



CAN GCC STATES ACHIEVE SUSTAINABLE ECONOMIC DIVERSIFICATION AND DEVELOPMENT BY DRIVING ENTREPRENEURSHIP EFFORTS?

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“Can GCC States Achieve Sustainable Economic Diversification and Development by Driving Entrepreneurship Efforts?”

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Abstract

This study provides a comparative analysis of Gulf Cooperation Council (GCC) states that are limited by the finite supply of hydrocarbons but are working to find sustainable growth solutions by migrating to more vibrant entrepreneurship ecosystems. Gulf states expect that by promoting entrepreneurship and encouraging homegrown entrepreneurs, sustainable growth will have an ongoing positive impact on human development, prosperity, and development of the public and private sectors. Such growth will ensure that GCC economies can weather external and internal economic shocks. Nevertheless, there are limits and challenges when it comes to state-led, private-sector development. While GCC states have been engaging in diversification efforts, additional evidence suggests that their primary interest is regime security.

By outlining the contemporary context for GCC states, this study argues that low oil prices, regional dependence on hydrocarbons, and trends in economic diversification signal GCC states' preference to bolster their rentier systems with additional state revenue streams. GCC states' expansion into new markets and sectors indicates a fresh search for alternative revenue streams and prestige, which in turn are used to bolster regime security. Such a trend sets trajectories and implications for the region that could lead to economic stagnation and the need for wadditional diversification strategies. This study fills an important gap in the literature by conducting a comprehensive and comparative analysis of state-led entrepreneurship efforts, diversification processes and limits, and challenges to state-led, private-sector development in the GCC.

Introduction

GCC states have been seeking alternative economic development options to maintain the political status quo while enhancing their competitiveness in the global economy. GCC economies have reported a sharp slowdown in 2016: their average growth fell from 3.1% in 2015 to 2.2% in 2016 and 2.1% in 2017 (World Bank 2017a). This declining growth rate suggests that, despite cuts in public sector spending and other austerity-like measures, the economies of these countries remain strongly influenced by oil trends. Despite a modest economic recovery in 2017, especially in the United Arab Emirates (UAE), Kuwait, and Qatar, but less in Oman and Bahrain,¹ GCC countries are still paying the price of economic overdependence on hydrocarbons, with all the risks that this long-term choice and strategy implies. As a result, GCC states have recently engaged in diversification efforts, with varying levels of success.

The types of efforts made until now suggest that the regimes' primary interest in state-led economic diversification is generally regime security and stability. This study argues that low oil prices, regional dependence on hydrocarbons, and economic diversification trends

¹ "GCC Economies Expected to Post Recovery in 2017," *Gulf News*, February 5, 2017, <http://gulfnews.com/business/economy/gcc-economies-expected-to-post-modest-recovery-in-2017-1.1973397>.

signal the GCC states' preference to reinforce their rentier systems with alternative state revenue streams. As Géraud Magrin (2013) points out, rentier states do not have capable and effective institutions that can properly collect taxes or prevent the capture of rent by private, and often foreign, stakeholders. Although Magrin's analysis applies more particularly to African states, important institutional capacity gaps also exist in GCC countries and are therefore relevant in the context of this paper.

In the GCC, states are confronted with what has been called late rentierism (Gray 2011). Although these states are today more responsive, globalized, and strategic than in the past, they continue to be somewhat undemocratic while maintaining an important role in economic development. Capitalist tendencies among some ruling elites and social pressures for reform notwithstanding, the states are open to globalization and embrace more dynamic state-society relations. It is a state-driven process—attentive to the establishment and implementation of active economic and development policies along with effective and innovative foreign policies—as recent new relations with sub-Saharan African countries demonstrate. The reality of rentier states in Gulf countries is complex and nuanced.

Rentierism cannot be a viable option for economic diversification, given the internal competition among GCC countries with similar assets and challenges, for GCC states to remain competitive in the global economy. As the case of Qatar demonstrates, a functional diversification strategy, with realistic short- and longer-term objectives, is vital at the national and regional levels. A transformative state is needed to implement such an ambitious project. This is even truer after the 2017 blockade against Qatar. The event has resulted in a crisis with sizable economic and trading consequences for Qatar, but it has also created further divergent interests and goals among Gulf countries. The blockade has confirmed that Qatar must secure sustainable growth, but most importantly make economic choices with strategic consequences in terms of employment, food and water security, and human capacity.

