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On the role of oil in the growth process of the Arab Gulf

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A mia mamma e mio papà,

che mi hanno insegnato ad essere forte nel rialzarmi dopo ogni caduta,

ad avere il coraggio di vincere ogni sfida,

dedico questo mio traguardo!

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Summary

Introduction

The Gulf market is one of the most prosperous markets in the global economy, mainly thanks to the presence of notable natural resources that have guaranteed a huge influx of financial income in the region. Of course, the discovery of these important resources marked a turning point for the Gulf countries and also led to a significant change from the economic and social structure of these countries. However, what probably constituted the determining element for growth was given by the set of economic policies aimed at sectoral differentiation undertaken by the governments of the various countries. Once they became aware of the exhaustion of oil resources, governments took steps to develop economic sectors that would guarantee alternative sources of revenue. The document takes into consideration three of the main countries of the Arabian Gulf: the United Arab Emirates, Saudi Arabia, and Kuwait. These countries under study are characterized by a considerable economic and commercial weight, thanks to the presence, as mentioned above, of huge energy resources, such as oil and natural gas, whose proceeds allow the country to make improvements and innovations, in all areas. In fact, since the discovery of oil in the 1960s, the sovereigns, skillfully managing and reinvesting the profits of the oil sector, have managed to transform a completely desert territory into an environment conducive to investment and characterized by an economy that is always becoming more diversified, open and liberal, and with a privileged tax regime. Over time, strong and sustainable economic growth is being promoted, and long-term restructuring and innovation plans are being implemented for the country's economic, rural and social development. It is precisely on the concept of economic growth in the countries that work is concentrated. The main objective of the thesis is to prove that trade openness is the principal indicator of economic growth, that is, that it contributes to the accumulation of capital. The first chapter of the thesis aims to analyze in-depth the historical events that led countries to be as we know them today from their birth to their explosive and pressing evolution. The historical excursus helps to understand through the oil boom that occurred in the past, the various clashes including the war in the Gulf, how these events have influenced the trend both in oil but also in the wealth and welfare of the countries. The chapter concludes with an in-depth analysis of

Islamic finance (*Sharīʿa*); after having underlined the historical features and the distinctive characteristics at the basis of this system, such as the *zakāt*, or the annual tax imposed on each Muslim to help the less well-off faithful, one of the five pillars of the Islamic religion to then specify the importance of the role of money within this distinct economic context, analyzing its connection with the theological as well as social sphere in which it develops. We will proceed with the observation of the main elements of prohibition related to it, which finds its main distinctive feature, but above all unusual, in the ban on *ribā*, or the payment of interest on any form of financing; the ban on uncertainty, *gharār*, and the ban on speculation, *maysir*. The second chapter of the work has the function of defining the subject of the thesis, through a regression model. This chapter is introduced by Solow's model which gives an interpretation of economic growth. This model provides us with the elements to formulate our growth model, which considers three important variables which are: real investments, real GDP output, and net exports. With this we want to demonstrate that the trade openness, even if it is not mathematically solvable, but it is possible to interpret it. The trade openness has favourable effects for oil-exporting countries, this contributes to the accumulation of capital, and therefore consequently to economic growth. Once the model was set up, using the Gretl program, studying the above variables, from a historical series from 1979-2014, it provided three regressions for each country of our interest. The summing-up of the section will consist of the analysis of the regressions obtained which will confirm that the trade openness focuses on oil, and therefore the export of the latter leads to additional resources for the accumulation of capital, accordingly to a growth process. The closing chapter converges on the forecasts and the various strategies that the three countries are implementing to grow, diversify and improve on all sectors. The purposes of the UAE that will be analyzed will consist Dubai Clean Energy Strategy 2050, Vision 2021 and the upcoming universal exhibition to be held in Dubai, or EXPO 2020. Subsequently, Saudi Arabia's projects will be observed, including Vision 2030, plan to achieve for 2020 and the listing of Saudi ARAMCO which debuted on the stock exchange on 11 December 2019, entering the world IPO records, with a public offer worth 25.6 billion dollars. The third chapter ends with the implementation of the "New Kuwait" reform plan (Kuwait National Development Plan

2035), the Kuwaiti "vision" that should lead to a diversification of the economy and a growing emancipation from the oil & gas sector.

1. Macroeconomic overview with some background about countries under-study: United Arab Emirates, Saudi Arabia, Kuwait.

We consider these 3 countries as they represent a cross-section of the Gulf concerning the three development phases. In third place we find Kuwait, following Saudi Arabia and in the first place, the United Arab Emirates. The latter is very advanced, middle as a population and less attached to the oil sector. We take Saudi Arabia into consideration because of its demographic component level, in fact, it is the most geographically extended part of the Arabic peninsula. Furthermore also has a lot of attachment to GDP oil. Finally, Kuwait is considered because it takes into account GDP oil and its reliance on oil for exports, in fact, 95% of oil is destined for exports.

1.1 UNITED ARAB EMIRATES: A brief focus on the principal points deal with

Approximately 50 years after independence from the United Kingdom, photography in the United Arab Emirates returns the image of an economy with one of the highest levels of development in the Middle East and with one of the highest per capita incomes in the world. The huge fossil fuel reserves have driven economic growth over the last decade. The strategic geographical position, a crossroads between Asia, Africa, and Europe, has made them a strong commercial and financial hub for foreign investors, as well as a tourist destination of great appeal. The large financial buffer available proved to be a particularly effective "defence" tool to protect the economy from adverse shocks and the degree of resistance shown during recent financial and geopolitical turmoil is a testimony. The country is also continuing its efforts to make the economy more diversified: the results are evident, for example, for Dubai, the most dynamic of the seven Emirates in this sense, which has also become a reference point for development plans in the Emirates of Ras al-Khaimah and Sharjah for the policies of attraction of private capitals necessary to finance impressive real estate

projects, also linked to the world of tourism. In this direction, and within a broader context, such as the Vision 2021 program, the tax and structural reforms implemented by the United Arab Emirates in recent years must be read. After a particularly weak 2017 in terms of economic growth (+ 0.8%, the lowest rate since 2009), the country's GDP has started to grow again by around 3% in 2018 and the coming years a further acceleration of economic activity (+ 3.7%, on average, in the 2019-20 period), mainly thanks to the drive for investments. On a longer horizon, on the other hand, forecasts indicate an average increase in GDP of 3.5% in the three-year period 2021-23 (IMF).
Investments will benefit from the fiscal stimulus announced in May 2018 for the next three-year period which will add up to the 6 billion dollars already planned for Expo 2020 (which will be hosted by Dubai). Abu Dhabi also intends to invest 50 billion AEDs (approximately 13 billion dollars, equal to 3.5% of the UAE's GDP) for the expansion of airports and metros, as well as for the development of certain areas. Among the downside risks that could negatively affect the country's growth (especially in the non-oil sector), a weaker global economic activity, possible turbulence, and volatility in emerging markets, as well as an escalation on the side of protectionism should be considered. Furthermore, any new geopolitical tensions in the Middle East would have a negative impact on investor confidence and, consequently, on foreign investment flows in the country. Finally, new oil price shocks would have significant impacts, for an economy still influenced by this raw material despite diversification efforts. [1]

1.1.1 Some background of United Arab Emirates

The United Arab Emirates, the pearl of the Middle East on the border with Oman and Saudi Arabia, is a land of contrasts and contradictions: they represent the most modern and "western" expression in the Arab world still very much linked to the most ancient local Islamic traditions. It is a confederation of seven emirates: Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Quwain. They gained independence from the British government in 1971, creating a single federal state and establishing Abu Dhabi as their capital. At the head of each emirate, there is a monarch, named emir, which governs directly on its territory in an absolute and hereditary manner. The President of the United Arab Emirates being elected from among the seven emirs within the Supreme Federal Council and, de Iure, remains in office five years. De facto, this office is also hereditary. Today the UAE is governed by Ḫalīfa bin Zāyid'ĀlNahyān, in office since November 2004, son of the former President Zāyidbin Sulān'M ÂlNahyān. Citizens of the Arab Emirates are not allowed in any way to participate in the election of the head of state, create political parties and, even less, oppose the government. Taking advantage of the enormous wealth accumulated in the country, Šayḫ Zāyid bin Sulṭān'Ā Nahyān, first president of the UAE (in office from 1971 to 2004), he made investments in health and education and infrastructure, trying to bring the UAE on the road to rapid development.

1.1.2 The discovery of black gold

The Gulf region has always represented a real crossroads commercial (constituting an important stage of the road between West and East better known as "Silk Road"), but its importance has increased considerably with the discovery and exploitation of natural gas and oil which has been a real turning point for these countries, leading them to a completely new economic situation. The Gulf countries have passed from a rather backward economic condition to become economic powers whose resources and decision-making weight are crucial at a global level. These countries have a long commercial past behind them that has proved essential to their livelihood, considering the small agricultural resources of the area. Most countries in this region could economically rely on fishing, pearl production and pastoralism, along with economic activity related to hajj (the religious pilgrimage to Mecca and Medina), which remains important. Oil, discovered in the 1930s, began to be used massively, and on a level industrial in the 50s and 60s. Starting in the mid-1960s, as production was no longer sufficient US and European oil companies, soon began to turn to the huge oil reserves of the Gulf region, ascertained during the 1920s and 1930s by Great Britain which held the colonial dominion of the area. Thanks to the oil sector, particularly during the 2000 boom, in the GCC countries(Gulf Cooperative Council, which counts as member countries Saudi Arabia, Bahrain, United Arab Emirates, Kuwait, Oman, and Qatar) have managed to accumulate an a huge quantity of reserves, a surplus dependent on the annual variable oil price and which, despite some deficits, is still considerable.[2]

1.1.3 From the new oil boom to the Arab revolts of 2011

In 2002 the new oil boom broke out and there was an increase in economic growth in the MENA area, after more than a decade of stagnation. The positive climate resulting from the oil boom is not solid: economic development is linked only to external factors such as the positive trend of oil prices and tourist flows from the Gulf countries and directed towards the other Arab countries (Springborg, 2016). In "UAE Vision 2021", launched in 2010: its goal is to bring the country to be among the best in the world for the 50th anniversary of its foundation. About this program, I will discuss later in the third chapter concerning the forecast of the country.

1.1.4 General political and institutional plan

The state religion is Islam, but freedom of worship is guaranteed by the Constitution (art. 32) if in respect of local customs. Among Muslims, the vast majority is Sunni (85%), while Shiites represent 15%. Among the other professed cults, the most widespread religions are Christianity, Buddhism, and Hinduism. The political capital is Abu Dhabi, which also represents the largest Emirate and one with the largest reserves of hydrocarbons and oil.[3] Equally important, if not greater, is the Emirate of Dubai, whose reigning house invests mainly in the tertiary sector, in trade and services, due to the decline in oil reserves. Since the 1960s, although Dubai was already beginning its commercial development, with the discovery of oil on the coast of Abu Dhabi, the real economic expansion of the country has begun.[4] Because of the political rivalries between the various Emirates, each of them maintains its independence and each ruling family implements its own strategies in the sphere of economic policy, and is responsible for the development of the aviation sector, oil, security, the finance, of its Emirate.[5] The Federal Government deals with foreign affairs, defence, education, health, financial policy, communication and telecommunications, air traffic.[3] Noteworthy is the political weight of Abu Dhabi and the economic weight of Dubai, as the decisions taken by their rulers affect all the other Emirates. At the political level, the state can be defined as a direct democracy without suffrage, as power is transmitted by inheritance.[6] Shaykh Khalifa bin Zayed al-Nahyan, a ruler of Abu

Dhabi, became president of the UAE Federation in 2004 and heads the Supreme Council of Governors, the highest authority in the country, which includes the rulers of the seven UAE. The Supreme Council is joined by the National Federal Council, composed of 40 native members of the UAE, elected in 2006 and 2011, which has legislative and supervisory duties and is responsible for examining all legislative proposals. These two bodies have amended the Constitution of the UAE in 1971, then made permanent in 1996. The executive body is instead the Council of Ministers and it is led by the head of ministers Sheikh Mohammad bin Rashid al Maktoum, the ruler of Dubai, is a very active figure and his approach, in the administration and in the context of the emirate, is particularly business-oriented. The Sheikh has also increased the international profile of the entire Federation, establishing stable and peaceful relations with the heads of state of other nations, especially in the West. This stability stems from several factors, which have been consolidated over time: the inheritance of political culture and social structures, the impact of oil sector revenue on the state, strong ethnic and social segmentation, the direct and indirect role of Great Britain and the United States in ensuring the status quo for the ruling families and their ability to influence the policies of the state. [6] Since their establishment, the Emirates has made considerable improvements, economically and socially, thus becoming a model to follow for the other countries of the world. This on merit to the ability of sovereigns to manage and reinvest the proceeds of oil, and to create a favourable environment to foreign investments, in line with the developments of the economy and the new economic sectors. In this regard, the President of the UAE and Governor of Abu Dhabi, Sheikh Khalifa bin Zayed al-Nahyan, confirmed his position in favour of the liberal orientation of economic policy, implementing a program of economic reforms and liberalization, also due to the effect of pressures exercised by international organizations, such as the World Trade Organization.[7]

1.1.5 The competitive advantage of UAE

The competitive advantages of the UAE Federation appear to be: the geographical position halfway between Asia and the West, the proximity to large and important natural resources, such as oil and natural gas, the presence of a cheap labour coming from India and Pakistan, the presence of international companies and joint ventures in all sectors of the economy, revenues related to the tertiary sector (which represent a security for the economic development of the country), the strong strategy of diversification of the economy, the constant development of infrastructure and finally an attractive tax regime. All these positive aspects make the country one of the strongest powers in the world economy. Despite the strong economic stability of the UAE, the global economic crisis of 2008 had, even on the country's economy, negative repercussions. Indeed it has occurred a financial stalemate, cuts in oil production, the decrease in GDP and the country's exports. The most negative episode, which occurred in 2009, was the bursting of the real estate bubble, which led to the crisis of Dubai World, Dubai's main state-owned financial company. However, signs of recovery are already registered at the end of 2010, and currently, the country is characterized by a flourishing and stable economic situation.[2]

1.1.6 Macroeconomic framework

The United Arab Emirates, with their strategic geographical position at the centre of the main east-west routes and the abundant reserves of fossil fuels that have driven their economic growth, have become in less than 50 years a highly developed state with a high level of life (per capita GDP is among the highest in the world). The economy is open and dynamic, above all thanks to diversification policies that have reduced the incidence of oil revenues on the share of GDP from 60% in 1980 to the current 30%. In an economic context still characterized by strong uncertainty, the economic situation of the UAE is showing signs of recovery, after GDP in 2017 registered the lowest real growth from 2009 to today (+ 0.8%). According to IMF estimates, economic growth in the current year should reach 2.9%, to then increase further in 2019 (+3.7%), thanks to the adoption of new expansionary fiscal policies and rising oil prices and production. However, recently, downside risks to economic growth have increased and made recovery prospects less robust than expected. Firstly, the "non-hydrocarbon" sector, which should have been the main beneficiary of the increase in public spending, remains on growth values not far from those of last year (+ 2.8% against + 2.5% in 2017). Sectors such as tourism and wholesale and retail trade have been progressively slowing down in recent months, with a constant compression of price margins. The rise in oil prices in the first nine months has so far had a mildly positive impact on the rest of the economy. The weakness of demand is revealed in particular by the collapse of imports in the first half of the year (-20%). As far as the oil sector is concerned, in the last few months, a progressive increase in production has been recorded, going from 2.86 million barrels per day in the first half of the year to 3.16 million in the month October. Next year's economic growth prospects are affected by: i) the possible further strengthening of the dollar; ii) the expected increase in interest rates; iii) downside risks to global oil demand growth. EXPO2020 is expected to provide new impetus to economic activity, particularly in Dubai, thanks to the number of visitors and the increase in exports and services. (will be explored it in the third chapter).[8]

1.1.7 Political economy

The degree of openness of the country shows a high propensity for a free trade regime. In general, it is freely allowed to sell directly to end-users, through a reseller; it is also possible to set up joint ventures or authorize a local company to sell its products under “franchising” contracts. According to current legislation on company law, foreign investors are not allowed to own more than 49% of the share capital: however, various sources believe that this restriction, which does not apply to Free Trade Zones, is in the process of being loose. In response to the collapse in oil prices and due to the need to make the country's economy more sustainable, the UAE has in recent years begun a process of economic diversification aimed, on the one hand, at increasing the contribution to the economy of the sector non-oil, on the other, to ensure a greater balance in fiscal policy. This theme will be deepened in the third chapter. [8]
The Gulf market is one of the most flourishing markets in the global economy, mainly due to the presence of considerable natural resources that have guaranteed a huge influx of financial income in the region. Certainly, the discovery of these important resources has marked a turning point for the Gulf countries and has also determined an important change from the point of view of the economic and social structure of these countries. However, there. which probably constituted the decisive element for

growth was given by the set of economic policies aimed at sectoral differentiation undertaken by the governments of the various countries. Once it became aware of the depletion of oil resources governments took action to develop economic sectors that guaranteed alternative sources of revenue and allowed the creation of new jobs, especially for the national population. Part of this strategy is also the luxury sector which, through its various sub-sectors, has greatly contributed to the economic growth of the United Arab Emirates.

