both Kuwait and Qatar at 6.9 percent, the UAE at 6.2 percent, and Bahrain at 4.0 percent (IMF, 2020). Overall, the IMF (2020) concluded that the GCC as a whole lags behind other regions in export sophistication and attributed this discrepancy to the large hydrocarbon industry present in each GCC country. Also, intra-GCC non-oil trade averages only about 10 percent annually with the UAE functioning as a major re-exporting hub. Throughout the GCC, services play an increasingly important role, moving from around five percent of non-oil GDP in 2000 to 12 percent in 2017.

Saudi Arabia leads trade in services such as tourism and transportation, followed by the UAE, Bahrain, Oman, Qatar, and Kuwait (IMF, 2020). In addition, Saudi Arabia and the UAE have attracted almost 80 percent of all total FDI inflows in the GCC, which are concentrated in real estate, petroleum, and chemicals.

With respect to trade and investment policy indicators and impediments, the IMF (2020) states that each of the GCC countries has relatively low external tariffs, at five percent on most imported merchandise and 0 percent on essential goods, which comprise 20 percent of total imports. The UAE, not surprisingly, ranks among the least restrictive countries in terms of non-tariff trade barriers, whereas Kuwait ranks among the most restrictive.

The wealth of data presented in Chapter 4 suggests that GCC states have more in common than one might expect. However, on further analysis of this data, based on diversification strategies such as public procurement, logistics performance, export diversification, foreign and domestic market access, infrastructure ranking, and operating environment ranking, Kuwait emerges as the least diversified of all GCC countries, with
Saudi Arabia, Bahrain, and Oman slightly diversified, Qatar somewhat diversified, and the UAE the most diversified country in the region.

**Research Questions**

The overarching research question this chapter explores is:

To what extent does Saudi Vision 2030 reflect economic diversification efforts and proposals that have succeeded in selected GCC states?

Saudi Vision 2030 contains a number of the economic diversification efforts and proposals that have succeeded in other GCC countries (IMF, 2020; World Bank, 2020). However, Saudi Vision 2030 is not completely implemented at the present time, and Saudi’s GDP growth since the plan was initiated reached 1.9 percent in 2020, as compared to Oman’s 3.7 percent growth, the UAE’s 2.6 percent growth, Bahrain’s 2.1 percent growth, and Qatar’s 1.5 percent growth. This is a key indicator which suggests the tentative conclusion that Saudi Arabia’s level of economic diversification has not in fact lived up to that of most of its GCC partners.

The first sub-question was: What specific economic outcomes can be identified in select GCC states that have begun economic diversification away from a dependence on rents? The data addressed in Chapter 4 and the narrative in the Review of Literature indicate that, while all GCC countries have made some progress in economic diversification, this progress appears to be divided largely between manufacturing products for export and exports of chemicals and related products.

Al-Mejren (2019) has noted that the UAE and Saudi Arabia have thus far achieved the best pace of success associated with transforming a domestic economy into a more diversified one. However, when it comes to the ranking of international
happiness, the UAE outranks Saudi Arabia, followed by Qatar, Kuwait, and Bahrain. Nevertheless, the index of happiness as described by Al-Mejren (2019) only reflects perceptions of the efficacy of economic and social development, which is measured by a poll of locals in each GCC country. There have been improvements in trade, but there have also been declines in GDP growth in each of the GCC countries.

The second sub-question was: What efforts are or have been underway in target GCC states to achieve economic diversification? Each of the countries has begun creating technology innovation centers, innovation cities, new universities, and new programs for supporting entrepreneurial and startup businesses and reducing some aspects of government spending. The data presented in Chapter 4 suggest that when diversification strategies as well as activities are compared, the UAE leads all other countries on most important indicators of diversification, including reduced hydrocarbon exports, increased manufactured goods exports, trade in transportation, domestic market access ranking, infrastructure ranking, operating environment ranking, and overall diversification. Figures 29 and 30 depict these data.