Investing in strategic sectors, such as tourism, knowledge and learning, sports, and information and communication technology (ICTs), can help other Gulf states that are working toward a sustainable future. These states understand that they need the required adaptive capacities in the public and private sectors to ensure a sound, integrated political, economic, and social transformation. Accordingly, they are concentrating their efforts toward this goal.

By promoting entrepreneurship and raising homegrown entrepreneurs, sustainable growth will have concurrent and permanent positive impacts on human development, sustainable prosperity, and development in the public and private sectors. This will ensure that GCC economies can weather external and internal economic shocks. Despite divergent views among scholars, it has been demonstrated (Toma et al. 2014) that there is a strong link between entrepreneurship and economic development. Entrepreneurship is a multifaceted phenomenon with important consequences in economic and social systems. For this

reason, this paper will analyze the benefits and limits of state-led entrepreneurship in the context of the GCC.

Economic diversification in GCC countries: lessons from global experiences

From Chile to Norway, several countries have successfully diversified their economies despite their inherent differences, diverse choices, and strategies. Although differences exist on how to diversify export composition and/or national production profiles, some common successful measures may be identified. A sound diversification strategy focusing on specific sectors is required, as well as a collaboration between the government (and the public sector more widely) and the private sector. It is critical that both sectors build their respective capacities and foster private sector development with customized ad hoc policies, such as in industrial and fiscal categories (Havro and Santiso 2008). Export industries or the export of trade services may also be encouraged to counter overreliance on natural resources. This will help develop alternative economic sectors, such as competitive agriculture, a strong service sector, or industries. Success may enable the development of other sectors, such as research and knowledge, business services, and ICT.

Infrastructure development, education, and new professional skills may also provide challenges that need to be addressed to successfully diversify an economy over the long term while maintaining the states' longstanding competitive/comparative advantages (Van Eeghen et al. 2014). In addition, regional integration is critical to enhance economic diversification and to maintain diversified portfolios over the long term. If developed countries, such as those in the Middle East, are keener to consider “intangible” assets— such as knowledge and tourism—as a more suitable way to enhance and maintain economic diversification, developing countries—such as those in sub-Saharan Africa—are considering industrial diversification because it is a more viable complement to natural resource extraction. In Africa, industrial transformation could be the first step of a longer-term, gradual diversification strategy embedded in a national development agenda. This could be a lesson for GCC countries as well, given that they generally do not have strong industrial sectors that could be considered a competitive advantage for genuine diversification.

Sub-Saharan African countries embarked upon industrial development after the 1960s-1970s to mark a break with traditional colonial models of economic development in the immediate post-independence period. African countries used the import-substitution model to produce normally imported consumer goods with the added benefit of decreasing their overreliance on raw material exports and unprocessed agricultural commodities (D'Alessandro 2016). Nevertheless, macroeconomic imbalances, social inequalities, and political fragilities are among the critical factors explaining why the diversification strategies implemented across African countries failed at that time. Technological dependence, weak internal markets, and poor infrastructure, coupled with heavy state investments and involvement that increased public debt, hindered African

industrial development. Besides these factors, trade and industrial policy weaknesses have also condemned these industrial efforts to failure (Hammouda et al. 2006).

The 1980s and 1990s debt crisis, and the structural adjustment programs that followed it, forced the postponement of economic diversification and industrial development. At the time, African countries and international organizations focused on other priorities, such as improved economic competitiveness, and a more suitable strategy called the specialization paradigm; the countries mainly engaged in foreign trade liberalization, progressively disengaging the state from private sector development. Since the beginning of the new millennium, there has been renewed attention toward economic diversification in Africa that has emphasized the need to improve trade and industrial policies that benefit from access to natural resources.

In GCC countries, similarly to the current situation in Africa, economic and export diversification cannot be limited to industrialization. Nevertheless, industrial development is a critical step of this complex process. “Historically from the 1970s, GCC countries strongly invested in developing the manufacturing sector and agriculture in the case of Saudi Arabia, although it was not successful for the most part. [...] Despite the variety of strategies and histories of diversification among GCC countries (Oman, for example concentrated its efforts on service and tourism, while other GCC countries gave priority to banking, aviation and manufacturing) [...] diversification of GCC economies remains limited” (D’Alessandro 2016: 6-7).