“I have had many dreams. I dreamed that our country kept up with the growth of the modern world. "

"*A nation without a past is a nation without present or future*.” [9]

The two sentences above, spoken by Sheikh Zayed bin Sultan al-Nahyan, guide politics and thought of the UAE, they represent synthetically one of the most characteristic aspects of the à political culture: a propensity to economic growth and modernization accompanied, for example, by the enhancement of the historical, cultural and traditional heritage of the country. As we have seen in the course of the discussion, the idealization of the Bedouin past of the Arab Emirates, of the system of values relative to this same past as well as of the characteristics of strength and spiritual resilience indicated as typical of the Bedouin tribes, have been fundamental elements in the process of construction of national identity. This past-present dualism is strongly felt by the national population, sometimes in a conflictual way, sometimes as an element that has contributed to the overall economic success of the Emirates. It is above all the government that encourages this last vision, wanting to highlight the fact that the country has reached certain goals due to the management and administration capacities of the same governmental apparatus, which inherited them from the nation's Bedouin past, together with the values that still animate every type of bond present in the Emirate society. The economic growth experienced and realized by the country determines, moreover, an association that is by now consolidated in the common imagination between the Arab Emirates, wealth and economic prosperity. This success is an indisputable fact that, as we have seen from the discussion, it also has many gray areas.

1.1.8 Sectors of opportunity: infrastructure and construction

Construction and infrastructure are one of the sectors that have most contributed to the development of the United Arab Emirates, contributing to the process of economic diversification of the country, which has the most advanced infrastructures in the region. From roads to ports, from airports to telecommunications, the United Arab Emirates is home to excellent infrastructures that have made business development possible. Investments of 716 billion dollars were planned and only in 2018 projects were awarded for a total value of 45 billion dollars. Most of the infrastructure projects are concentrated in Dubai and Abu Dhabi. The other Emirates, on the other hand, has a minor role, where important development plans exist, especially in Fujairah and Ras Al Khaimah (see the Economic Policy Framework section).

Strengths and weaknesses:

Among the GCC countries, the United Arab Emirates offers among the best prospects in the medium to long term, thanks to the relative greater diversification of the economy (which reduced the vulnerability to the movements in the price of oil) and to political stability. The huge availability of the sovereign wealth fund of the United Arab Emirates, the Abu Dhabi Investment Authority, makes it possible to have an important lever to respond to adverse shocks and a wide margin of procedure in economic policy decisions. The United Arab Emirates can boast a state-of-the-art infrastructure system thanks to the large investments made over the last decade. New investment plans are planned for improving roads, the railway network and airports. In recent years, progress has also been recorded in the quality of public services and the easing of bureaucracy. The 2020 Expo will provide further impetus to the country's economy thanks to the huge infrastructure investments and the positive effects on tourism. The commercial regime of the United Arab Emirates is one of the most liberal in the Gulf, with a consequent strong capacity of the country to attract foreign capital. The country's banking system is liquid and well-capitalized, and the percentage of non-performing loans (NPL) is limited (around 7%). Despite the important reforms promoted to increase the diversification of the economy, progress will take place gradually and oil price movements will continue to remain important for growth prospects. Abu Dhabi, which funds a substantial part of federal spending, is still dependent on oil revenues. A collapse in oil prices would also have repercussions on the non-oil sectors due to the lower fiscal manoeuvre space for new investments and reforms. The risk profile of the United Arab Emirates depends, to a certain extent, on events that may occur across national borders. Indeed, tensions in the Middle East region affect investor confidence, as well as tourist flows, even in the United Arab Emirates (the latter already facing tensions, which however should not worsen with Iran and Qatar). The degree of commercial openness makes the country particularly exposed to other external shocks, such as the volatility of the global financial market and commercial tensions (protectionism). The anchoring of Dirham to the dollar leaves the United Arab Emirates minimal control over monetary policy and reduces the ability to counter inflationary pressures. The United Arab Emirates has limited natural resources (water and land).[10]

1.1.9 Trade agreements

In an attempt to reform and strengthen the economy, progressively integrating it with the global one, the United Arab Emirates have joined the GATT since 1994 and became members of the World Trade Organization (WTO) in 1996, applying the most nationally clause favoured to all WTO members, except for Israel. The United Arab Emirates are founding members of the GCC, the International Regional Organization composed of six states of the Persian Gulf, which established a free trade area for all products originating in the area and established a common external tariff. The GCC has concluded free trade agreements with the EFTA countries (European Free Trade Association) and Singapore. The United Arab Emirates are also signatories of the Pan-Arab Free Trade Area Agreement (PAFTA), signed by 17 Arab countries, which aims to create a free trade area through the gradual elimination of trade barriers between member countries. Looking further into the Free Zones, created in 1985, today represents one of the most successful realities in the United Arab Emirates. Some have a “generalist” nature and allow the carrying out of multiple economic and commercial activities, while others have a “specialist” nature and only provide for the possibility of carrying out certain activities (e.g. Dubai Carpet Free Zone, Dubai Auto Parts City, Dubai Flower Centre, Dubai Textile Village, Ras Al Khaimah Media Free Zone). It is therefore important to carefully choose the area in which to establish the company. Settlement in a Free Zone also includes constraints because it limits the possibility of operating on the internal market: it must, therefore, be carefully evaluated if the domestic market represents the main objective of the business activity. The strong penetration of the Internet and mobile devices in the country has played an important role in fostering the growth of e-commerce. The United Arab Emirates is the largest market for online sales in the MENA area, with a total that should reach $ 16 billion in 2019 according to Fitch Solutions, far beyond the value of Saudi Arabia's e-commerce sales, although the latter's population is about three times greater. [10][11]

1.1.10 Elements that attracts investments

The United Arab Emirates is in the eleventh position out of 190 countries in the World Bank's “Doing Business 2019” ranking. What are the elements that make the difference and that favour the attraction of international capitals?
All the international indexes that put the UAE at the top of the regional competitiveness rankings start from an indisputable assumption: the Emirates are among the few realities of this area that can boast for about half a century by now a coherent and uninterrupted path of socio-economic development, of significant goals - thanks to an inimitable and fruitful synthesis of tradition and innovation - and extraordinary openness to the West. Even when the economic situation offers not particularly encouraging prospects in the short term, therefore, it is not only confidence in the solid sector that is still the driving force of oil & gas that is rewarded. At the same time, the size and quality of the ongoing economic diversification processes are highly appreciated, the invaluable value of the cutting-edge logistics and financial platform for infrastructure and efficiency that the UAE represents in the region, political stability with a very low country risk, as well as the ability to integrate and bring together over 120 different nationalities. The United Arab Emirates ranks seventh in the world for proven reserves of oil, equal to 97 billion barrels, and natural gas. Moreover, the country is also the seventh-largest producer of crude oil in the world and the revenues generated by exports contribute 30% of GDP. The Government plans to strengthen the integration between the upstream and downstream segments

and reduce costs by increasing the efficiency of production processes and acquiring the best know-how available on the market. [12]

1.2 SAUDI ARABIA: Introductive notes

On 21 June 2017, the king of Saudi Arabia, Salmān Bin bdAbd Al-īAzīz Al-Saʿūd, appointed his son Muḥammad Bin Salmān Al-Saʿūd, formerly Deputy Prime Minister and Minister of Defence, "crown prince" and consequently successor to the sovereignty. This caused dispossessing, the nephew Muḥammad Bin Nāyīf, who was also honoured from the offices of Minister of the Interior and President of the Council for Political and Security Affairs.[13] Muḥammad Bin Salmān is previously known on the international scene from 2017 for the presentation of the "Vision 2030" project, a reform program that aims to progressively reduce the dependence of the Saudi economy on oil revenues of which it holds about one-fifth of world reserves, which will be illustrated in deep in the third chapter.[14]

1.2.1 From the second Saudi State (1824-1891) to the founding of the Kingdom of Saudi Arabia (1932)

As regards the process of territorial unification, the campaigns of conquest in the peninsula ended in 1926, but only on 23 September 1932 the country assumed the name of the Kingdom of Saudi Arabia, an Islamic monarchy with Arabic as its national language and the Koran as its Constitution.[15] In economic matters, the first national budget of 1934 reveals that the king had to deal with a financial deficit of over 300,000 pounds[16]: the state's revenues were limited almost exclusively to the proceeds of the annual pilgrimage to Mecca. For these reasons in 1933, the king decided to sign an agreement with the American oil company Standard Oil of California (SOCAL) and to start work on oil well research in the Region under the patronage of the ARAMCO company, Arabian American Oil Company (will be explored in the third chapter).[17] Saudi Arabia welcomed numerous foreigners from the countries of the Maġrib and Europe who lent themselves as laborers in the process of oil extraction and refining. The country's GDP grew considerably and in just over ten years, revenues rose from

$13.5 million to $212 million in 1952, despite economic growth being significantly halted by the Second World War.[18] From the administrative point of view, starting from 1930, all political parties were abolished. The Ministry of Foreign Affairs (entrusted to the future King Fayṣal), the Army and the Ministry of Finance were established. The latter adopted the unified Ottoman commercial code and collaborated with the Saudi Central Bank (SAMA) coining the riyāl, replacing all other coins in circulation on the peninsula. From all this it is clear that the construction of the Saudi state is the result of more than two decades of military coercion, political subjugation, struggle against opposition and stabilization of the financial economy (made possible almost exclusively thanks to the discovery of oil in the Saudi territory). These are therefore the foundations of a State that is been confirmed currently, one of the most influential world powers.

1.2.2 Lights and shadows on the Saudi Kingdom in the second half of the 1900s: the policies of dissent (1953-1982)

On the death of bdAbd Al-īAzīz Ibn Al-Saʿūd, which took place on November 9, 1953, after about half a century of rule, power passed into the hands of his firstborn, Saʿūd Bin BinAbd Al-zAzīz Al-Saʿūd. However, he inherited from his father a financial deficit that was expected to amount to about 200 million dollars [16] and was not able to manage the situation. In 1964, a coup d'état supported by the Council of ulamāʾ, forced him to abdicate in favour of his brother Faysal.
He proved to be a skilled mediator with the Western powers, but he always put the defence of the Arab countries first. The most emblematic episode was the outbreak of the crisis in the Suez Canal, in 1956 when the United States led by England, France and Israel attacked Egypt. On this occasion, the king of Saudi Arabia defended Egypt, although this could put his relations with the Western powers at risk. Support for Egyptian policies, however, was lost when Nasser began to exercise more and more power in the Country. Concerned about his appeal for the modernization and destruction of Arab monarchies, the king decided to provoke Egypt by welcoming some members of the Muslim Brotherhood, a party with a political vision of Islam, banned by Nasser who condemned them to death because they opposed his renewal

policy.[16] After the forced abdication of King Saʿūd Bin Abd Al-izAziz Al-Saʿūd, the sovereign Fayṣal had to deal first of all with the salvation of the state from a principle of bankruptcy, caused by the bad organization of finances by the predecessor. In economic matters, King Fayṣal imposed a statist model that favoured the nationalization of businesses and some important adjustments structural including: a clear cut in public spending, development in agriculture through five-year plans and support for the process of industrialization and youth training (encouraged young people to study in Saudi Arabia contributing to the return of many students who were at abroad) [16]. In addition, he hired foreign technical courts with skills superior to those of Saudi state officials and tried to diversify the country's economy by aiming for earnings different from those coming exclusively from the oil sector. At his death, which took place at the hands of his nephew during a public ceremony, his successor Ḵālid assumed the office of the sovereign. The new king worked on internal affairs by pursuing his predecessor's policies. In economic matters, thanks to the strict financial policies of the predecessor and the oil boom of 1973, Saudi Arabia achieved unprecedented commercial and economic growth.[16]

1.2.3 From wealth to austerity: the kingdoms of Fahd and 'Abd Allāh (1982-2015)

King Fahd committed himself to diversify the country's economy. In 1985, gas and electricity consumption reached its all-time highs, free of charge. Due to the inevitable decrease in revenues, only a few Saudis could afford some of the comforts they were used to and for all these reasons, the people will remember these years as a decade of austerity, unthinkable only a few years earlier, during the oil boom. In domestic politics, in 1992 he promulgated the “Fundamental Government System of the Kingdom of Saudi Arabia”, a Charter similar to a Constitution aimed at regulating the institutions, the economy and the jurisdiction of the country. The document has long been criticized by international media because it was drafted by a Council often accused of violating human rights. As far as education is concerned, the government-subsidized young people who decided to attend university, in an attempt to replace foreign labour, but the most coveted jobs remained those of state officials who required few academic skills.[16] In a context of crisis, between 1991 and 1992 there were two petitions: one by writers and journalists asking for the creation of an Advisory Council, the equality of all men before the law, a clear improvement in the conditions of the women and total freedom of expression. The other, instead, more categorical, demanded the total change of the regime. King Fahd granted the Advisory Council in December 1993, reorganized the provincial administrations, but restored strict censorship, blocked the first attempts at women's emancipation and approved the creation of a Ministry for Islamic Affairs. For this reason, many international organizations protested against the monarchy, but the result was that the Islamic opposition, instead of shrinking, strengthened and sometimes resulted in terrorist actions led by radicalisms that proliferated in the 1990s. Upon the death of King Fahd, his half-brother ‘Abd Allāh came to the throne. His internal politics were profoundly reformist. As for the welfare system, the king granted numerous scholarships for boys and girls who wanted to study in other countries in the world; in the health field, he was the first monarch to invest in awareness campaigns and medical prevention; in the legal field, has carried out a profound restructuring of the hierarchies of power and has wished that an adequate academic training was guaranteed for the jurists. This suggests that the sovereign acted above all in the function of a project of restoration of the Saudi executive class that approached, with caution, the institutions to the religious power to preserve the conservative tradition of the Country. [19] At the death of the sovereign, the successor to the throne it was the current king Salmān.