The third sub-question was: Using standard economic measures such as GDP, GNP, PPP, government budgets, trade balances, and currency rate fluctuations, to what extent does diversification appear to have generated positive outcomes in the target countries when 1990-2000 is compared to 2012-2016? It would appear that between 1990 and 2000, these rentier states, with the possible exception of the UAE, were less concerned with the diversification of their economies than they were in the 2012 to 2016 period. In essence, the UAE was the only GCC country to choose early on to become a regional business hub, regulating and deregulating its legal and regulatory sectors to
facilitate entry of foreign businesses and to attract tourists. This is an integral element of Saudi Vision 2030, but it has not yet been fully realized.

The fourth sub-question was: What specific social and political changes linked to diversification can be identified in the target countries? The introduction of excise and VAT taxes has proceeded most effectively in Saudi Arabia and the UAE and less substantially in Qatar, Kuwait, Oman, and Bahrain. The aforementioned non-oil percentage of GDP enjoyed by Bahrain at 82 percent and by the UAE at 70 percent represents a political retreat from rentier state ideology to a much greater extent than that which has occurred in Saudi Arabia (IMF, 2020).

The fifth sub-question was: Using 1990-2000 as a baseline, what changes in the official Human Development Index (HDI) and the Gini coefficient can be observed in the target states when data from 2012 -2016 are examined? The World Bank (2020) reported that the Gini coefficient was not available for any of the GCC countries. According to the UNDP (2020), in terms of HDI, each of the countries has improved with respect to gender inequality and development, with women acquiring greater labor force participation at the end of the 2016 to present time period. In the UNDP (2020) report on average annual HDI growth percentage from 1990 to 2000, no data were available for Bahrain, Oman, or Qatar. However, the UAE had an annual average HDI growth percentage during of 0.85 percent during this period, followed by Saudi Arabia at 0.74 percent, and Kuwait at 0.05 percent.

The sixth sub-question was: Based upon the experiences of the select GCC countries, what assumptions and projections regarding the likely effects of Saudi Vision 2030 can be identified? This, of course, sits at the core of the present analysis and
harkens back to the overarching research question presented above. There have been
delays in implementing a number of key aspects of Saudi Vision 2030 due in part to its
continued emphasis on military spending as opposed to research and development
investments, its failure to complete many of its development projects in a timely manner,
and the ongoing war in Yemen, as well as the global Covid-19 pandemic.

Looking to the future, researchers such as Al-Mejren (2019), Alomari and
Bashayreh (2020), and Henderson (2017) agree that (as discussed in Chapter 4) these
variables reflect both economic and political volatility which may ultimately affect full
implementation of Saudi Vision 2030. The World Bank (2020) stated that the Saudi
Arabian government’s ongoing commitment to leveraging the value of its oil resources
has significant negative implications for environmental sustainability. Many of the
Vision 2030 projects rely on the Public Investment Fund (PIF) for a large share of their
financing.

In 2019, Saudi Aramco did offer and complete a US $12 billion debut bond sale
which enabled it to purchase a 70 percent stake in Saudi Basic Industries Corporation, the
country’s petrochemicals firm. It has also improved its technological infrastructure and
constructed most of NEOM, a vast high-tech city that is designed as a technology and
entrepreneurship innovator. Nevertheless, it is difficult at this point to predict with any
certainty when or if all of the economic, social, and political plans set forth in Saudi
Vision 2030 will in fact be completed.

**Summary of Chapter**

This chapter has discussed the findings of both the Review of Literature and the
analysis of secondary data acquired from primary sources including international
institutions such as the World Bank, the UNDP, the IMF, and the GCC. It has advanced understanding of the economic transformations in GCC countries reported by Fasano and Iqbal (2003) and Ennis (2013). The next chapter of this study will provide a summary, conclusions, and recommendations.

CHAPTER VI
Summary, Conclusions, and Recommendations

Summary

This analysis addressed the challenges the Kingdom of Saudi Arabia faces as a rentier state, the inherent difficulties affecting the Saudi economy, the need for diversification and strategies for achieving it, and the role that can be played by investment in the manufacturing, research and development, and knowledge industries, drawing on Drucker’s (1998, p. 15) observation that “knowledge has become the key economic resource and the dominant – and perhaps the only – source of competitive advantage.” What differentiates the knowledge economy from others is its reliance on the intellectual capacity inherent in human capital (Powell & Snellman, 2004).