Private sector and state-led entrepreneurship in the GCC

Experiences in Africa with economic diversification emphasize that government support of the private sector (and especially of small- and medium-enterprises or SMEs) is critical, because a capable and strong private sector is the foundation and the starting point for any sustainable diversification process. The state can play a strategic role in diversifying an economy utilizing three crucial factors learned from Africa: providing appropriate funding and investment, ensuring suitable human and institutional capacities, and enacting adequate policies in relevant sectors.

Expectations need to be revised in Gulf countries, where states are the central economic stakeholder. In this corner of the world, the lines between the public and private sectors are blurred, in part because ownership structures overlap. Public sector officials and members of ruling families, who are supposedly acting “in a private capacity,” complicate the entrepreneurial landscape. Because a sizable part of private sector demand is driven by the state, and by the public sector in general, state-driven austerity cutbacks similar to those Saudi Arabia enacted in 2014 have caused the private sector to contract. Henceforth, the private sector has a critical role to play in the Gulf, but it is regulated by the state. Nevertheless, Gray (2011) emphasizes that there is now a “new” capitalism in the Gulf “in which the state has been an activist and ambitious actor keen to engage economically with the outside world. [...] Most of these states set strategic goals and visions rather than seek to centrally plan or manage the economy; favor tertiary economic sectors and late-late-

development concepts above heavy industrialization; and set in place the mechanisms for investment attraction and export-led economic growth, rather than pursue import-substitution policies” (Gray 2011, 32). While only some African countries may be considered state capitalists, this general Middle Eastern trend is in line with contemporary economic policies encouraged on the African continent: green industrialization, trade facilitation, internal resource mobilization, and investment facilitation.

Contemporary Gulf state capitalism is made possible because major firms are state-owned (e.g., in the UAE and in Qatar). State-led entrepreneurship in strategic sectors serves political goals while potentially providing needed policies that support private sector development. “Public leaders (representing governmental bodies) including the elected representatives, [and] professional and private sectors, work cohesively and on several interrelated principles to form an ecosystem for entrepreneurship growth” (Khan 2013, 30).

The Saudi Arabian government has actively helped, especially with financing and support services and private sector organization (Khan 2013). The government has already established entrepreneur-dedicated financial institutions and mechanisms that provide financial research and consultancy services. Government initiatives include research institutions supporting the policy domain, such as the King Abdulaziz City for Science and Technology (KACST) and the King Abdullah University for Science and Technology (KAUST). Although the Saudi Arabian government is presently focusing on creating SMEs, privatizing state-owned companies will remain an important and challenging issue (Onour 2012).

While large enterprises at the regional level account for a seemingly limited 10-20% of all firms, they are responsible for 60-80% of employment in the private sector (Nasr and Pearce 2012). Despite growing policy attention toward SMEs in GCC countries such as Saudi Arabia or Qatar, large companies remain the priority. Entrepreneurs who benefit from SME policies may face difficulties expanding and scaling up their ventures. Other challenges for entrepreneurs include adding capacity, filling leadership gaps, marketing their products, and finding partners to stimulate growth. Entrepreneurs require robust legal and regulatory frameworks, a revision of bankruptcy laws similar to those in UAE and later Saudi Arabia, and a reduction in the cost of taking risks. States can help level a playing field stacked in favor of large enterprises by reserving a proportion of state contracts for SMEs.

State-led entrepreneurship refers to a developmental state (Abdullah and Muhammad 2008) that actively supports entrepreneurial business creation that primarily comes through policymaking. Policy gaps in other sectors—such as regional markets, land ownership, property registration, and construction permits—also pose additional difficulties for entrepreneurs (Momani 2017). Despite these existing problems, improving the ecosystem for entrepreneurs is necessary, because homegrown entrepreneurship is critical in GCC: it has an important impact on human and social development while enhancing human capital; it also impacts sustainable prosperity via job creation and inclusive economic growth. In states like Qatar and the UAE, where the bulk of the population is composed of expatriates, homegrown entrepreneurship cannot be limited to

nationals and must include residents. Still, solutions and choices must be local but give priority to national needs and preferences.

According to the Middle East and North Africa (MENA) Start-Up Ecosystem (2016), state involvement and the creation of entrepreneurial ecosystems do not guarantee complete success stories. On the “Global Entrepreneurship Index,” an annual report that measures entrepreneurship ecosystems around the world, Qatar, the UAE, and Saudi Arabia rank, respectively, 22th, 26th, and 45th worldwide in 2018.