1.2.4 The pragmatism of King Salmān for Saudi Arabia

King Salmān, now octogenarian, Emir and mayor of Riyāḍ, Minister of Defence and second deputy prime minister until he was appointed, in June 2012, the crown prince. As governor, the current monarch has worked in the Tourism Department, aiming to encourage large foreign investments (especially in the West) in the country in this sector and making use of an entourage composed mainly of scholars from the King Sa'ūd University, where numerous ministers of the nation are also trained. As Minister of Defence and a member of the [1]Saudi National Security Council, he distinguished himself for his mediation skills by consolidating strong relations with the United Kingdom and the United States, but also with the great Russian power of Putin. [20] King Salmān is part of moderate reformism, although it remains linked to the Saudi political tradition.

1.2.5 The rise to power of the crown prince Muḥammad Bin Salmān

Muhammad Bin Salmān, the thirty-two years old son of King Salmān, has now taken full power and is the undisputed protagonist of a series of government actions unprecedented in the history of Saudi Arabia. He has already distinguished himself as a spokesman for national economic development programs that take the name of Vision 2030 as the crown prince of the country. An essential aspect regards the religious power in Saudi Arabia: respect for tradition by the pact stipulated at the foundation of the Saudi-Wahhabi state Saudi Arabia is the cradle of the Islamic religion because that the two holy cities are located in the country, Mecca and Medina where the Prophet was born, raised and had the Revelation of the Koran by Allah. However, the conservatism that has existed in the country, often linked to a too restrictive view of Islam, is the result of the development of a unique political tradition and the stages of the constitution of a nation that today more than ever, yes he finds himself having to mediate between the conservative spirit of some of the exponents of religious power and the need for political and economic restoration in a modern key. The prince is revolutionizing the Islam of the country through his statements that are part of the Vision 2030 program which aims to restore to Saudi Arabia the connotations that, according to him, characterized it before the advent of the Iranian revolution when the 'ayatollah Khomeini founded an Islamic theocracy. In an interview with reporter Norah O'Donnell, the prince said that his generation suffers the consequences of an agreement signed in 1979 between the ruler and the Saudi religious leadership in a moment of absolute institutional crisis when, to limit the damage resulting from the

[1] The Saudi National Security Council (SNSC), it was the body in charge of coordinating the national security strategy and Saudi intelligence. It was founded in 2005 by the King ‘Abd Allāh Bin ‘Abd Al-‘Azīz Al-Sa'ūd.

uprising in the Great Mosque, it was decided to grant a more restrictive religious policy to reject accusations of corruption and collusion with the Western powers first among all France and the United States. The crown prince is very inspired by Saudi Arabia in the early sixties, a developing country like any other Gulf country in those years and cannot understand the fact that his ancestors allowed a circle of radical men, then still too influential, to make the nation, one of the most conservative in the world with repercussions on different sectors from the economy to the society.[21]

In October 2017, in an interview with the television channel “Al-'Arabiyya”, Prince Muḥammad Bin Salman stated that his entire policy is aimed at establishing a more moderate Islam. The reason for change this, it is because 70% of the Saudi population is composed of from young people under the age of 40, exactly like him, who do not intend to spend another thirty years of their lives struggling with the fight against extremist ideas that are the cause of the period of cultural stagnation in which the country has been living since the early 1980s. Moreover, the prince declared: “We want a normal life, which is based on the principles of our religion and our good tradition, we want to live with everyone (peacefully) and contribute to the development of our country and the whole world”.[22]

To try to shed light on the reforms concerning the “modernization” of the country, it is necessary first and foremost to analyse the causes that have blocked the opening of Saudi Arabia to date and subsequently describe the policies that, at least officially, have been undertaken to protect the country from the spread of extremist ideologies (different from the Wahhabi) since the early 1980s.[23] As regards this last point of the study, however, it is necessary to distinguish the reform program drawn up by the prince (in particular the Vision project 2030), by the measures that effectively entered into force, emphasizing that the two things are not always consistent. Muḥammad Bin Salmān has repeatedly stressed that Saudi Arabia's biggest enemy is Iran and that it is causing the cultural stagnation of its country to the developments of the 1979 Iranian revolution that brought the Shiites to power.

1.2.6 Saudi Arabia's economic policy

Before the discovery of oil in 1933, the Saudi state's coffers depended solely on the revenue of the annual pilgrimage to Mecca. The population consisted mainly of shepherds, farmers and small traders, poorly educated and completely isolated from the socio-economic developments of the surrounding realities. Furthermore, there is no documented use of wheeled vehicles for transport, there was no industry and the communities produced what was strictly necessary to meet their needs.[24] From the point of view of the state administration, since the foundation of the first Saudi state (1744), the sovereign periodically nominated men of power close to the royal family, who supervised the work of tax collectors in the various provinces of the Kingdom and calculated duties on imported goods and pilgrims' entrances to the country. This financial control system numbered about 400 civil servants (mainly officers and security guards) and was an archetype of what the Saudi Ministry of Finance would become in 1930. [18] According to official estimates, before 1913 the state's revenues did not exceed 100,000 pounds, ten years later they came to around 210,000 pounds [18] and after the conquest of Ḥiğāz, already in 1927, they grew up to 1 500 000 pounds.[25] Conscious, however, the fact that these sums would never be enough to trigger a process of growth in the country, from the point of view of the infrastructures and the welfare system, for years the sovereigns continued to distribute subsidies (not quantifiable, due to the lack of registers and official sources on) to all the population, in the hope of being able to somehow safeguard a balance social and political already in itself quite unstable.[16] At the time of its establishment, in 1930, the Ministry of Foreign Affairs was almost entirely entrusted to wealthy Saudi merchants, who were in charge of controlling the internal finances of the State and to manage the first commercial relations with neighbouring countries.[26] With the implementation of a first bureaucratic system in the following years, these families were also in charge of issuing entry visas for the annual pilgrimage to Mecca and the related taxation, which however was gradually eliminated when the state treasury began to grow in such a way exponential with the beginning of oil exports, in 1948. In 1938 the discovery of oil in Saudi Arabia was not accidental it was the result of a search that resulted from various factors including the drilling in 1908 of some deposits in the nearby north-western region of Persia, by the Anglo-Persian Oil Company (later renamed British Petroleum). The rise of the demand for oil during the First World War and the beginning of the Great Depression (during which the number of pilgrims fell dramatically from 100,000 to less than 40,000, with obvious repercussions on the country's financial balance sheet). For this reason, in 1933, King Saʻūd Bin ʻAbd Al-Azīz Al-Saʻūd was forced to accept the excavations by the Standard Oil of California in his territory, with the hope of finding alternative sources of income.[27] Already in 1922, a New Zealand mining engineer, Frank Holmes, was convinced that even in Saudi Arabia there should be a reserve of oil, since one had just been discovered in the waters that separate it from Bahrain and studied an agreement by submitting to the king to get authorization for the excavations. Holmes was given the concession to start work in the eastern province of the nation and turned to the United States to select an oil company that could take over the management of the excavation work. The Standard Oil of California (SOCAL) was consulted and received exploration rights on approximately 930 000 square kilometres of land for the next 60 years. SOCAL decided to set up a parallel company, the California Arabian Standard Oil Company (CASOC), which was responsible for developing the clauses of the agreements relating to that region, which would yield several million dollars shortly thereafter. In 1936, SOCAL also joined with the Texas Oil Company forming CALTEX. Initially, when the CASOC geologists examined the concession area, they identified a site that presented all the typical characteristics of the areas surrounding the deposits in other Middle Eastern areas and called it Dammam No. 7, from the name of a nearby village. The research continued for months until, almost on the verge of giving up, on 3 March 1938 the drillers arrived at oil.[28] The oil company quickly established itself among the most productive in the world and in 1943, changed its name in Arabian American Oil Company (ARAMCO) also succeeding in obtaining further concessions from the Saudi rulers. The export of Saudi oil began in 1948 and as early as 1950, given the huge profits derived from the sector, the Saudi Arabian government sought to remedy those agreements without taking into account the potential of its fields, managing to purchase the 25% of the oil company in 1973 and 60% in 1974, until, in 1980, it was nationalized and took the name of Saudi ARAMCO.[16] Regarding the economic policy of Saudi Arabia in the aftermath of the discovery of oil, the Fifties and Sixties are characterized by the centralization of power in the hands of King Fayṣal who pursued a policy of state development by creating the necessary administrative and bureaucratic structures and employing state financial resources in the infrastructure sector also supported by oil revenues. The period under consideration should therefore be interpreted as a transitional period in which, given a vision of substantial change, the country still had to deal with inadequate infrastructures and the lack of qualified personnel that could initiate a real social and economic transformation.[29]

1.2.7 The first oil boom (1973-1981)

The substantial transformation discussed in the previous paragraph materialized in the early 1970s with the outbreak of the first oil boom. The first (or depending on your point of view, shock) oil boom was the consequence of the crisis triggered by the Kippur War, so-called because a coalition consisting of Egypt and Syria attacked Israel during the celebration of Yom Kippur on October 6th, 1973. During this conflict, the Arab member countries of OPEC (the Organization of Petroleum Exporting Countries, founded in Baghdad, in 1960), including Saudi Arabia, decided to support Egypt and Syria against the United States and the other pro-Israel countries. In particular, OPEC decided to act by increasing the price of the barrel by about 11.9% and imposing an embargo against enemy countries (especially the United States and the Netherlands).[30] These dynamics had repercussions for both sides of the war. First of all, Europe had to create policies aimed at saving energy, blocking the economic development it had experienced in the 1950s and 1960s. The economic and institutional consequences for the oil-importing and non-Arab countries were also devastating. At the end of the boom, due to a severe economic crisis, some of them, like Algeria, Egypt, Tunisia, Morocco, and Jordan, were forced to adopt structural adjustment programs, imposed by the World Bank and the International Monetary Fund, in exchange of the granting of loans. It was a matter of implementing some structural measures such as the privatization of businesses and others such as the reduction of public spending and the increase in taxation, which caused serious internal conflicts because they were linked to the increase in the rate of poverty and unemployment, especially the youth one and the cuts to the welfare system that had negative repercussions on the quality of health systems and education.[31] In reality, it was an economic shock even for some oil-producing countries that only at first, got rich thanks to the income of crude oil (which came to cost more than three times the prices established before the conflict). Initially, the proceeds were used to fuel highly statist economic models, to finance the military apparatus and to expand the public administration sector. Furthermore, it was necessary to increase the state expenditure for the supply of goods whose demand had increased due to the start of the process of de-industrialization and the marginalization of agriculture.[32]

Socio-economic development led to a widespread "comfort of welfare" that transformed exporting states into rentier states, favoured authoritarianism and gave rise to the so-called "Dutch disease", an economic process that led to the slowing down of industrialization. Furthermore, there was an increase in the unemployment rate and this also had an obvious gender impact because women were forced not to work leaving the few jobs available, to men.[33] This social scenario is common to all oil-exporting countries except for Iraq, Libya, and the Gulf countries, in particular of Saudi Arabia of King Fayṣal who had invested enormously in infrastructure and even managed to launch a first economy diversification process, focusing on other resources such as steel and aluminium. [16] Before 1973, the king had repeatedly stressed that he had no intention of mixing the country's oil business and international relations, but with the outbreak of the war, these promises were disregarded. The king was the first to declare that if the United States continued to support Israel, it would opt for the embargo. Furthermore, in October of the same year, during a summit held in Kuwait, OPEC had initially decided to reduce oil production by 5% for each month of conflict and Saudi Arabia aggravated the situation by proposing and obtaining a reduction by 10%.[16] This first strategy in the conflict, led Saudi Arabia to establish itself as one of the most influential powers in the Arab world, but at the same time, it was labelled by the West as the cause of the global economic blockade. In order to safeguard the economy and security of the country, the king was forced to rethink his political strategy in the context of the conflict and the embargo and to try to get closer to the United States. In this context, Saudi Arabia was forced to return to increasing the quantities of oil extracted and therefore, the prices of crude oil fell back to almost touching the figures it was sold before the outbreak of the war.

1.2.8 The end of the oil boom: the 1980s

After the 1973-74 oil shock, a period of relative price stability followed. The price of oil returned, however, to increase in 1980-81 following the Iranian revolution, the war between Iran and Iraq and the signing of the Camp David agreements. The shock was brief, but its repercussions on the international scene were very serious. The price of crude oil rose to 80 dollars a barrel, creating serious supply problems for importing countries. However, after months of economic blockade, a period often described as counter-shock began, characterized by a slow decrease in demand, a constant increase in supply and the entry of new factors into the market such as the technological revolution, which interested the research, excavation and reaching the most remote fields.[34] As already mentioned, in the mid-1980s, the Middle East was affected by a serious economic crisis caused by debts accumulated after the first oil boom. The effects of the economic crisis were not slow to arrive and were manifested above all in the consolidation of the regimes, in the spread of corruption and cronyism and the support of the population to the Islamist movements, a constant up to our days.[35]

