

28th Annual Arab-U.S. Policymakers Conference

Treading a Tightrope: How Best to Balance and Advance the Multifaceted Arab-U.S. Relationship?

Business, Investment and Development Dynamics
in Arabia and the Gulf

Economic Diversification in the GCC

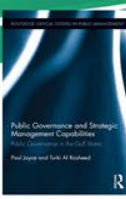
National
Council
on US-
Arab
Relations



Presented by:

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Background



➤ **Transformation** plans in the Gulf States:

How will public governance play a **Role** in economic **Diversification** in the GCC?

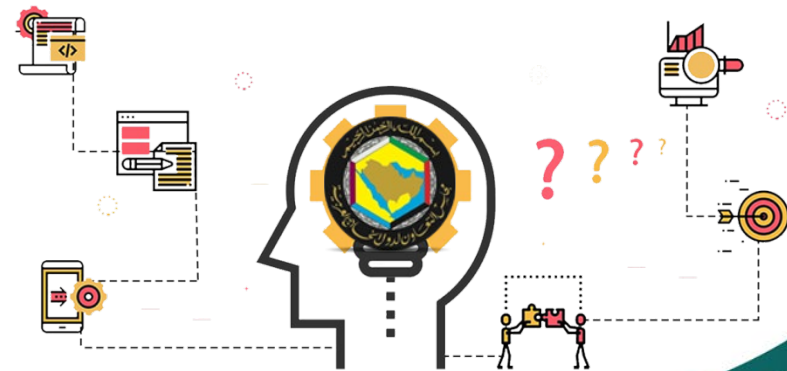
➤ Public Governance = Work of **Societal Maintenance** and **Societal Development by Government**, involving government decisions and actions deploying and committing economic and social resources



Main Question

Will Gulf Countries better **Manage** different **Transformation** plans for economic diversification when they make use of:

- Strategic Thinking
- Long-term Strategic Visions and Plans
- Strategic Capabilities

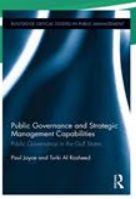


Political Institutions



GCC Country	Ruler	Population (2019 approx.)	Form of Government	Participation Election
Bahrain	King Hamad ibn Isa Al Khalifa	1.6 million	Constitutional Monarchy	Appointed and Partly Elected
Kuwait	Emir Sabah Al-Ahmad Al-Jaber Al-Sabah	4.2 million	Constitutional Emirate	Elected
Oman	Sultan Qaboos bin Said al Said	5.0 million	Monarchy	Appointed and Partly Elected
Qatar	Sheikh Tamim bin Hamad Al Thani	2.8 million	Emirate	Partly Appointed and Elected
Saudi Arabia	King Salman Bin Abdulaziz	34.0 million	Monarchy	Appointed
United Arab Emirates	Sheikh Khalifa bin Zayed Al Nahyan	9.8 million	Federal Government	Appointed