On the “Doing Business Index 2017,” the UAE ranks 26th, Qatar 83rd, Saudi Arabia 94th, and Kuwait 102nd in the “Ease of Doing Business” category. The table below presents a detailed comparison of Qatar, UAE, and Saudi Arabia in different categories of the “Doing Business Index”.

To drive economic growth, state governments must develop broader strategies while coordinating policies in the areas of scientific research, technology commercialization, ICT investments, education, taxation, trade, intellectual property (IP), government procurement, and regulation.

The UAE, which is characterized by a collaborative effort among public and private stakeholders, leads other GCC nations in rankings similar to the one in Table 1. Entrepreneurs and SMEs play an important role by encouraging entrepreneurial aspirations. The National Innovation Strategy launched by the UAE government in 2014 has provided a framework for innovation to flourish even further. The federal government also introduced in February 2015 an education sector innovation and entrepreneurship policy that aims to improve the technological standard in schools and universities. The idea is to disrupt and rebuild the system with innovation as the driving force.

Figure 1. Doing Business in the GCC

<i>Criteria</i>	<i>UAE</i>	<i>Saudi Arabia</i>	<i>Qatar</i>	<i>Kuwait</i>
Starting a Business	53	147	91	173
Registering Property	11	32	26	67
Getting Credit	101	82	139	118
Trading Across Borders	85	158	128	157
Protecting Minority Investors	9	63	183	81

Source: “Doing Business 2017” report.

The UAE is not unique in this respect. While the UAE has the Khalifa Fund for Enterprise Development and the Mohamed Bin Rashid Center for Government Innovation, Oman created the Riyada, a public authority for SME development. Similarly, Qatar and Bahrain launched business incubation centers. Tech centers, such as Kuwait's National Fund, Dubai's Technology Entrepreneur Center, and Saudi Arabia's Bader Program for Technology Incubators, underscore national, government-led strategies.

Next, we will examine existing examples of diversification efforts in GCC countries, such as Qatar, to highlight their challenges and limits and to propose policy recommendations.

State and the entrepreneurial ecosystem: Qatar

As a case study, Qatar can be used to highlight the measures and strategies undertaken by Gulf countries to enhance the entrepreneurial ecosystem and to illustrate the present situation and future prospects of SMEs in the country. Qatar is a suitable case study for various reasons. First, Qatar's entrepreneurship ecosystem is composed of state-led public and semi-public entities. Second, these entities enable the incubation of local enterprises, most of which become independent after awhile. The Qatar Business Incubation Center under Qatar Development Bank (QDB) is one such example. The first two points lead to a third: Qatar represents how state-led entrepreneurship efforts struggle with a variety of challenges in a way that reveals the limitations and potentials of this process.

Qatar, which was ranked 18th on the Global Competitiveness 2016-2017 Report, performs well on health and primary education but poorly on innovation and business sophistication. The country also lags on the ease of doing business, global innovation, and global entrepreneurship indexes (WEF 2016). The GEM Qatar Report (2016) surveyed over 3,000 people living in Qatar, including nationals and non-nationals between 18 and 64 years of age. Social values and culture are more critical drivers of entrepreneurship in Qatar than in other innovation-driven MENA economies, according to the report.

Nationals, more than expatriates, are confident that society values and supports entrepreneurs and that entrepreneurship is viewed as an asset that stimulates and develops growth. The report found that 38.9% of respondents have entrepreneurial intentions, but only 3.6% are new business owners and 3.0% are established business owners. With over half of the businesses being in the wholesale and retail sectors, the shift away from the hydrocarbon sector and to knowledge-based industries is encouraging. Although it is impossible to assess the proportion of genuine private-sector actors versus entrepreneurs with public sector jobs and an enterprise on the side, this trend reveals that entrepreneurship is seen as a positive financial option for individuals and families.

Also, 50.6% of Qataris believe they have the required education and specialized training to start a business, which is higher than the 43.8% average among other innovation-driven economies (QDB 2016). Most interestingly, GEM Qatar 2016 findings reveal 82.7% of Qataris launch businesses when the opportunity arrives rather than when a specific need arises. Only 10.5% of businesses are started because of a market need.