Overall, world capitalism had to admit that it was now totally dependent on Middle Eastern oil reserves and therefore, also on the socio-political and economic dynamics affecting exporting states. Following the first oil boom, the West aimed at decreasing oil consumption and developing renewable energy capable of protecting countries in the event of a further oil shock. The first oil boom allowed Saudi Arabia to launch its first major national development project that resulted in the promotion of the oil and agriculture industry, and in the construction of infrastructures typical of one modern State. At this time, the private sector remains a marginal role, is present in the small production market and is part of the development of economic diversification from oil revenues.[36] In Saudi Arabia, these are years of transition managed by King Fahd who, as already mentioned, he was the proponent of the transition from years of growth and national development to a period of austerity due to the sharp drop in the price of oil which, in just six months (between January and July 1986), dropped from 26 to 8 dollars per barrel.[37] From the early 1980s, the king realized that it was absolutely essential for the country to start a process of modernization to cope with the financial deficit and excessive dependence on oil revenues. However, the internal situation was complex: all the intervention projects that involved companies that were too expensive (such as the construction of a refinery in Qasīm province and an airport in the eastern region) had been abandoned and the GDP growth rate had fallen from 8.5% to 1.4% from 1985 to 1990.[16] In addition, the king wanted at all costs to avoid cuts in public spending, fearing that the population would turn against the payment of goods and services that he had always received free of charge. In a desperate attempt to increase revenue, the government announced the introduction of an income tax for foreign workers, a decision that was lifted when most of the highly qualified immigrant personnel threatened to resign. Efforts were made to circumvent the problem by imposing higher taxes on residence and exit visas, but even this policy was unsuccessful.[38] The workforce in Saudi Arabia has always played an important role given the lack of local labour. According to official data, in 1980 foreigners constituted 30% of the Saudi population and 60% of the labour force.[38] During the years of austerity (1973-1990) and especially with the oil boom, the king continued to maintain some state benefits which he thought could benefit the country's growth, like scholarships of $300 a month for students enrolled at higher education levels. However, the increase in the number of skilled young people overloaded the applications to enter a state job, the only one who could guarantee fixed salaries, as opposed to the private sector, which was already underdeveloped, but which was not able to offer the same security.[39] In general, the public administration remained the main employer, attracting over 40% of the workforce, while industry, construction and oil employed about 25%, the tertiary sector about 30% and agriculture 5% .[16] With the presentation of the fourth development plan five-year period (1985-1990), the king promoted the concept of the Saudization of the Country's resources, a program aimed also at the gradual replacement of foreign workers with qualified Saudi young people. Within the framework of these reforms, policies were also envisaged for the participation of Saudi women in the country's economy, especially in the banking sector, in the tertiary sector, in education and health care. Furthermore, there were some public investments in small women's businesses such as boutiques, sports and beauty centres especially in Riyaḍ and Ǧidda.[16] There were also debates on the possibility of granting the driving permit to women to facilitate their mobility and decrease their dependence on foreign drivers for transport, a luxury that some wealthy Saudi families would have relinquished even in a period of economic crisis and increased cost of living. In this context, there was no lack of controversy among the most conservative who opposed such a modernization and fomented the intervention of the religious police.[16]

1.2.9 The economic crisis of the 1990s and the stagnation of oil prices

In general, the Nineties were characterized by ups and downs of well-being and economic crisis due to the Gulf war, from a political point of view and the 1998 Asian crisis, from a socio-economic point of view. In Saudi Arabia, oil revenues continued to be the prime source of public spending, despite government efforts to diversify the economy. The Kingdom remained, however, a rentier state. From a political point of view, the people, but also the Saudi men of power, had no interest in demanding a radical reform of the economic system, for fear that this could compromise the internal wealth of the country. Suffice it to say that, even with the fall in oil prices, there were still sufficient funds to maintain the expensive state welfare. From a social point of view, the lack of economic diversification led to a strong social inequality, the growth of the unemployment rate and the continuous increase of the foreign labour force. This socio-economic context, however, was not compatible with the objectives that the monarch had set himself: to create the conditions for Saudi Arabia to reach a competitive global economic role. The only glimmer of change came from the entrepreneurial class that, slowly, began to claim the interests of that category of workers, still too marginalized in those years compared to other Middle Eastern countries.[40]

1.2.10 The second oil boom (2003-2007)

The second oil boom that lasted from 2003 to 2007 was caused by the decline of world reserves, the increase in the consumption of crude oil in Asia and the war in Iraq in 2003. Again, the consequences were many. The oil-producing countries experienced a period of rapid economic growth, although not as during the first oil boom. Furthermore, the development of the oil sector, which is an intensive capital sector, with few jobs for qualified personnel, did not contribute to creating new job opportunities. In Saudi Arabia, they are particularly difficult years from a political and economic point of view characterized by the discontent of the population and by a series of attacks in Riyaḍ and Ğidda between 2003 and 2004. In 2005, at the death of King Fahd, the successor ‘Abd Allāh continued the slow process of economic reforms with the aim of blocking any attempted insurrection by the population.

As for the economy, its purpose was to reduce the country's dependence on oil revenues through market deregulation, the encouragement of foreign investments and privatization. In 2009, he also announced reforms for the judiciary, the armed forces and the Council of Ministers in the framework of a modernization project and also limited the power of the religious police.[41] Even Saudi Arabia has been hit by the wave of protests that can be traced back to the Arab spring due to the dissatisfaction of the population due to an overly restrictive policy and the problems of succession.[42] On 29 January 2011, hundreds of protesters gathered in Ğidda to protest peacefully and ask for the release of some Shiite activists, [43] but the police intervened and arrested about 40 people, putting an end to the protest (it is said in less than fifteen minutes).[44] Also at the end of February, more than 100 Saudi intellectuals launched an awareness campaign calling for political reforms, economic and social. In particular, the intellectuals asked for the creation of a constitutional monarchy (and therefore the adoption of a Constitution).[45] The king decided to react to the discontent by granting a series of benefits for the citizens for an amount of 36 billion dollars, of which 10.7 billion destined for the construction of new social housing. He also invested 93 billion dollars for the construction of 500,000 new homes and created 60,000 new jobs in the country's internal and external security sector.[46] Among the measures provided by these aids also financial support for unemployed young people, housing loans and a 15% increase in salaries for public employees.[43]

1.2.11 King Salmān's policy and financial risks in light of the last two-year reforms

From an economic and financial point of view, King Salmān, who took the throne in 2015, had serious difficulties managing the system implemented by his predecessors, too expensive in a time of crisis like this. The data reported in Figure 1 indicate that in the two years period 2016 and 2017, the Kingdom experienced a deep economic recession (recording a GDP of + 1.7% in 2016 and -0.7% in 2017) which forced the sovereign to accelerate the process of economic reforms. These have been successful as they have led to GDP growth already in the early months of 2018 (according to the International Monetary Fund, Saudi Arabia currently has a +2.7 GDP, but according to official Saudi sources it would reach up to + 3%).[47] In the light of the first year on the throne of King Salmān, the Saudi fiscal balance was the fruit of the combination two factors: the decline in oil revenues from 25 billion dollars in 2015 to 21 billion in 2016 (compared to 40 billion in previous years) and the maintenance of public spending (41 billion dollars in 2015 and 39 billion in 2016), of which half is used for the payment of public administration wages. This situation has caused a growing fiscal deficit which reached -17.2% in 2016.[47] On 3 August 2017, the institution Atradius published a report on the Saudi financial system that clarifies some key points of the policy of King Salmān. The statistics in Figure 2 have shown that China has surpassed the United States in the ranking of countries to which Saudi Arabia exports and from which it imports goods and services, thus becoming the first commercial partner of the Kingdom. Furthermore, in the graph of Figure 2, we note that, after a slight growth in GDP between 2014 and 2015 (from 3.7% to 4.1%), the country has experienced a negative trend in 2016 and 2017 (the year in which it reached the all-time low of -0.5%), but by 2018 the situation has already improved a lot. As for the forecasts regarding production, in August 2017 it seems that the country is on a good road in the context of the development of agriculture and the oil sector, but the technology, consumer durables, and construction sectors are still light years away from the international vanguard. The results are discreet in other production sectors such as transport, pharmaceuticals, financial services, the food industry, engineering, textiles, steel, and metals.[48] Hence the need to diversify the national economy, in view of a near-future without oil imagined by the Public Investment Fund-PIF, whose performance is monitored by the Council for Economic Development, chaired by the same crown prince.

1.3 KUWAIT: The power of a small fortress

Kuwait is a sovereign emirate, located in southwestern Asia, in an area particularly rich in oil. The state faces the Persian Gulf and borders Saudi Arabia to the south and Iraq to the north. The name is the diminutive of an Arabic word meaning small fortress (along the coast). The ancient name of the region was Qurayn.

1.3.1 Secularization process

Located in the junction between the Arabian Peninsula and the Asian continent, the country has in the past played an economically strategic role linked to the traffic system between East and West, as an intermediate step in the connections between Great Britain and the Indies. A melting pot of ethnic groups (Palestinian, Egyptian, Iraqi, Lebanese even before Arab and Kuwait), after the discovery of the oil fields around the thirties of the twentieth century, Kuwait discovered that it possessed about one-tenth of the planet's crude oil reserves and has experienced an extraordinary economic growth that has invested and modified the pre-existing social and political social structures in the country. Among the top five world oil producers, Kuwait has thus transformed itself exceptionally fast, from a semi-desert area inhabited by nomadic shepherds, into a land of incessant demographic attraction, becoming one of the most economically and socially advanced states in the world. This exceptional growth has also been accompanied by a powerful process of secularization: the proceeds of oil have been reinvested, in fact, in the transformation of urban areas and the implementation of an advanced welfare system, at least for the indigenous population. However, the extension of citizenship rights to foreigners and their integration did not take place in step with the progressive consolidation of the rights and freedoms of the Kuwaitis. This disparity, augmented by the fact that the acquisition of full political citizenship by women has only been achieved in recent years and combined with the persistence of a still very close link with the Arab custom and tradition, shows how far the democratization process is still far from ended up.[49]

1.3.2 Course of events from the 16th century

The history of Kuwait is essentially linked to that of the Mesopotamian civilization, the Ottoman Empire and the colonial powers. In 1612 Barrak bin Ghurayf, a shaykh of the Banu Khaled tribe built a small fort (Kut, hence the name of the town's diminutive) against the Ottomans.[50] Only in 1716 did the Kuwait denomination arise and subsequently become a sheik from 1756 with the head of the Anaiza family, Abdul Rahim al-Sabah, founder of the ruling dynasty. In 1871 Midhat Pascià, governor of Baghdad, forced Sheikh Abdallah Al Sabah to ally with him and to recognize Turkish sovereignty over that territory. Having reoccupied the area at the beginning of the nineteenth century, in 1897 the Ottoman Empire recognized Kuwait and its shaykh as the autonomous status of cazà, but on November 23, 1899, the region became a British protectorate under the secret agreement signed by the then Sheikh Mubarak Al Sabah.

1.3.3 British supremacy and the advent of the oil age

The Anglo-Ottoman Convention of 1913 diplomatically recognized Shaykh Mubarak Al Sabah as subject to Ottoman sovereignty, but also the British protectorate. However, this agreement was never ratified due to the outbreak of the First World War, in which Kuwait sided with the United Kingdom against the Ottoman Empire. The Great War disintegrated the Ottoman Empire and the British invalidated the 1913 Convention declared Kuwait an "independent sheikdom under British protectorate". The 1922 Uqayr Treaty established the border with Saudi Arabia and established the neutral Kuwaiti-Saudi area, an area of approximately 5,180 km² south of Kuwait. This treaty establishes the real birth of Kuwait, not justified by historical or geographical particularities, but functional to British interests in the territory. In this way Britain prevented Iraqi access to the sea by making its coastal territory independent.[51] On March 10, 1939, a popular uprising broke out to call for the reunification of Kuwait with Iraq.[52] Starting in the 1930s, the oil age began for Kuwait. The first oil concession was granted in 1934 to the Kuwait Oil Company, a 50/50 joint venture between the Anglo-Iranian Oil Company and Gulf Oil. The actual discovery of black gold dates back to 1938, but production was delayed by the Second World War and began only in 1946. The confirmation of large oil fields transformed Kuwait into one of the richest states of the Peninsula and one of the largest world oil exporters (the largest in the Persian Gulf as early as 1952). In that year, due to the nationalization of the Iranian oil industry by Mohammad Mossadeq and the subsequent Abadan crisis, Kuwaiti production replaced the Persian one.

1.3.4 Independence: nationalization of the Kuwait Oil Company (Q8)

In the 1950s, a strong Arab nationalism developed around the Near East, linked to the charisma of Egyptian leader Nasser and the Suez crisis, and Kuwait was no exception. The Emir ʿAbd Allāh Āl Ṣabāḥ then started a negotiation with the British, achieving independence from the United Kingdom on June 19, 1961. In 1960, when he was not yet fully independent, the Emirate joined OPEC. Kuwait, therefore, agreed with Saudi Arabia on the equal exploitation of oil reserves in the neutral zone. In October 1963, after resisting, Iraq also formally recognized Kuwait's independence and its borders. Due to the strong Palestinian minority living in the country, Kuwait suffered from the consequences of the Arab-Israeli wars, the establishment in 1968 of the PLO and the tensions between Palestinians and other Arab countries (such as the black September of Jordan in 1970 and the civil war Lebanese began in 1975). Investments in the oil industry and the consequent economic growth attracted numerous foreign workers (especially from Egypt and India) to the new state, of which only a few succeeded in obtaining citizenship, despite being more numerous than the local population.

In the seventies Kuwait nationalized the Kuwait Oil Company (Q8), ending the partnership with British Petroleum and Gulf Oil. [53]

1.3.5 1991, Gulf War

After being allied with Iraq during the Iran-Iraq war, granting loans for 65 billion dollars, and after a brief economic conflict, Kuwait was invaded and annexed by Iraq on 2 August 1990 with the motivation of the restoration of ancient borders and more recent oil thefts. The monarchy was deposed and an Iraqi governor (Ali Hassan al-

Majid) was installed. The international community, however, considering this a violation of international law did not recognize the annexation; Kuwait formed an exiled government based in Ta'if, Saudi Arabia. The United Nations Security Council authorized a coalition of 34 countries, led by the United States, to intervene militarily. On 21 January 1991, during the first Gulf War, there was a very serious oil spill in the Persian Gulf: soon it will be discovered that the Iraqi army deliberately opened the valves of the oil pipelines in Kuwait, in order to prevent or at least to hinder the landing of American soldiers. The oil spill hits the coasts of Kuwait, Saudi Arabia, and Iran, causing heavy damage to the ecosystems of those regions. According to the estimates of analysts and researchers, the amount of oil dispersed in the environment on this occasion would be between 1.360.000 and 1.500.000 tons. The release of crude oil is also accompanied by a second ecological disaster: the burning of 732 oil wells, again by the Iraqi army, to ensure that the smoke made the operations of the military forces of the Coalition more difficult. [53] On February 27, 1991, the Gulf War ended with the liberation of Kuwait and the resettlement of the Emir Jābir Āl Ṣabāḥ.[54]

The liberation revealed the serious economic budget (70-100 billion dollars for reconstruction) and human (approx. 7000 deaths and 17,000 tortured) of the occupation, at the same time opening a period of severe retaliation against the Palestinian immigrants who had remained until then in the Country and accused of collaboration. In this situation the government, returned together with the emir from exile (March 15, 1991), applied martial law (revoked only on June 26), being then suspected of having repeatedly violated human rights, and also left soon to drop the hopes of democratization of internal political life raised during the period of exile.

The popular aspiration to such democratization was however confirmed by the massive participation in the parliamentary elections of October 1992, won by a large extent by the opposition, which obtained six ministries in the new government, following which the National Assembly was also reconstituted. The head of the government, Saad al-Abdullah al-Sabah, son of the sheik, necessarily had to take note of this situation, which operated a reshuffle of the executive inserting opposition personalities. But the life of Kuwait remained however conditioned by the permanent threat represented by the regime of Saddam Husayn who, in an attempt to test the American reactivity, ordered some provocations near the Kuwaiti border. This led to an increasingly close dependence of the small Arab state on North American military aid, provoking the reactions of the most integralist components of Kuwaiti society, worried about an excessive westernization and modification of religious customs. Fearful that even in Kuwait the fundamentalist phenomenon that developed in much of the Islamic world in the 1990s could be affirmed, the prime minister operated a new governmental reshuffle excluding just two ministers linked to the most strictly religious components (April 1994). After yet another “provocation” by Saddam Husayn, which led to a general mobilization to defend the borders (October 1994), the tension between Kuwait and the still powerful neighbour loosened with Iraq's formal recognition of the sovereignty of the small neighbouring state (November 1994).