Arab Spring 2011 Poverty and Governance



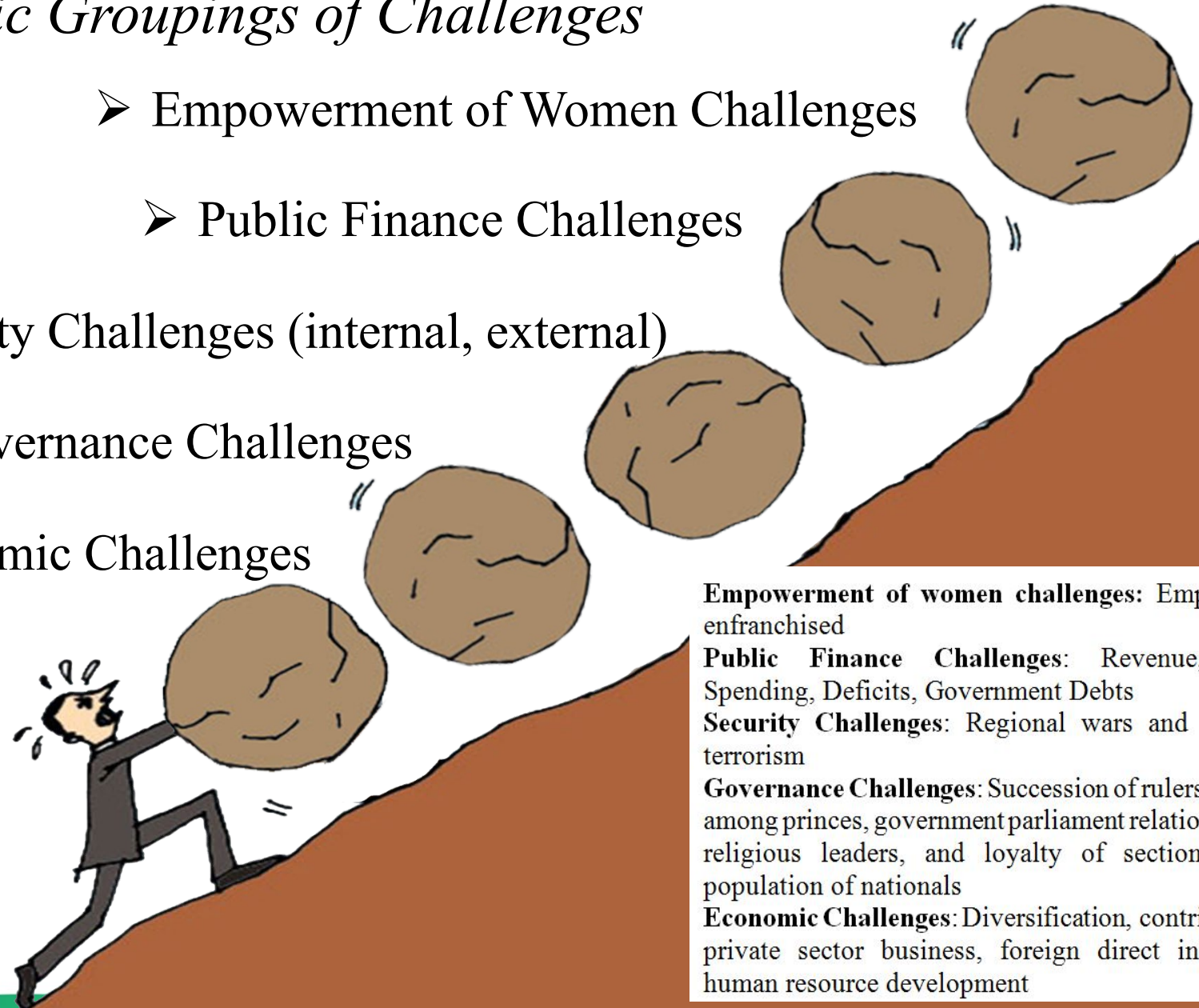
- Arab Spring may have **derailed** GCC governments' strategies of diversifying the economy and reducing dependence on oil.
- GCC member state **most affected** by the Arab Spring was Bahrain.
- Why did Arab Spring started? Some commentators think that **poverty** encourages mass demonstration and civil wars to overthrow governments. Others suggest weak governance and the **lack of participation** of the civil society make such things more likely.



Challenges for the Gulf States

Thematic Groupings of Challenges

- Empowerment of Women Challenges
- Public Finance Challenges
- Security Challenges (internal, external)
- Governance Challenges
- Economic Challenges



Empowerment of women challenges: Employment, enfranchised

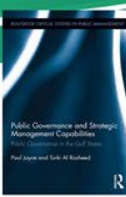
Public Finance Challenges: Revenue, Public Spending, Deficits, Government Debts

Security Challenges: Regional wars and conflicts, terrorism

Governance Challenges: Succession of rulers, factions among princes, government parliament relations, role of religious leaders, and loyalty of sections of the population of nationals

Economic Challenges: Diversification, contribution of private sector business, foreign direct investment, human resource development