The state-driven entrepreneurship ecosystem in Qatar includes various organizations with different mandates. From financing, which is led by the Qatar Development Bank, to entrepreneurship education, in which INJAZ Qatar plays a major role, the milieu is flourishing and diversified. This success comes with the help of incubation organizations such as the Qatar Business Incubation Center. Support for job creation and the encouragement of innovative enterprise development organizations, such as Qatar-based Silatech, are also helping entrepreneurs thrive. The World Innovation Summit for Education (WISE) recently launched a WISE Accelerator to support entrepreneurs and educators from Qatar and around the globe to put their educational ideas into business practice. Since its launch, WISE has been working with aspiring entrepreneurs and educators from around the world to prepare their ideas for the commercial world.

The entrepreneurship ecosystem can count on public institutions but also on private organizations. Private sector initiatives involve local and foreign universities, such as Qatar University and Carnegie Mellon University in Qatar, that enhance the entrepreneurship education ecosystem. Qatar's entrepreneurship ecosystem includes a number of NGOs and associations that help recognize entrepreneurs in Qatar while offering occasional custom training sessions. The Qatari Businessmen Association and Qatari Business Women Association are among the most significant. The country can also count on incubators and accelerators. For example, the quasi-private Qatar Science and Technology Park (QSTP), which supports startup technology enterprises and is funded by the Qatar Foundation, is an insightful example of this constant overlap between state policies and public interests.

QSTP encourages the creation and expansion of small and micro businesses with a focus on technology, and more specifically clean technology, all of which is at the core of Qatar's business development strategy. The park created the "QSTP Accelerator" incubation program for technology development, specifically targeting young entrepreneurs with incubation, training, and mentorship services. In contrast, the WISE Accelerator predominantly focuses on education and entrepreneurship. The initiative, which helps Qatari ventures become competitive in national and international markets, follows the Qatar National Vision (QNV) 2030 by focusing on energy, environment, health, and ICT.

The convergence of a national vision for diverse economic development, encouragement of SMEs—such as green projects or innovative ideas from young entrepreneurs—and private sector efforts is closely aligned with QNV 2030 (General Secretariat for Development Planning 2008) and Qatar National Development Plans of 2011-2016 and 2017-2022. The government is working to create a vibrant entrepreneurship ecosystem. A considerable number of private institutions and NGOs have been set up to provide entrepreneurship education for youth and established entrepreneurs, because the government has recognized that building specialized human capacities will help increase entrepreneurship levels in the country.

As part of the Qatar National Development Strategy 2011-2016, which is the first strategy of QNV 2030, Enterprise Qatar was established to help provide SMEs with support and education. In 2014, Enterprise Qatar was merged with Qatar Development Bank (QDB) to

avoid overlapping efforts and to foster entrepreneurship in the country. This serves as recognition that financing and education are interconnected.

Encouraging the promotion of entrepreneurship in Qatar will stimulate the mindsets and skills of not only Qatari youth, which includes students and school dropouts, but also of adult learners and those already engaged in entrepreneurship activities. Such efforts will lead to greater opportunities and benefits offered through entrepreneurship, and can act as a catalyst for socioeconomic development and growth. A positive response would be a deeper, more systematic study of entrepreneurship education designed to help Qatar offer an improved environment for entrepreneurship.

In 2012, Gallup-Silatech's joint publication identified Qatar's entrepreneurial dynamism as "Qatar's rising entrepreneurial spirit" (Gallup-Silatech 2012). Since then, this spirit has been widely portrayed in the Qatari media. Qatari entrepreneurial success stories and entrepreneurship competitions are constantly covered by national media organizations such as The Peninsula Qatar, and international specialized media outlets such as Entrepreneur. Qatar also has a thriving social media platform, helping to share information locally and globally. This action is appreciated, as 66.7% of the population interviewed for the 2016 GEM Qatar Report believes that media attention promotes enterprises in Qatar (QDB 2016).

In 2012, QDB launched SME Toolkit, an online resource center, which offers advice and guidance for entrepreneurs and SMEs in Qatar. The Qatar Business Incubation Center (QBIC), the region's largest mixed-use business incubator, was launched in 2014. QBIC currently encourages entrepreneurs whose ideas are focused on tourism and digital solutions to join their incubation program. A range of mentoring services is offered to entrepreneurs with dedicated incubation officers, coaches, and mentors for each of the focus areas.