1.3.6 The Second Gulf War

On March 20, 2003, the United States and Britain began bombing Saddam Hussein's Iraq, accused of possessing the infamous Weapons of Mass Destruction (often referred to as unconventional weapons, such as atomic testing and bacteriological weapons, capable of to kill a large number of living beings) and to finance international Islamic terrorism. Since the First Gulf War, the United States has declared Iraq a “rogue state”, whose political regime was a threat to America and world peace. And already a year before the invasion preparations had begun to unseat the Rais. On 11 October 2002, in fact, Congress voted to authorize military intervention to "defend US security against the continuing threat posed by Iraq; and to implement all UN Security Council resolutions in this regard ". In the following months, in fact, the United States began to increase its military presence in Kuwait. Between 2002 and 2003, the greater commitment of the Bush administration and the British prime minister, Tony Blair, was to convince the international community that Saddam was a serious danger to world peace. The standoff with the UN Security Council lasted for more than a year, from which America decided to disengage. The last attempt to convince the United Nations was made by Secretary of State, Colin Powell. On February 5, Powell brought detailed documentation to the Security Council to prove the guilt of Saddam's regime:
“We know that Saddam Hussein is determined to keep his weapons of mass destruction and that he is determined to produce more. [...] Leaving Saddam Hussein

with weapons of mass destruction for another few months or years is not an option, not in a post-September 11 world”. [55] Without the approval of the UN (in particular with the contrary votes of France, Germany, China) the American and British government (supported only by Spain and Bulgaria) decided to invade the country anyway, a decision considered by many to be questionable in the context of international law. On February 15, 2003, in 800 cities around the world, there was the most impressive anti-war demonstration ever organized, in which over 10 million people took part. Although the authoritative New York Times had called the public the only “superpower” in the world capable of opposing Washington, on March 22 the bombing of Iraq began. In a radio speech Bush, announced the start of military operations: “our mission is clear, to disarm Iraq of weapons of mass destruction, to end Saddam Hussein's support for terrorism, and to free the Iraqi people”.[56] The capture of Baghdad was rather rapid. The Coalition, composed of 49 countries including Spain of the then Prime Minister Aznar, Poland, Japan, Portugal, and Italy, assisted by a group of Kurdish soldiers, managed to knock out the regime in no time. In just over two weeks, the 260,000 men sent by Washington entered Baghdad, forcing the Rais and his men to flee. The Iraqi militias (400,000 men of which 60,000 special bodies and 650,000 reservists) were poorly armed (due to the embargo) and even less motivated. On 9 April the Americans entered Baghdad; the next day, at the same time as the famous demolition of the statue of Saddam, the Kurds entered Kirk, and on April 15, Tikrit, Saddam's birthplace, also fell. The mission seemed complete. During a speech aboard the aircraft carrier Abraham Lincoln - who had participated in operations in Iraq and was returning to US bases - on May 1, 2003, President Bush had a banner behind him that read Mission Accomplished (“Mission Accomplished”). But the optimism of the early days was immediately replaced by a necessary realism that showed a violent country, at the mercy of all forms of violence (from the looting of museums to attacks on coalition troops).[53]

1.3.7 State, institutions and generalities of the country

Already a British protectorate, Kuwait has been independent since 1961 and is a hereditary monarchy. According to the Constitution promulgated on November 16,

1962, the head of the state is the emir, who also has the executive power which he exercises through the prime minister and the other ministers appointed by him. The legislative power lies with the emir and the unicameral National Assembly, made up of 50 members elected by universal suffrage and with a four-year mandate, to which are added the ministers in charge. Political parties are formally prohibited by law. The 2006 elections saw women's participation in the vote for the first time, thanks to a law passed in 2005 by a parliament composed of only men. The judicial system in place in the country adds to its interior elements Koranic, Egyptian and European. The courts provide for a division of powers between criminal and civil trials, with separate courts of appeal and a Court of Cassation. The death penalty is in force in the country.
The defence of the State is guaranteed by three armed bodies: army, navy, aviation; there is also a national guard. The draft service is mandatory. There is also the possibility of a voluntary stop. As far as the school system is concerned, since the beginning of the twentieth century, the country has provided a strong impetus to the spread of literacy and education, a process that intensified after achieving independence. Thanks to these efforts, the rate of illiteracy in Kuwait is relatively low compared to the countries in the area (5.5% in 2007). The school is compulsory and free from 6 to 14 years. The system includes 2 years of pre-schooling (from 4 to 6 years of age), a cycle of primary courses lasting 4 years (from 6 to 10 years) and a cycle of secondary courses lasting 8, divided into middle studies (from 10 to 14 years) and secondary studies (from 14 to 18 years). Higher education is taught at the University of Kuwait (inaugurated in 1966) which constitutes an important centre of education and research for all Arab countries and other study centres: the KISR (Kuwait Institute for Scientific Research) and the Arab Open University. The language of instruction is Arabic, but English is spoken and studied as a mandatory second language.

1.3.8 Focal points of the Kuwait economy

The country enjoys a high per capita income (67388 dollars per inhabitant - forecast for 2017 EIU 7/2017), while the gross domestic product at current prices (according to the EIU forecasts of July 2017) should reach 119.646 billion in 2017 of dollars, given that it places the size of the Kuwaiti economy close to those of much more populous countries. On the growth front, after the stagnation recorded in 2014 (0.5%), the subsequent recovery in 2015 (+ 1.8%) and 2016 (+ 3%), a new phase of decline is expected for the current 2017 (-1.2%), followed by a new phase of growth, + 1.4% in 2018 due to the expected reassessment of oil prices.[57] This thriving situation, affected for the first time by the crisis and the closure of the informal financial market (1982 and 1984) and more generally by the repercussions of the Iran-Iraq war (1980-1988), was radically subverted between August 1990 and the March 1991 following the Iraqi invasion: in this period to the theft from the central bank of almost 3 billion dollars and to the non-realization of the oil revenues hindered by the international embargo, the damages of the fire of ca. half of the wells (mostly extinguished in November 1991 with the combustion of about 5% of the hydrocarbon reserves), the destruction of industrial plants (almost a fifth of the refining capacity) and those properly war-originated above all by the operation of reconquest of the national territory, for a total reconstruction charge estimated between 70 and 100 billion dollars (a figure more than double compared to the gross domestic product of 1989). The costs of material reconstruction and the reimbursement of military expenses incurred by the Allied troops have been addressed by drawing on reserve funds and liquidating part of the financial investments abroad that Kuwait had started with the proceeds of production at the end of the 1980sof oil (about two-thirds of the capital). In a few years the country, despite the structural reorganization and the productive recession registered until 1993 (and again in 1995), has been able to restore the oil industry, start a policy to promote the private sector and plan the privatization of some state-owned companies. The economy is based on the oil industry: the deposits were discovered in the early 1930s. Kuwait owns 10% of the world's oil reserves, estimated at 101 billion barrels, and ranks fifth in the world after Saudi Arabia, Canada, Iran, and Iraq. It has a production capacity of crude oil that fluctuates between 2.25 and 2.7 million barrels per day. The emirate's economy is based on about 95% on the proceeds of the production and sale of crude oil and its derivatives, which represent almost all of its exports. Also from the oil industry comes 80% of public revenues. The financial system is also particularly efficient: the banks, although subject to strict state control, are numerous and open to foreign capital. The state budget is in surplus; exports, mainly of oil, far outweigh the imports of food, textiles and other manufactured goods. The financial sector is the second economic sector derived from the investments of oil revenues that in the nineties fluctuated between 100 and 200 billion dollars, mainly through the Kuwait Investment Office (KIO), which has in its portfolio significant equity packages and cross-shareholdings in world-class companies including Fiat, Mercedes, BP, Hoechst, etc.[58] This wealth of resources combined with the relative scarcity of the population makes it the fourth richest country in the world.

1.3.9 Anachronistic aspects and contradictions within the cult of Kuwait

Although many years have passed since the start of the modernization process of the country, following the discovery and exploitation of oil resources, in Kuwait daily life still highlights a series of a lot of obvious contradictions. Alongside the typically traditional and conservative aspects, which in many cases reveal unfavourable conditions, especially for women, typical western and modern situations, are encountered, linked to well-being and international openness: from the entry into the world of work proper to the female component to the diffusion of some deteriorating behaviour typical of industrialized societies, such as delinquency or drug trafficking, facilitated by the greater circulation of money. The past, however, does not only translate into negative or anachronistic aspects. In fact, in many areas it is revived and it is the State's objective to try to preserve it in all its expressions, whether it be a manifestation of art, culture or human heritage. The government's commitment to safeguarding this wealth is expressed in a series of institutions located mostly in the capital. In Al-Kuwayt the places where it is still possible to fully experience the historical-cultural dimension are the National Museum of Kuwait, which after having been badly damaged by the war against Iraq, has partly resumed activities and exhibitions, re-arranging some of the collections saved; the Tareq Rajab Museum, a private ethnographic collection of considerable value and importance, which survived the destruction of Iraq and was rich in precious examples of Islamic art; the Beit Al-Sadu, where traditional weaving techniques and other forms of handicraft of Bedouin origin are handed down. An example and symbol of Islam is obviously the Grand Mosque, a recent construction but of great impact, with an extension of 20,000 m², surrounded by gardens and fountains. Characteristic, and useful for exploring another of the typical local traditions such as the construction of boats, is the Al-Hashemi Maritime Museum. The important role is also played by the cultural association Dar al-Athar al-Islamiyyah, which houses a museum with thousands of objects of art and is the promoter of numerous initiatives for the conservation and dissemination of Islamic culture at 360 degrees, with seminars, exhibitions, theatrical and musical performances, travels. Also from the architectural point of view, the dual soul of the country is evident: mosques, traditional houses, souks, typical open-air markets are joined by modern futuristic buildings, the result of technology and stellar budgets, such as Kuwait Towers.[53]

1.3.10 Succession in the Gulf, Kuwait: reforms and neutrality, the challenges of the next emir

The admission to the United States of the 90-year-old Emir of Kuwait Sabah al-Ahmed al-Sabah on September 8th - where he was to meet US President Donald Trump - rekindled the spotlight on the complex question of succession to power in a country whose importance for regional balances it is often underestimated. The designated successor is the 82-year-old crown prince Nawaf al-Ahmad al-Jaber al-Sabah, but the quotations of the 70-year-old son of the Emir, Nasser bin Sabah al-Ahmed al-Sabah, are on the rise. Even Kuwait - like Saudi Arabia - therefore seems to be preparing for succession in vertical (from father to son) rather than horizontal (from brother to brother) line. Nasser boasts credentials in the economic field rather than political, despite having been elevated in December 2017 to the rank of deputy prime minister and defence minister. But above all, he sits at the head of the Supreme Council for Planning and Development (SPPD), which is assigned the task of overseeing the implementation of the "New Kuwait" reform plan (Kuwait National Development Plan 2035), the Kuwaiti "vision" which should lead to a diversification of the economy and a growing emancipation from the oil & gas sector.[59][60]

However, in these early years, the reform plan has encountered numerous difficulties, mainly due to the strong parliamentary opposition that reflects a greater resistance in the sectors of society that most feel threatened by the opening of the economy.

The country's very special role is indeed the very active role of parliament, which more than in other countries in the region represents an effective counterweight to the power of the royal family. The profound systemic change that these transformations would put in place is such as to entail - as in the other countries of the region that are pursuing similar plans for reform - a redefinition of the same social pact on which public life is based. Despite being the country with the most dynamic civil society and the most open political life, Kuwait does not, in fact, escape the typical dynamics of rentier countries:

a composition of the predominantly foreign workforce, and a mechanism of redistribution of oil revenues among the Kuwaitis that it generates position revenues that turn into political support. But it is the country's demography that makes reforms even more urgent: a quarter of the population is under 17 and, according to estimates by the SPPD, Kuwait will have to create between 400,000 and 600,000 jobs over the next 15 years. According to the International Monetary Fund, the private sector will have to absorb the 90,000 Kuwaitis (1/5 of the current total workforce) who will enter the labour market in the next 5 years. The goal of New Kuwait 2035 is the reduction of the role of the state in the economy, with a greater involvement of the private sector and foreign investors, and the reduction of the contribution of the oil & gas to the economic growth of the country (the goal is to move from the 90% current to less than one-third of GDP by 2035). At the centre of the plan are infrastructure development projects including the Northern Gulf Gateway (NGG) megaproject, at the centre of which is the development of Silk City (Madinat al-Hareer, the city of silk), in the Subiya district, in the north of the country. The project started in 2014 and due to be completed by 2035, involves the construction of a real urban area of 250 square kilometers including a nature reserve, a free trade area, a new airport, conference and tourist facilities, as well as that the development of the port Mubarak al-Kabeer, on the island Bubiyan. The reference to silk is not accidental: official languages in the city will be Arabic, English, and Chinese. In May 2019 the Sheikh Jaber al-Ahmad al-Sabah bridge was inaugurated, connecting the urban area of Silk City to the capital Kuwait City. It is one of the longest bridges in the world, with a total length of about 50 km. However, the realization of these projects requires the preparation of a new legislative framework, which must be approved by the parliament: the free trade area will have to enjoy an autonomous legal-administrative status to favour foreign investments, while the will to attract tourists from all over the world could lead to the relaxation of certain rules that regulate social life, such as the prohibition of alcohol consumption. The successor to the Emir al-Sabah will, therefore, have the difficult task of presiding over the political process that will lead to the effective implementation of the economic reform plan.

Already in 2014, the government had clashed with parliament when, due to the lowering of the oil price, it had introduced austerity measures in order to create tax revenues and reduce public spending, especially the unproductive one widely present in the form of benefits and subsidies. The subsequent price recovery, which gave relief to the state coffers, combined with the fact that Kuwait has the lowest break-even price of the entire Gulf Cooperation Council ($ 48 per barrel), made it less urgent, at least in appearance, the question of reforms. The parliament has therefore systematically rejected or calmed the reform measures envisaged, such as the cutting of subsidies on the purchase of petrol or the introduction of the tax on the added value of goods. But the challenges that await the successor of the Emir al-Sabah are not only linked to the economic development of the country. He will indeed find himself playing equally complex challenges at the regional level. Small Kuwait, belonging to the Gulf Cooperation Council (GCC), is, in fact, one of the most important actors for mediation and dispute resolution in one of the most conflicting regions in the world. In his long life as an emir (from 2006 to present), but even before that as Foreign Minister (1963-2003), al-Sabah acted to position Kuwait as a facilitator in numerous regional crises, reporting successes and failures but always preserving a certain equidistance from the bulky regional neighbor. If the country's mediation tradition dates back decades, the legacy and memory of the Iraqi invasion of 1990 still represent one of the main incentives to seek neutrality and above all regional stability.