Per Glum (2016), the traditional indicators of good governance identified herein do not seem to have taken root particularly strongly in Saudi Arabia, especially in comparison to other GCC countries. Research by Kaufmann, Kraay, and Mastruzzi (2007) found that Saudi Arabia lags behind a number of its near neighbors in terms of governance improvements, although it appears to be on a par with other monarchies in the region, such as Bahrain and the various emirates in the United Arab Emirates (UAE).

Among the Gulf Cooperation Council, the European Union (EU), and the United States, understandings of what constitutes appropriate governance vary widely (Koops et
The GCC has held a number of seminars on governance related to both e-governance and e-participation, and the use of new media is helping to improve transparency and accountability in the GCC countries in general and Saudi Arabia in particular (Kraidy, 2006). The degree of advancement GCC countries have made in terms of improving governance and governance mechanisms to be more in line with the traditional definition of the term varies from one country to another (Koops et al., 2018).

Overall, the data discussed in Chapter 4 and analyzed in Chapter 5 indicate that Saudi Vision 2030 is achieving some of its goals, but that internal and external factors (e.g., the price of oil, the proxy war in Yemen with Iran, political instability in the entire region, the role likely to be played in the short and long terms by Crown Prince Mohammad bin Salman, and the support of Saudi Vision by clerics and other important constituents) will have a direct and potentially negative impact on the Vision. In sum, while Saudi Arabia has perhaps moved farther and achieved more than some of its GCC neighbors, it is the UAE that has diversified most dramatically.

Conclusions

This analysis explored both the need for diversification in the Saudi Arabian economy and strategies to effect a transformation of that economy. It compared these efforts in Saudi Arabia to similar undertakings in five of its fellow GCC countries. It drew upon existing data and commentary to argue that no rentier state, regardless of its success, can depend indefinitely upon the exploitation of finite natural resources. In the case of the Kingdom, the current budgetary cuts and shortfalls and the need to put an end
to the depletion of foreign reserves clearly demonstrate that the Kingdom needs to examine diversification strategies and move toward implementing those strategies.

As Albassam (2015) has suggested, FDI alone is not sufficient to ensure that diversification will proceed. Additionally, while multiple government-funded and private sector-supported projects, including technology and innovation incubators and smart cities, have created a promising level of diversification, much more needs to be done to move this process forward. This understanding of Saudi Arabia’s situation led to the creation of Saudi Vision 2030.

Under the leadership of Prince Mohammad Bin bin Salman, the Kingdom is taking many of the necessary steps to achieve diversification and to reinvent the rentier state. Part of this process centers on privatizing a small portion of Saudi Aramco to generate an inflow of capital that in turn will be used to foster entrepreneurial business development and to finance investments in development initiatives.

Part of the challenge that the Kingdom faces is providing meaningful career opportunities for new generations of well-educated Saudi nationals who have been given the opportunity to acquire university degrees and advanced training as a consequence of the Al Saud investment in education and scholarships. These young men and an increasing number of women cannot rely upon the public sector to provide gainful employment. Albassam (2015) argued that the Kingdom itself cannot rely on FDI and partnerships with foreign companies to establish new work opportunities for Saudi nationals. This is not to suggest that FDI as a mechanism of diversification should be ignored; such funds and the partnerships that generally accompany
them are necessary and can foster technology transfer and provide opportunities to improve human capital. Similarly, reducing government subsidies and supporting entrepreneurship and innovation will also decrease reliance on the extractive industries.

With all of this in mind, however, it is necessary to recognize that human capital is the foundation on which innovation rests. Without substantive investments in human capital, it is unlikely that the Kingdom will be able to achieve its full potential. An excellent beginning has been made with respect to this issue. Now, as subsidies are reduced for a number of services, educational programming and scholarships for advanced academics should be increased rather than decreased. Given the large portion of the Saudi population that is under the age of 30, the basic material for creating a knowledge-driven economy already exists. It must be nurtured. Current research and development expenditures in the Kingdom are too low for this to occur; other GCC countries spend more on this budget item and realize improvements in human capital as a result.