Conclusion and policy recommendations: limits and challenges

This paper highlights positive and proactive government efforts to sustain and encourage entrepreneurship in the GCC. It also emphasizes that public sector action is diversified and includes joint initiatives with the private sector in the Gulf region. This creates entrepreneurship ecosystems in GCC countries that are similar in that public and private sector stakeholders work together to develop entrepreneurship. Such teamwork has proven to be a major tool and strategy for reducing reliance on extractive resources and aiding the transformation to a knowledge-driven economic model.

Although this general vision faces regionally distinct cultural and social needs, it is in line with the individual situations and expectations in these Middle-Eastern countries. It can henceforth be considered as a model adapted to national and regional circumstances.

The cases of Qatar and the Gulf region highlight the limits and challenges of state-led entrepreneurship. In GCC countries like Qatar, specialized public and private entities have been created to support and develop homegrown entrepreneurship, but the private sector

remains underdeveloped despite these important efforts. What are the reasons for this? As indicated by the Doing Business Report 2017 (World Bank 2017b), legal and regulatory frameworks are still underdeveloped in GCC states. The legal process of starting a new business is difficult and long in these countries when compared with developed Western countries. Coping with government bureaucracy, regulations, and licensing requirements is more difficult perhaps in Qatar than in other GCC countries. It is recommended that countries such as Qatar create a single, online channel for business registration to foster entrepreneurship.

While it takes time to enact changes to policy, as well as legal and regulatory frameworks, it can be successfully done. With effective media coverage, individuals and firms can easily adapt to positive changes. Qatar's easing of restrictions on national preference in foreign direct investment (FDI) legislation is allowing foreign-owned companies to set up and do business in sectors such as agriculture, health, and tourism. Although not all Qatari economic sectors are fully open to FDI, a growing number of foreign capitals and firms genuinely support the entrepreneurial start-up culture and help develop the sector.

The Qatari experience tells us that state-led entrepreneurship has positive and negative sides, but it currently is the best model available to GCC countries. This model will clearly respond differently in Saudi Arabia, where the pressure to generate jobs is more intense than in Qatar, UAE, or Kuwait. Additional research is needed to make an informed, systematic comparison among GCC states; access to relevant enterprise development data is also needed. State-led entrepreneurship has great prospects in the region, offering a collaboration between public and private stakeholders that can provide actionable synergy toward meeting a common goal. This social and cultural support of entrepreneurship provides maximum potential for locally based ventures to succeed.

Despite recent efforts in Qatar, entrepreneurship education, as in other GCC countries, remains underdeveloped; further specialized training to enhance human capital would be helpful. It also would be beneficial if policymakers and stakeholders took action to plug this gap in the ecosystem.

Although economic transformation and long-term growth are the key priorities for Qatar, policymakers and private-sector actors have shown that the green economy can work as a business opportunity. This would make Qatar more attractive globally, presenting it as the regional leader in this domain. For Qatar to take this next step, it must see the effort as a business opportunity.

In addition to the positive outcomes of state-led entrepreneurship in GCC countries, the principal negative consequence of this strategy is that it ensures regime security and the perpetuation of the current political status quo because the state remains at the core of the process. This prevents real regime change in these countries, blocking the development of more democratic systems. The need for regime and political survival results in economic reform tradeoffs, such as favoring nationals, restricting economic competition, and slowing transformation. In some cases, public officials in international arenas may diverge from

local policy decisions. A possible example: Saudi Arabia's initial measures to cut waste and inefficiency were later reversed by the state.

Can a genuinely entrepreneurial and private sector-led economy exist within the framework of a rentier economy and of governments unwilling to cede political or economic control of policymaking? Consider the example of Qatar. Ennis characterizes the Qatari method of entrepreneurship and SMEs this way: "With Qatar's habit of rapidly bestowing vast financial resources on problems and goals, [...] the policy experiences have been far from ideal" (Ennis, 2015, 137). The author explains that entrepreneurship support has perpetuated the rentier state system, creating a contradiction between economic reform and the structural logic of the economy.

Although the reality is far from ideal and efforts to reach economic goals remain sizable, this paper asserts that GCC states must aim for a balance between regime stability and sustainable economic diversification through entrepreneurial development. Despite the limitations of rentier political systems, a rapid and radical regime change would be negative and possibly dramatic in the Gulf region. Therefore, it is believed that political and business environments must mutually transform the other through slow but progressive improvement. Although societies may grow frustrated by less-rapid development, it may be possible to obtain better and longer-term results.

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