The most recent attempts in this sense are represented by the diplomatic efforts put in place to mend the breach opened within the GCC after the isolation of Qatar by the “quartet” (Saudi Arabia, United Arab Emirates, Bahrain, Egypt), and to prevent the confrontation between Iran and the United States (which this summer is played also and above all in the waters of the Persian Gulf) resulting in a wider regional conflict. The awareness of one's vulnerability in the face of crises such as those in Iraq or Syria then motivates certain attention to the link between prosperity, social development, and stability. Hence the economic commitment of the country in numerous war or post-war contexts: among the most recent examples is the organization since 2013 of a series of conferences and appointments for the coordination of humanitarian assistance in Syria, but also of the conference on Iraqi reconstruction organized in February 2018 as the first act of its establishment as a non-permanent member of the UN Security Council for the two-years 2018-2020. Kuwait's resistance to joining the Saudi-Emirate front in the Qatari bloc has not endangered the relationship with Riyadh, which remains an essential partner. With Saudi Arabia, however, there are several outstanding and notable issues: first of all, in addition to unblocking the deadlock on Qatar, the reopening of the shared neutral zone that hosts onshore oil fields (Wafra field) and offshore (Khafji). The two fields were closed between 2014 and 2015, removing about 500,000 barrels per day from the global oil market. The discussions on their reopening recommenced in 2018, considering the entry into force of US sanctions on Iranian crude (November 2018) it was necessary to find ways to increase production and avoid market shocks. Whoever is the successor of the emir al-Sabah, will have to demonstrate that he can lead the country through troubled waters, safeguarding certain independence but not alienating allies and regional neighbours. Faced with the growing polarization and deterioration of security in the region, the ability of the future leadership of Kuwait to preserve its role as mediator appears to be a key variable for the expectation of the country and the region.[61]

1.4 The Islamic economic-financial model

Concerning the globalized context in which current financial operators are required to juggle, therefore, it becomes reasonable to analyse their growing need to create financial products capable of agreeing with the second religion in the world by diffusion of the number of faithful: the Islam. This necessity arises from the huge importance that it assumes not only in the religious field, but also in the economic-juridical one. The need of the faithful to honour the principles dictated by sacred texts, and in specific the Divine Law (in Arabic, شريعة *sharīʿa*), is becoming a topic of significant importance for all categories of financial intermediaries operating in the western field. This mainly derives from the need to be able to offer a mix of financial products capable of fully respecting the dogmas at the basis of religion firmly connected also to their peculiar economic and legal sphere, also to this particular target of customers. Another circumstance that has greatly promoted the spread of Islamic finance in the western field is certainly the approval of the Patriot Act, a federal law promoted by President George W. Bush and approved in the United States of America on the emotional wave of 11 September. The actin question, judged by many to be defamatory and discriminatory against American citizens of the Muslim religion, as well as limiting individual freedoms, specifically provided for strict controls on the current accounts and investments of Muslim savers, considered potential funders of fundamentalism and Islamic terrorism. For this reason, many Muslim investors decided to transfer a large part of their capital elsewhere, subscribing financial instruments offered by Islamic banks operating in the east, which suddenly became an ideal landing place for their huge capitals. The immediate consequence produced by the enactment of the Patriot Act, therefore, was the drastic depletion of capital at the base of the American financial market, forced to renounce it very quickly. This loss was, therefore, decisive in pushing the US investment banks to pay more attention to the savings of the average American investor, while at the same time allowing an ever-increasing number of low-profile borrowers to turn on what in technical language is called mortgages subprime. The massive underwriting of this type of medium-long term financing instruments proved, however, lethal for the banking sector: the insolvency of many borrowers, in part due to the disproportionate increase in interest rates broke out in 2008 the sadly known bubble of the American real estate market bringing on the pavement, among many, the famous financial giant Lehman Brothers. The crisis, however, was not confined to the United States, as the collapse of the Wall Street Stock Exchange immediately created a domino effect on financial markets around the western world. In the Middle East, however, things went differently, as the storm of subprime mortgages left Islamic banks almost unscathed, bearing structures of a completely peculiar financial system, guided by Koranic principles. "Islamic finance" finds its main distinctive feature, but above all unusual, in the ban on *ribā*, or the payment of interest on any form of financing.

1.4.1 The origins of Islamic finance: *Sharīʿa*

Like any social system, the Islamic model also originates from sources of different nature and evolution. Starting from the *Qurʾān* (the Koran), the main source of the Islamic system, it is reasonable to go as far as analysing the strong link it creates between the theological-moral and economic-political dimensions. As the sacred text of Islam, the Koran represents the message destined for every man on earth and revealed, through the Archangel Gabriel, by God (in Arabic *Allāh*) to the Prophet Muhammad in the period from 610 to 632 AD, the year the death of Muhammad himself (Mela, 2005). After all, Islam is not only a religion but, according to the formula of the three 'D':

Dîn, Duniya wa Dawla, (Religion, World, State), it is, in parallel, a moral precept, lifestyle, cultural rule, and law. From this, it is therefore unanimous to affirm that even economic behaviour cannot be separated from the religious dictates that govern it. The Islamic economic-financial model - better known today with the phrase "Islamic finance" - has its peculiarity in its foundation: *sharīʿa*, or the Divine Law, which has as its main sources the Koran and the [2]Sunna (*Islāhī*, 1989).

The founding principles and practices on which Islamic finance is based, therefore, date back to the first part of the seventh century, although they only gained relevance globally in a relatively recent period. Until the beginning of the 1970s, the Islamic economic system was based exclusively on hawala (also called hundi), which is a completely informal banking [3]system. The hawala consists of a transfer of money between countries with different currencies, without an actual physical movement of liquidity since the transactions are based exclusively on honour and trust between the parties who take part in it.

More specifically, the hawala provides for the participation of four subjects:

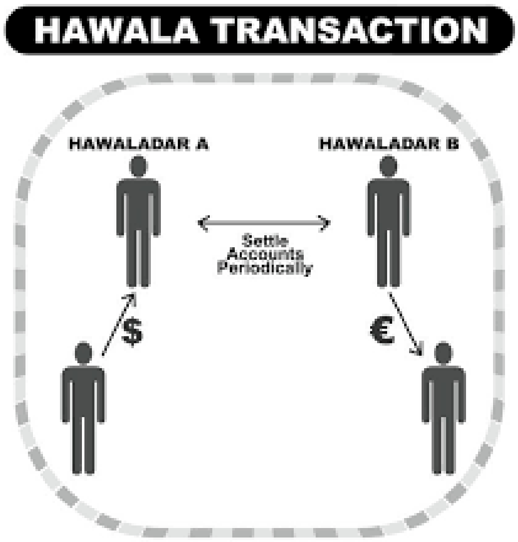
- the originator, or the one who wants to transfer the funds;

[2] The Sunna is Tradition, understood as a set of acts and sayings of the Prophet, and of his followers, which have been transmitted, orally and in writing, in the various *aḥadīth* (short stories or anecdotes).

[3] On 20 October 1975, the Islamic Development Bank (IDB) was founded in Jeddah (Saudi Arabia), by the member countries of the Organization of Islamic Cooperation (OIC), with the aim of "promoting the economic development and social progress of member countries and Muslim communities, both individually and jointly, by *sharīʿa* principles".

- the beneficiary, or the one who will ultimately receive the funds;
- two operators (the hawaladar), who take a commission for each transaction completed.

Figure 1. Scheme of operation of the hawala



Source: www.runtogold.com

The concept of Islamic Banking, represented, was born primarily as the best solution - if it revolutionizes the context of realization - the need to put itself on par with the agreement of the western credit system, in an increasingly globalized context in which the absence of a suitably developed banking sector it was no longer tolerable, but still trying to combine professional banking business with respect for *sharīʿa*.
In any case, it is necessary to specify that the main assumption on which the Islamic economic system is based, "by the *sharīʿa*", is that money is in no way an instrument of income.

1.4.2 Prohibitions and duties in Islamic business

The Quran and the Sunna, as already widely explained, represent the texts at the basis of the more precise *Ash-sharīʿa al-Islamiyya*, or the interpretation of religious knowledge carried out by doctors of the law, called *Ulema*.

It is important to note that, as *Sharīʿa* cannot be considered as a real collection of codified norms, this term is often translated and interpreted also as a synonym of *Ahkam* (or the law), divided by the *Ulema* into two main units:

- the *Sharīʿa 'Ibada*t, concerning the norms on religious devotion;
- the *Sharīʿa Mu'amalat*, inherent to economic, legal and social activities.

With specific reference to the latter, therefore, we will proceed with the emphasis on two of the five categories of human actions that it includes - the *haram* or the prohibited acts, and the *halāl*, or the lawful acts - to conclude with the analysis of one of the pillars of the Muslim religion with particular economic relevance:

the *zakāt*, or the annual tax imposed on each Muslim to help the poor.

1.4.3 Al *ribā*: prohibition of interest

The Arabic term *ribā* means "excess", "increase", "excess" but, if analysed within the Islamic economic context, it is more commonly translated as "usury", as it represents any *surplus* of money that a debtor is kept to pay to their creditor, together with the amount lent, as compensation for the payment of the loan.

Although this last definition is more consistent with the well-known notion of interest, it seems appropriate to specify that, since *ribā* is expressly prohibited by the Koran, in the traditional lexicon and the context of economic doctrine, it was considered more correct to associate it with a practice always having interest, but illegal from a legal point of view.

Ribā has been classified by Islamic jurists into two main types:

- *ribā al-fadl*, or interests on goods made in kind;
- *ribā al-nasi'ah*, or interest on an economic loan.

The first classification, therefore, represents the interest received on any *commodity-for-commodity* transaction such as a grain of rice loan. In this regard, it should be noted that Sunna states that loans made in natural assets must be repaid with the

same assets and to the same extent. The second subdivision, on the other hand, refers to the interest applied to an economic loan and agreed upon when it was granted. The interest, therefore, will aim to repay the creditor for the time in which he deprived himself of his money, thus representing a practice prohibited by Islamic law.
The prohibition on the perception of interest, therefore, implies that the money can only be legally lent in two cases:

- for charitable purposes and without any expectation of additional return;
- To carry out legal affairs, that is investments based on the profit and loss sharing principle.

The increase in capital, therefore, is compliant with *Sharīʿa* only if inserted in a real productive context, or only if real growth generates profit and not the mere expectation of remuneration without cause, capable of flowing into the wider sphere of speculation monetary. Another aspect not to be underestimated is the necessary compliance of the debtor relationships with the profit and loss sharing (PLS) principle, in the absence of which the contractual illegality would be incurred. In fact, according to *Sharīʿa*, only taking a risk can justify a predetermined form of positive economic return, and not merely waiting for the conclusion of the loan. Brief clarification, in this regard, must be made regarding the risk of default and the risk of default of the debtor, not considered as such as Islamic economists and jurists claim that the guarantees accompanying the loans better protect the creditor, while the debtor remains the weakest counterparty in the transaction. In any case, the taboo that leads to connoting Islamic finance as a type of financial system that does not recognize the value of money over time for the sole reason not to legitimize the interest rate must be eliminated. In fact, in the Islamic tradition, the accumulation of wealth finds legitimacy before God only if it derives from man's active activity since only work legitimizes profit and the growth of capital.

1.4.4 *Al gharār*: prohibition of information asymmetry

The Arabic word *gharār* is translatable as "uncertainty", "ambiguity". However, in its broadest sense, this term is traced back to the concept of "incomplete information" or, better to say - in a purely economic sense - of information asymmetry.

Unlike *ribā*, *gharār* is not defined precisely by the Qur'an or the Sunna, as it is considered of lesser importance.

Given the absence of a clear definition, *gharār* has been widely studied over the years, leading to the conclusion that *gharār* occurs when there is:

- firstly, uncertainty;
- secondly, deception.

About the first connotative trait, it can be thought that in *Sharīʿa* there is the principle according to which we must avoid any incompleteness of information related to the transaction that is intended to be carried out, whether it concerns the object of exchange[3], or that concerns its price, the place of the exchange, or other information relating to the contract itself. In this regard, it is explanatory to identify the so-called contingent claims[4], as an example of expressly prohibited *gharār* contracts.

Regarding the second distinctive feature of the prohibition of *gharār*, on the other hand, it can be emphasized that the Koran prohibits all commercial operations that represent a cause of injustice, in whatever form it occurs, whereby injustice is meant excessive risk or danger of deception, fraud or undue advantage.

Therefore, it is possible to conclude that, as a rule, contracts based on future events in which the object does not yet exist at the time of their stipulation, are not allowed, unless there is a guarantee of their existence on the established date for the delivery.

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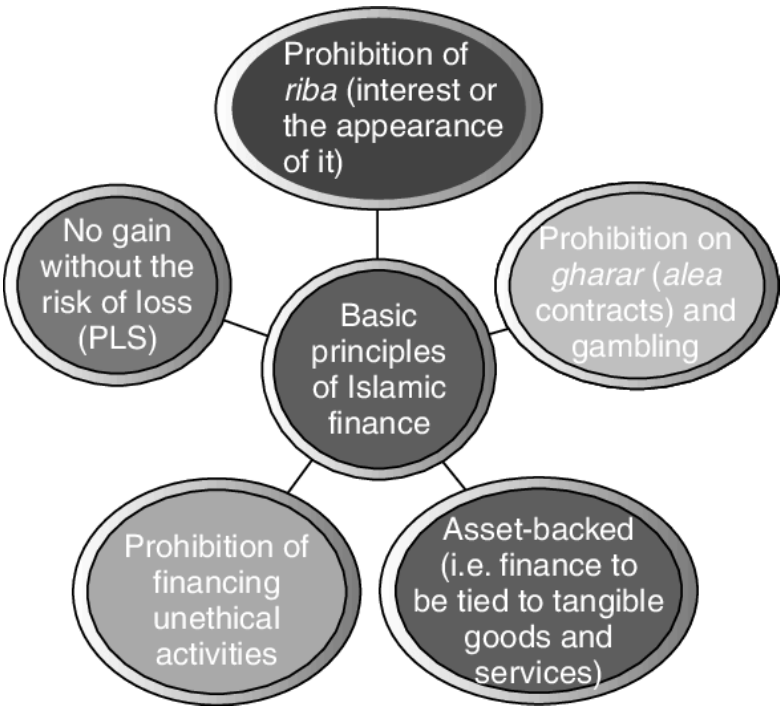
[3] Ibn Abidin defines *gharār* as "uncertainty about the existence of sales material" See (Al-Saati, 2003).

[4] The contingent claim represents a specific contractual formula in conditions of uncertainty, with which you insure yourself against a negative event or bet in favour of a positive event [A. NICITA, Contingent claim, in the Dictionary of Economics and Finance, Treccani, Rome, 2012].

1.4.5 *Al maysir*: the ban on gambling and speculation

The term *maysir* refers to speculation, betting, and gambling. Economic activity by Islamic principles, therefore, must not contain any of these elements and, in general, no assumption that involves an economic growth deriving exclusively from luck or based on abstract conjecture. This third prohibition, therefore - as it is easy to deduce - assumes significant importance especially since it is in sharp contrast with conventional finance insurance contracts, based entirely on the probability that a future event may occur or not.