GCC Governance Indicators



GCC Governance Indicators 2018

GCC Countries	Voice and Accountability			Political Stability No Violence			Government Effectiveness			Regulatory Quality			Rule of law			Control of Corruption		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Bahrain	11.82	11.33	11.33	12.38	19.52	15.24	73.08	65.87	60.10	76.44	72.12	66.83	67.31	67.31	67.31	61.06	57.69	51.92
Kuwait	28.08	29.06	30.54	39.05	45.24	43.81	52.88	48.56	46.63	48.56	52.88	53.37	57.21	55.29	53.69	51.44	48.08	44.71
Oman	20.69	19.70	19.21	71.43	72.86	71.43	55.77	61.54	61.54	72.12	70.67	70.19	65.87	65.87	65.87	64.90	66.35	63.46
Qatar	16.75	16.26	15.27	84.29	76.67	65.71	77.40	74.52	74.52	73.08	74.04	67.79	75.96	76.92	76.44	78.37	79.81	76.44
Saudi Arabia	3.45	4.93	5.91	23.81	28.1	23.81	60.58	63.46	62.5	54.33	55.77	54.81	60.1	62.5	57.21	58.65	63.94	65.87
United Arab Emirates	19.21	20.2	18.23	70.48	65.24	67.62	91.35	90.38	90.38	74.52	80.29	80.77	73.08	78.37	77.4	82.69	84.13	82.69

Source:
World Bank

Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest rank))



World Governance Indicators



- **Government Effectiveness** is a **measure** based on **perceptions** of (1) **quality** of **public** services, (2) the quality of the **civil** service and its **independence** from political pressures, (3) quality of **policy** formulation and implementation, and (4) the **credibility** of government's commitment to policies.
- **Regulatory Quality** refers to the ability of the government to formulate and **implement** sound policies and regulations that permit and **promote** private sector development.
- **Voice and Accountability** is a **combined** measure based on perceptions of the extent to which **citizens** of a country are able to **participate** in **selecting** their government, and perceptions of freedom of expression, freedom of association, and a free media.
- **Political Stability No Violence** measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism.
- **Rule of law** captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
- **Control of Corruption** captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interest



Summary



- Challenges of being an **oil economy** appear well understood among the leaders in the Gulf States.
- Public finances are **vulnerable** to oil price changes
- Leaders worry that the oil resources create a **false** sense of **security** and thus create **slowness** to invest in education, management, R&D, new technology, etc.
- Gulf states intention to **reduce** dependence of the state on oil revenues and to create a more **diversified** economy in which non-oil industries were being successfully implemented, we might expect to see the oil rents of the Gulf states decline as a percentage of GDP.
- **The evidence on oil rent is shown below.**

SUMMARY

Oils Rents % of GDP



	1999	2001	2003	2005	2007	2009	2011	2013	2015	2017
Bahrain	3	3.1	3	3.8	3.6	2.7	4.3	5	2.4	2
Kuwait	34.3	42.4	39.8	56.3	50.7	38	61.2	57.4	37.1	36.6
Oman	31.7	37.3	34.3	44.1	38.2	29.9	46.1	40.9	21.2	21.8
Qatar	29.6	31.6	31	38.8	30.7	23.2	32.7	26.4	13.8	14.2
Saudi Arabia	27.7	34.3	38	50.3	48	34	49.2	44.1	23.2	23.1
UAE	14.1	16.2	17.1	24.8	22.6	17.9	28.7	25.7	13.1	13.1



Where do we go from here?



Now, having said all this, it is fair to ask, in order to improve the situation, “What could be done “and Indeed, what should be done”

- The **participation** of all stakeholders is **vital** for the success of any visions or strategies,
- Reduce **Dependence** on oil through :
 - Investing in National **Human Resources**
 - Build up **non-oil** sectors
 - Creating a knowledge economy for the future.
 - Avoid the **Political Decay** theory outcome, leaders must take into consideration the failure of a **national strategy**.

[**Political decay** is a theory, originally described by Samuel P. Huntington, which describes how **chaos and disorder can arise from social modernization increasing more rapidly than political and institutional modernization.**]

*Happy to Receive your
Questions.*

For more information
Please visit www.tfrasheed.org
Thank you.

