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### **Report 3**

Throughout the remainder of the special report, it primarily focuses on the societal and economic factors that have driven development in the Gulf States and the consequential impact on Saudi Arabia. These articles include Since the discovery of oil in the Middle East, the oil market has driven success within the Gulf States, but this reliance has proven a weakness in diversifying these economies to create developed countries. The United Arab Emirates (UAE) has developed an innovative Middle Eastern model of economic and social liberalization, which countries like Saudi Arabia have been seeking to adapt. At the time of this special report, the Saudi Arabian prince Bin Salman sought to transform the economic makeup of the nation, contain a growing Iranian threat and challenge the influence of traditional islamic norms in the legal system.

The first takeaway of the articles is that there exist several challenges for Gulf states to expand economic sectors other than the prosperous oil industry. According to the article “Breaking the curse: Beyond oil”, petroleum exports constituted about 30% of the Saudi GDP, while it also made up about 80% of average revenue among Gulf States. The structure of labor market contributes to this statistic, because the majority of higher-paying jobs are provided by the government. This implies that there is a large amount of government intervention in the economy, inhibiting growth in productivity due to a lack of competition and innovation within

the market. Despite the challenges, the UAE experimented with a successful model that follows an approach of cooperation with private businesses and the creation of innovative companies, to diversify its industries. Saudi Arabia should implement this approach in conjunction with structural changes within the labor market.

The second takeaway is that there are severe concerns for security within the Middle East. Saudi Arabia and the UAE feared that an expansion of Iranian influence through its extremist proxy group, the Houthis, would threaten the freedom to do business between the United States and Gulf States. Iranian presence in the Yemeni conflict and other Arab countries threaten the alliance between the Saudis, UAE and the United States. If Iran were to dominate the region, it could risk Saudi development. Prince Bin Salman of Saudi Arabia has taken a stance against radical Islam, in promoting the enforcement of moderate Islam within law. This ideology has soured relations between Saudi Arabia and Iran, because Bin Salman's opinion contradicts Iranian support for a state that strictly enforces Islamic values on society. The blockade on Qatar in 2017 worsened Iranian opinion of the Saudis, because the trade restrictions were in direct response to Qatar supporting radical groups that had ties with the Iranian government. This growing division between the two powers represents a growing tension that could incite further conflict.

Despite the international developments, Gulf States are pursuing a social revolution in reducing religious regulation in society. This challenge to the traditional social system is the third takeaway of the articles. Bin Salman adopted a new set of reforms that contradict the Saudi law of Salafism, which supports the enforcement of Islamic law within society. This implicates traditional gender views and limits potential for economic development. To make the country more attractive, like the UAE, Bin Salman fought these views with progressive laws, like those

permitting women drivers. Despite his efforts, the country still follows an authoritarian system, so critics argue concerns for repression of groups and a lack of protection for human rights. For instance, there is a lack of rights for migrant workers that have no choice but to work for the Gulf States.

Given the transforming economic system, there is a great opportunity for entry within the Saudi Arabian and Gulf State markets. Due to the expansion of social liberty, the Saudi labor market should grow, offering new companies with an opportunity to take advantage of a greater pool of skilled workers. The evolving social systems could also be more adaptable for Western companies, which could significantly contribute to the national GDP. The presence of more rich businesses will promote industry diversification and present foreign workers with more opportunities in the region. On the contrary, Iran still poses an international threat to the development of Gulf States, because of its ties with violent radical groups. If conflict were to worsen, limited trade could threaten the expansion of business and increase the risk of future investment.

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