Figure 2. Basic principles of Islamic finance



Source: Ahmed Belouafi, King Abdulaziz University ・Islamic Economics Institute

To conclude, the financial instruments traded on the stock exchange remain admissible only if they maintain any link with real economic activity. (Iqbal & Mirakhor, 2007).

1.4.6 Other prohibited residual elements

However, it must be borne in mind that they are not the only ones and, in this regard, *darār* and *dhulm* can also be mentioned as more relevant. By *darār* we mean any source of damage or loss that could be caused by the activity that is being undertaken. More specifically, they constitute *darār* all those factors that negatively influence the rights of third parties connected with a contract. For *dhulm* we refer, however, to "iniquity", that is, the injustice towards any living being, consisting in the usurpation of the rights of others, and in the non-granting of an adequate reward in an exchange due to any illegal act or coercion. Therefore, to comply with *Sharīʿa*, economic activity must also avoid dealing with anything contrary to the teachings of the Muslim religion, such as pornography, gambling, the arms industry, and the substances that Islamic religion considers impure, such as pork, alcoholic beverages, and tobacco.

1.4.7 *Al zakāt*: obligation to give alms

The *zakāt* represents one of the five pillars of Islam (*Arkān al-Islām*), or the five basic obligations that every devout Muslim is required to observe. Although in common language it is mistakenly perceived as "alms", the term that best expresses its real meaning is "tithe", as it consists of the payment of a share of one's wealth, to beneficiaries, by way of "purifying" of the meantime. The main role of the *zakāt* is to avoid the centralization of the surplus of money in the hands of a few, thus identifying itself as a useful tool not only for the purification of the sins of the individual faithful but as a real mechanism aimed to eradicate the selfishness of the whole society through the exercise of a work of altruism and generosity.

In accordance with this claim, therefore, it becomes reasonable to think that:

- the rich man received a surplus of wealth from God only because he redistributed it since he does not need it either to survive or to maintain the ease deriving from his efforts;
- the poor man becomes the user of a right for which, according to tradition, he does not have to thank, since he described something that God had always destined for

him, designating the one who paid the *zakāt* as mere custodian and administrator of the same until then.

From a legal point of view, two types of *zakāt* are distinguished:

- *zakāt al-mal*, or the tithe on wealth;
- *zakāt al-fitr*, or a fixed amount (of food or cash equivalent) that each head of the family is required to pay, for himself and for the members of his family who are dependent on him, at the end of the fast in the month of *Ramadan*.

In the context of Islamic finance, therefore, the first type of *zakāt* assumes particular importance, as it equates to a fixed portion of the patrimony's assets exceeding a minimum value of wealth - called *nisab* - which must be accumulated over a year so that the payment of *zakāt* becomes mandatory. The *nisab* represents the amount of the property of the resulting faithful after he has fulfilled all the necessary expenses for himself and his family. *Nisab* is calculated based on the value of gold or silver - more precisely 85 grams of gold or 600 grams of silver (Jonsson, 2006). The amount of *zakāt* is 2.5% of the lunar year's net income (if the Islamic calendar is taken into account) otherwise 2.75% of the calendar year (if reference is made to the Gregorian calendar). Over the years, interest in *zakāt* has become increasingly growing as it represents, to date, a truly legally recognized practice with the main objective of reducing poverty. For this reason, in the late 1980s, governments around the Islamic world started the creation of official agencies aimed at the management, collection, and distribution of *zakāt*.

2. SOLOW MODEL

2.1 Economic growth: the Solow model

Solow's model, developed by economist Robert Solow in 1956, aims to explain economic growth. The scholar focuses his attention on long-term GDP growth per worker, analysing the effect on it of variables such as savings, technological growth and labour force growth. The model that we are considering, embraces the hypotheses of the neoclassical economy.

2.1.1 [4]Textbook's open economy framework

In an open economy framework S (saving) is different from *I* (investment).[62]

The intertemporal budget constraint of the domestic economy is:

$$F_{t+1} - F_t + \delta^W F_t + K_{t+1} - K_t + \delta K_t = S_t \,, \qquad (1)$$

Where F_t means foreign capital and δ^W is the depreciation rate of foreign capital stock.

Furthermore the production is different from income. The equation about national account identity is:

$$Y_t = C_t + I_t + (X_t - M_t) \,, \qquad (2)$$

In which X_t means the aggregate exports and M_t is the aggregate imports and their difference is equal to the net exports.

Adding the $\bar{r}^W$(world rental rate) F_t on both sides of previous equation we have:

$$Y_t + \bar{r}^W F_t = C_t + I_t + NX_t + \bar{r}^W F_t \,, \qquad (3)$$

Assumption: $\bar{r}_t^W$is constant and equal to $\bar{r}^W$, domestic capital rental rate is equal to world rental rate (r = $\bar{r}^W$).

$Y_t + \bar{r}^W F_t$ represents the Gross National Income (GNI) Y_t^n and $NX_t + \bar{r}^W F_t$ constitutes the Current Account Balance (CA_t).

The total wealth (V_t) is defined as the sum of domestic capital stock (K_t) and foreign capital stock (F_t): $V_t = K_t + F_t$ (4)

[4] Based on the book: "Introducing Advanced Macroeconomics: Growth and Business Cycles", second edition, by Peter Birch Sørensen, Hans Jørgen Whitta- Jacobsen.

The complete Solow model in open economy is:

$$Y_t = K_t^{\alpha}(A_t L_t)^{1-\alpha} \quad (5)$$

$$\bar{r}^W = \alpha(\tilde{k}^*)^{\alpha-1} \quad (6)$$

$$W_t = (1-\alpha)(\tilde{k}^*)^{\alpha} A_t \quad (7)$$

$$S_t = sY_t^n \quad (8)$$

$$Y_t^n = Y_t + \bar{r}^W F_t \quad (9)$$

$$V_t \equiv K_t + F_t \quad (10)$$

$$V_{t+1=S_t} + V_t - \bar{\delta} V_t,\ V_0 \text{ given} \quad (11)$$

$$L_{t+1} = (1+n)L_t,\ L_0 \text{ given} \quad (12)$$

$$A_{t+1} = (1+g)A_t,\ A_0 \text{ given} \quad (13)$$

2.1.1.1 Technological and demographical progress and its effects, including the demographic aspect

Growth theory aims to explain the progressive and continuous improvement of living standards. We will examine the Solow model, which attributes a fundamental role to technological progress. Solow introduces technology into its model by assimilating it to a factor that multiplies the workforce. Technology is thought to grow at a constant rate of g. With the same number of workers understood as natural persons, a technologically more advanced country will produce more than one more backward. The production function will therefore be:

$$Y(t) = (K(t)^{\alpha}) \cdot [L(t)A(t)]^{1-\alpha} \quad (14)$$

where $L(t)A(t)$ represents the effective units of work.

In particular, technological progress can take three main forms:

1. labour augmenting technological progress, which increases the productivity of the labour factor;

2. capital augmenting technological progress, which increases the productivity of the capital factor;

3. neutral technological progress that acts indiscriminately on both factors.

For convenience, it is assumed that technological progress is exogenous (not determined by conditions intrinsic to the economic system) and grows constantly at a periodic rate g, as indicated from the relationship below.

$$g = \frac{A_{t+1} - A_t}{A_t} = \Delta A / A \qquad (15)$$

According to Solow's model, only technological progress can influence the steady-state growth rate of income per employee. Capital stock growth (through a high savings rate) and population growth have no effect on steady-state growth of income per employee. Technological progress, on the contrary, can induce sustained and continuous growth. Solow's model, on the other hand, considers technological progress as an exogenous variable; as a consequence, in this model, the saving rate affects growth only temporarily, because the decreasing returns on capital eventually push the economy towards a steady state, in which growth depends exclusively on an exogenous technological progress.

It is important to include the population growth factor in the model. Since an efficient economic context has been assumed, in line with neoclassical models and in full use, population growth can be easily approximated with strength growth work. Indicating, as usual, the labour force with L and the population growth rate with n, is It is possible to define n as the variation between a period and the next of the quantity of labour force:

$$n = \frac{L_{t+1} - L_t}{L_t} = \Delta L / L. \qquad (16)$$

2.1.1.2 The steady state and the tendency to the steady state: theoretical considerations

The savings function has a growing but concave trend, since the savings rate multiplies the production function and is indirectly affected by the decreasing marginal productivity of capital. On the other part of the depreciation is instead a growing function with a linear trend, since the rate of depreciation directly multiplies the capital endowment and not the production function. In as a consequence there will be a series of values of the capital endowment for which the savings function dominates the depreciation function and, conversely, a series of values for which the depreciation function dominates that of savings. In particular, for relatively small capital endowments the savings it overcomes the amortization and allows the accumulation of capital: in this situation the economy grows. After that, once a certain level of capital is reached, the amortization will be higher than savings making further accumulations impossible and, indeed, decreasing the capital stock for busy. The particular value of the capital stock which makes exactly the value assumed by depreciation and savings function is called steady-state capital.

That level is very significant for two reasons:

1. in correspondence with it is not possible neither accumulation nor decumulation of capital: therefore once that the economy has reached that level ceases to grow;
2. whatever the starting point of the capital endowment per employee, the economy tends to reach the steady state following the dynamic just described which leads to an accumulation of capital if $k < k^*$ (and therefore the savings are greater than the depreciation) or a decumulation of capital if $k > k^*$ (and therefore the amortization is greater than the savings);

   Both processes cease once you reach level k^* .

2.1.1.3 Growth and steady state in the presence of technological progress

Just like population growth, technological progress also has an effect on the growth rate towards steady state. The savings rate must also be able to cover the progress rate of technology to supply each efficiency unit that is created in each period with the same endowment as capital that the efficiency units had in the previous period.

If the savings rate turns out higher than what is strictly necessary to do this, then the economy will experience growth towards its steady state which is given by the following condition: $sf(k) = (\delta + n + g)k$ (17)

First of all, by economic growth we mean the increase (generally measured as a percentage and on an annual basis) of the production volumes of goods and of service delivery capacity in an economic system. Starting from this definition, we can consider economic growth as one of the most reliable approximations of the improvement of the level of well-being achieved by an economic context and more generally of the level of development of a society. The full correspondence between the growth in the quantity of goods and services available to humanity and the improvement of the actual conditions of well-being of the same is clearly questionable. On the other hand, while understanding this limit, it is impossible not to accept that material progress has some effect and rather directly on the general standard of living. The measure of the level of activity of an economic context, GDP, is therefore considered a fundamental determinant of the standard of living. This should appear sufficient to justify the interest around the issue of the growth of the aggregate product (and consequently of income) and its aforementioned relevance. Solow's model is inclined towards potentially unlimited growth over time, but in the long term it entrusts it to technological progress, a factor that is taken as exogenous.

2.1.1.4 Savings and amortization: the accumulation of capital

The key mechanism of the Solow model is the dynamics of the capital endowment per worker. In time the amount of capital available to the individual worker varies according to the following mechanism. At the time of departure the capital endowment per worker is equal to k_t. In the following period the endowment of capital will suffer the effect of two changes: a positive change determined by savings (converted into investment) which allows for accumulate a quantity of capital per worker equal to $sf(k_t)$; a negative change caused by the depreciation of the capital (assumed constantly equal to periodic depreciation rate (δ) corresponding to δk_t. However, it would still be possible to experience growth if, for some reason, yes were to see an increase in the savings rate. In this way the savings function would shift towards the top by intercepting the depreciation curve at a new steady state, characterized by a higher level of capital per employee and consequently by an income per employee higher. The transition from the previous steady state to the new would allow the economy to experience a further phase of growth towards the final steady state. Clearly, however, growth generated by this mechanism is only temporary: once the new steady state is reached, the economy it ceases to grow, just as it did previously.

In the Solow model which includes both population growth and technological progress the dynamics of capital allocation per unit of efficiency is described by the following expression: $\Delta k = sf(k) - (\delta + n + g)k$ (18)

From the equation just presented it is clear that it will be possible to accumulate capital for each unit of efficiency only if the savings rate is high enough to overcome the effects of the depreciation, of population growth and technological progress.

The table below summarizes the main variables that have been derived from the model in its three versions: the basic version, the one with the inclusion of population growth and the last one that also consider technological progress.

Figure 3. Analytical results relating to the fundamental variables of the Solow model

Variabile	Modello base	Crescita demografica	Progresso tecnologico
Dinamica dell'accumulo di capitale: Δk o Δk	$sf(k_t) - \delta k_t$ (per occupato)	$sf(k_t) - (\delta + n)k_t$ (per occupato)	$sf(k_t) - (\delta + n + g)k_t$ *(per unità efficienza)*
Tasso di crescita nella transizione verso lo stato stazionario: g_y o g_y	$[(k_t + s(k_t)^\alpha - \delta k_t)^\alpha - k_t^\alpha] / k_t^\alpha$ (per occupato)	$[(k_t + s(k_t)^\alpha - (\delta + n)k_t)^\alpha - k_t^\alpha] / k_t^\alpha$ (per occupato)	$[(k_t + s(k_t)^\alpha - (\delta+n+g)k_t)^\alpha - k_t^\alpha] / k_t^\alpha$ *(per unità di efficienza)*
Dotazione di capitale in stato stazionario: $k^* = K/L$ o $k^* = K/AL$	$k^* = (s / \delta)^{1/(1-\alpha)}$ (per occupato)	$k^* = (s / \delta + n)^{1/(1-\alpha)}$ (per occupato)	$k^* = (s / \delta + n + g)^{1/(1-\alpha)}$ *(per unità efficienza)* $k^* = A(s / \delta + n + g)^{1/(1-\alpha)}$ (per occupato)
Reddito in stato stazionario $y^* = Y/L$ o $y^* = Y/AL$	$y^* = (s / \delta)^{\alpha/(1-\alpha)}$ (per occupato)	$y^* = (s / \delta + n)^{\alpha/(1-\alpha)}$ (per occupato)	$y^* = (s / \delta + n + g)^{\alpha/(1-\alpha)}$ *(per unità efficienza)* $y^* = A(s / \delta + n + g)^{\alpha/(1-\alpha)}$ (per occupato)
Tasso di crescita del prodotto per occupato nel lungo periodo: g_y	0	0	G
Tasso di crescita del prodotto aggregato nel lungo periodo: G_Y	0	n	n + g

The Solow model divides the dynamics of economic growth into two phases.

The first, transitory, is characterized by the accumulation of the capital factor over time that leads the economic system to reach a certain steady state at which a precise level of endowment remains identified capital and income. Both the steady-state growth rate and the level of income achieved are determined, according to the Solow model, by some structural variables of the economy: the essay by savings, the depreciation rate, population growth and the rate of technological progress. Often yes assumes that the depreciation capacities do not vary significantly between countries and that progress technology is a resource equally available and shared among all countries. So the differences in per capita income levels should be attributed to differences in savings rates and growth rates population. In particular, the richest countries should be those with a lot of investment and the population it grows little. Once the steady state is reached, a second phase starts for the economy which can only grow if driven by technological progress: in particular, per capita income will grow at the same rate as technological progress and aggregate income will grow at a rate given by the sum of growth demographic and technological progress. If we still assume that technology is shared between countries, then all countries will grow at the same rate. This second phase of growth is called balanced, since all the variables involved in growth, the technological level, the physical capital stock and income, grow at same rate. The Solow model, therefore, provides answers to all the questions that arose in the introduction: countries have different levels of wealth because they have savings rates and population growth rates different, the convergence envisaged by the model is only conditional (for those countries that share the same steady state) and in theory, if technological progress does not stop, growth would be possible perpetual.