An economic transformation of this scale requires regulatory changes to make the Kingdom more accessible and align its governance mechanisms more closely with those of other countries (Al Kibsi et al., 2015). It is this challenge that Saudi Vision 2030 confronts. A productivity-led economic transformation could address problems of unemployment, lack of jobs, budgetary shortfalls, and so on. The task before the Saudi government is to aggressively overcome resistance to change which could inhibit the implementation of multiple reforms that are certain to challenge many aspects of what is a highly conservative and traditional country.

**Recommendations**
As is common in a qualitative dissertation of this type, two distinct sets of recommendations can be offered based upon the analysis of data. The first set of recommendations speaks to steps that the Saudi government should consider with respect to further implementation of Saudi Vision 2030 in pursuit of economic diversification. The second set of recommendations considers future research which may help to advance understanding of the performance of Saudi Vision 2030 and the Kingdom’s progress toward diversification going forward.

**Recommendations for Saudi Arabia**

First, to improve outcomes and performance of initiatives proposed in the NTP and Saudi Vision 2030, the Saudi government should invest more in research and development, including both physical site development and human capital development. While a number of technology innovation centers have been built or are in the process of being built, completion of these projects is critical (Henderson, 2017).

Second, it has been noted that previous attempts to reform aspects of Saudi Arabian government and society have been framed in terms of reverting to Islamic norms (Henderson, 2017). Vision 2030 breaks this mold through such measures as removing the ban on women driving, increasing women’s empowerment via education and provision of job opportunities, and addressing concerns expressed by many Saudi clerics (Luck, 2017).

Third, Saudi Arabia continues to be overly reliant on oil revenues. The Kingdom must continue to attract foreign investors in this and other sectors while simultaneously continuing the process of privatization that began in 2002 in telecommunications,
electricity, industrial parks, postal services, water, railroads, education, and air transportation (Fasano & Iqbal, 2003).

Fourth, the Saudi government should expand its financial support of entrepreneurs through grants and loans while reducing some of the subsidies that are given to the private sector households. Reducing government debt to GDP ratio and government budget as a percentage of GDP is indicated. These are difficult challenges which will require a major transformation in ideology. The various theories discussed herein, including Realism, Rational Actor Theory, and Dynamic Systems Theory, speak to the multiple challenges that are likely to emerge when any country embarks upon a major transformation of its public and private sectors. The continuing war with Yemen is a political issue which must be addressed (Henderson, 2017). Encouragingly, Henderson (2017) reported on a Saudi poll of the public after the release of Vision 2030 which found that if forced to choose, 85 percent of the public would support the government rather than religious authorities on some policy matters.

Finally, as Grand and Wolff (2020) noted in their recent analysis of Saudi Vision 2030, there appears to be a lack of urgency on the part of the Saudi government to enact some of the restructuring plans contained in Vision 2030. The current global economic situation may, in the view of these analysts, lead government to re-evaluate some of its plans. A reassessment based on current and projected economic variables may be called for.

**Recommendations for Future Research**
Future research would ideally include the voter survey originally intended to be a significant part of the present study. Unfortunately, issues of access prevented the researcher from conducting this survey. In light of the fact that limited attention has thus far been given to determining how Saudi nationals feel about Vision 2030 and what concerns and expectations they have about its impact, such a study would be of enormous value. It would require a large-scale sample of male and female Saudi registered voters and would ideally go beyond major Saudi population centers to include rural Saudis as well.

Another avenue for future research would take this project’s basic descriptive statistical analysis a step further. More recent data that is currently available about each of the GCC countries calls for more inferential statistical comparisons. Even most data sets appear to have stopped at 2018 or 2019. Going forward, as more aspects of Saudi Vision 2030 are realized, revisiting these comparisons would be useful.

Finally, any and all analysis of relative economic positions and progress toward diversification should consider the GCC as an entire region in the context of its position in the global economy. This was not a part of the present study. Nevertheless, it would be valuable to examine economic diversification from a global rather than a more limited or regional perspective.

These are the recommendations emerging from this study. The researcher regrets being unable to complete the survey as initially planned and anticipates that at some point in the future, this is a topic to which he will return. Of course, much of what is contained herein must be regarded as speculative because of the global Covid-19 pandemic. We do not know at this juncture how this public health crisis will ultimately affect such issues as
life expectancy, mortality rates, population demographics, economies at the national, regional, and international levels, or the quality of life that is available.
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