2.1.1.5 The implications of the Solow’s model of convergence

Solow's model predicts that, once steady state is reached, all economies will grow at the same rate, equal to the rate of technological progress, shared globally among all economies. Therefore, the Solow model envisages absolute convergence in the growth rates of income per employee. However, since this growth rate operates from different levels of income per employee, an absolute convergence of income levels is also not expected. Over time, that is, countries are destined to grow at the same rate but to maintain irrevocably different levels of income. More specifically, only countries that were characterized by the same (or at least similar) structural parameters of economies will be able to achieve comparable levels of income. Two countries characterized by the same saving capacity and the same demographic dynamics, will be destined to achieve the same level of income over time, regardless of the currently observable differences in income. In fact, according to the logic of the Solow mechanism, the country that, at a given moment, started from lower income levels would experience higher rates of growth than the relatively wealthier country throughout the transition phase to the steady state. In conclusion, the Solow model foresees a conditional convergence in the levels of income per employee and an absolute convergence of growth rates, following the achievement of the steady state.

Regarding closed economy, growth rates of main macro-variables outside (transitional path) and in steady-state (balanced-growth path):

Figure 4. Transitional path and balanced-growth path in closed economy

Variable	Transitional path $(\tilde{k}_t \neq \tilde{k}^*)$	Balanced-growth path $(t = t^s)$
Population (L_{t+1})	$n > 0$	$n > 0$
Techn. (A_{t+1})	$g > 0$	$g > 0$
Capital per effective worker $(\tilde{k}_{t+1})$	$\gamma_{\tilde{k}_{t+1}} = \theta s \tilde{k}_t^{\alpha-1} - \theta(n + g + \delta + ng)$	$\gamma_{\tilde{k}_{t+1}} = 0$
Output per effective worker $(\tilde{y}_{t+1})$	$\gamma_{\tilde{y}_{t+1}} = \alpha\gamma_{\tilde{k}_{t+1}}$	$\gamma_{\tilde{y}_{t+1}} = 0$
Capital per person (k_{t+1})	$\gamma_{k_{t+1}} = g + \gamma_{\tilde{k}_{t+1}}$	$\gamma_{k_{t+1}} = g$
Output per person (y_{t+1})	$\gamma_{y_{t+1}} = g + \alpha\gamma_{\tilde{k}_{t+1}}$	$\gamma_{y_{t+1}} = g$

Source: Antonio Paradiso, "The basic Solow model, First Steps to Open-economy Growth Models"

Effects of changes in *s*, *n*, and δ:

- The effects of permanent changes in *s* is:

- ➢ to increase the steady-state value of capital and output expressed in intensive form;
- ➢ to generate positive growth rate in capital and output expressed in intensive form along the transition pattern $t < t^s$;
- ➢ to generate a zero growth rate in capital and output expressed in intensive form when $t \geq t^s$.

▪ The effects of permanent changes in n (or δ) is:

- ➢ to decrease the steady-state value of capital and output expressed in intensive form;
- ➢ to generate negative growth rate in capital and output expressed in intensive form along the transition pattern $t < t^s$;
- ➢ to generate a zero growth rate in capital and output expressed in intensive form when $t \geq t^s$.

On the contrary, if we consider an open economy situation the growth rates of main macro-variables outside (transitional path) and in steady-state (balanced-growth path):

Figure 5. Transitional path and balanced-growth path in open economy

Variable	Transitional path $(\tilde{v}_t \neq \tilde{v}^*)$	Balanced-growth path $(t = t^s)$
Population (L_{t+1})	$n > 0$	$n > 0$
Techn. (A_{t+1})	$g > 0$	$g > 0$
Wealth per effective worker $(\tilde{v}_{t+1})$	$\gamma_{\tilde{v}_{t+1}} = \theta s \hat{w} (\tilde{v}_t)^{-1} - \theta(\bullet)$	$\gamma_{\tilde{v}_{t+1}} = 0$
GNI per effective worker $(\tilde{y}^n_{t+1})$	$\gamma_{\tilde{y}^n_{t+1}} = \gamma_{\tilde{v}_{t+1}} \bar{r}^W \left(\frac{\tilde{v}_t}{\tilde{y}^n_t}\right)$	$\gamma_{\tilde{y}^n_{t+1}} = 0$
Foreign capital per effective worker $(\tilde{f}_{t+1})$	$\gamma_{\tilde{f}_{t+1}} = \gamma_{\tilde{v}_{t+1}} \left(\frac{\tilde{v}_t}{\tilde{v}_t - \tilde{k}^*}\right)$	$\gamma_{\tilde{f}_{t+1}} = 0$
Wealth per person (v_{t+1})	$\gamma_{v_{t+1}} = g + \gamma_{\tilde{v}_{t+1}}$	$\gamma_{v_{t+1}} = g$
GNI per person (y^n_{t+1})	$\gamma_{y^n_{t+1}} = g + \gamma_{\tilde{v}_{t+1}} \bar{r}^W \left(\frac{\tilde{v}_t}{\tilde{y}^n_t}\right)$	$\gamma_{y^n_{t+1}} = g$
Foreign capital per person (f_{t+1})	$\gamma_{f_{t+1}} = g + \gamma_{\tilde{v}_{t+1}} \left(\frac{\tilde{v}_t}{\tilde{v}_t - \tilde{k}^*}\right)$	$\gamma_{f_{t+1}} = g$

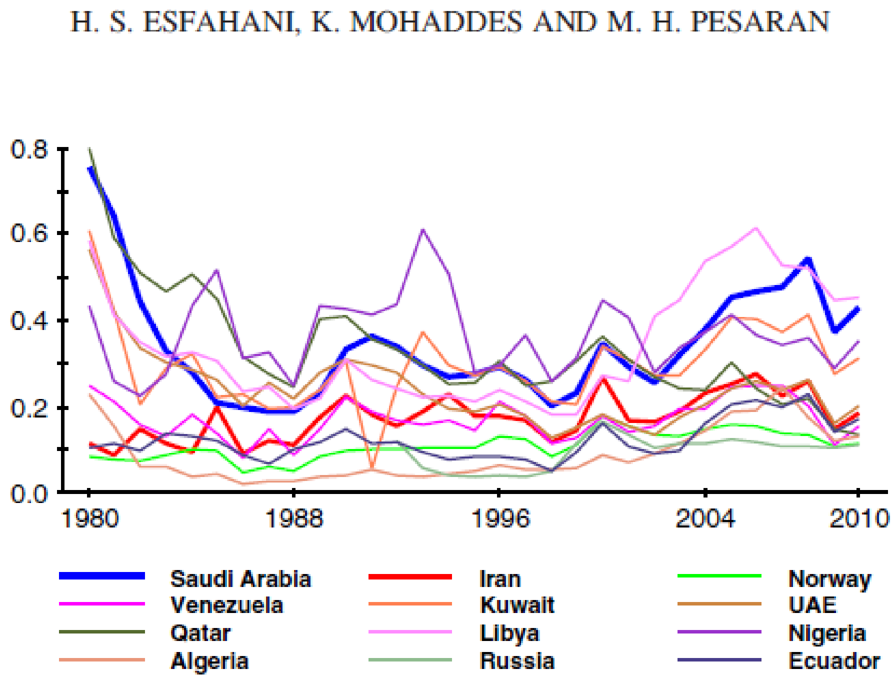
Source: Antonio Paradiso, "The Solow model in Open Economy, Open-economy Growth Models"

- The effects of permanent changes in *s* is:
  - to increase the steady-state value of wealth, foreign assets and GNI expressed in intensive form;
  - to generate positive growth rate in wealth, foreign assets, and GNI expressed in intensive form along the transition pattern $t < t^s$;
  - to generate a zero growth rate in wealth, foreign assets, and GNI expressed in intensive form when $t \geq t^s$.
- The effects of permanent changes in *n* (or δ) is:
  - to decrease the steady-state value of wealth, foreign assets, and GNI expressed in intensive form;
  - to generate negative growth rate in wealth, foreign assets, and GNI expressed in intensive form along the transition pattern $t < t^s$;
  - to generate a zero growth rate in wealth, foreign assets, and GNI expressed in intensive form when $t \geq t^s$.

2.1.2 Growth theory considering oil exports

Theoretical growth models generally focus on technological progress and human resources as the main drivers of economic growth and ignore the possible effects of natural resources on process growth. Similarly, most empirical growth studies exclude abundant resource economies, in particular the major oil-exporting economies, from their transnational analysis.

Figure 6. Oil export revenues to income ratios for major oil exporters.



Sources: GDP data are from the IMF International Financial Statistics and oil export data from the OPEC Annual Statistical Bulletin.

As Figure 6 shows, countries like Saudi Arabia, Venezuela, Nigeria, Algeria, the United Arab Emirates and Kuwait, and some countries outside OPEC, such as Norway and Russia, present similar GDP ratios on oil income which are remained relatively stable over time. In summary, most macroeconomic analyses of oil revenues tend to take a short-term perspective, and focus on the effects of oil revenues on the real exchange rate and the distributional effects of state spending on oil revenues. Such an approach makes sense for countries with a limited amount of oil reserves, but not for major oil-exporting countries such as Saudi Arabia where oil is likely to remain the main source of foreign exchange revenue for a relatively long period.

2.1.3 [5]Long-term output equation for oil-exporting economies

Respect to the framework analysed in section 2, a different approach is discussed in An empirical growth model for major oil exporters study. The authors present a model in which oil is a source of capital formation. Consider an oil exporting economy with a constant production function on a labour scale (L_t) and social capital (k_t): $Y_t = A_t L_t f(\frac{k_t}{A_t L_t})$ (19)

where, f (·) is a continuous function, twice differentiable, Y_t is the real output and A_t is a labour augmented index technological progress.

Denote by X_t the real value of (net) oil exports:

$X_t = E_t P_t^o X_t^o / P_t$ (20)

where P_t^o is the price of oil per barrel in US dollars, X_t^o is the total number of barrels of oil exports, E_t is the exchange rate in terms of US dollars, and P_t is the consumer price index. [63]

2.1.4 Summing up the above

Solow's growth model is the best-known example of an exogenous growth model. Study the interaction between growth, savings and capital accumulation over time. Solow's model explains that only technical progress can demonstrate continuous growth in living standards and productivity. In other words, it provides that the various economies converge towards steady-state situations in which the product, consumption and capital are constant over time. Solow in his model also explains the savings rate, which maximizes the level of consumption in the steady state. In particular, the economist explains that a savings rate of 100% leads to a zero consumption level since it implies that all the product is reinvested, on the other hand

[5] Based on the paper: “An empirical growth model for major oil exporters”, journal of applied econometrics, by Hadi Salehi Esfahani, Kamiar Mohaddes and M. Hashem Pesaran.

a savings rate of 0% also leads to a zero consumption level, since nothing is invested leading to the total depreciation of the present capital. In the interval between these two opposite extremes (0% and 100%), there is the saving rate, where the propensity to save is such that per capita consumption is at its maximum level and is constant over time.

2.2 Elaboration of the model

$$Y_t = A_t \cdot L_t F(\frac{K_t}{A_t L_t}) \quad (21)$$

Where $(\frac{K_t}{A_t L_t})$ represents the capital per unit of effective labour.

$$Y_t = K_t{}^{\alpha}(A_t L_t)^{1-\alpha} \quad (22)$$

$$A_t = A_0(1+g)^t \quad (23)$$

$$lnA_t = lnA_0 + t \cdot g \quad (24)$$

If g, $ln(1+g) \approx g$

$$L_t = L_0(1+n)^t \quad (25)$$

$$lnL_t = lnL_0 + t \cdot n \quad (26)$$

$$X_t = \frac{(P^{\$} \cdot X_t^{\$}) \cdot E_t}{P_t} \quad (27)$$

Where X_t is the value of oil exports expressed in domestic currency and in real terms, E_t represents the exchange rate and P_t is the general level of prices in the domestic economy.

Then we express the quantities in terms of effective labour:

$$\mathcal{K}_t = \frac{K_t}{A_t \cdot L_t}; \ \mathcal{X}_t = \frac{X_t}{A_t \cdot L_t}$$

Capital accumulation process

$$K_{t+1} = K_t - \delta K_t + s_1 \cdot Y_t + s_2 \cdot \mathcal{X}_t \quad [A]$$

δK_t, $0 < \delta < 1$

part invested in capital from domestic income, $0 < s_1 < 1$

part invested in capital from income obtained by selling oil, $0 < s_2 < 1$

Now we express everything in terms of effective labour. Then we divide the equation that describes the process of accumulating capital [A] by $A_{t+1}L_{t+1}$.

$$A_t \cdot L_t = A_0(1+g)^t \cdot L_0(1+n)^t \quad (28)$$

$$ln(A_t \cdot L_t) = lnA_0 + t \cdot ln(1+g) + lnL_0 + t \cdot ln\,(1+n) \quad (29)$$

$$= lnA_0 + lnL_0 + t \cdot g + t \cdot n \quad (30)$$

$$= lnA_0 + lnL_0 + t \cdot (g+n) \quad (31)$$

$lnA_0 \equiv a0$; $lnL_0 \equiv P0$

$$A_{t+1} \cdot L_{t+1} = A_0(1+g)^{t+1} \cdot L_0(1+n)^{t+1} \quad (32)$$

$$ln(A_{t+1} \cdot L_{t+1}) = lnA_0 + t + 1 \cdot ln(1+g) + lnL_0 + t + 1 \cdot \ln(1+n) \quad (33)$$

$$= lnA_0 + lnL_0 + t + 1 \cdot g + t + 1 \cdot n \quad (34)$$

$$= lnA_0 + lnL_0 + t + 1 \cdot (g+n) \quad (35)$$

$$ln(A_{t+1} \cdot L_{t+1}) - \ln\,(A_t \cdot L_t) = \Delta\ln\,(A_{t+1} \cdot L_{t+1}) \quad (36)$$

$$= t + 1(g+n) - t(g+n) = g + n \quad (37)$$

[A] in terms of effective labour:

$$\frac{K_{t+1}}{A_{t+1} \cdot L_{t+1}} = \frac{K_t}{A_{t+1} \cdot L_{t+1}} - \frac{\delta K_t}{A_{t+1} \cdot L_{t+1}} + s_1 \cdot \frac{Y_t}{A_{t+1} \cdot L_{t+1}} + s_2 \cdot \frac{X_t}{A_{t+1} \cdot L_{t+1}} \quad (38)$$

$$K_t = \frac{K_t}{A_t \cdot L_t} \quad (39)$$

We know that:

$$A_{t+1} \cdot L_{t+1} = A_t(1+g) + L_t(1+n) \quad (40)$$

$$= A_0(1+g)^{t+1} \cdot L_0(1+n)^{t+1} \quad (41)$$

$$K_{t+1} = \frac{K_t}{A_t \cdot L_t \cdot (1+g)(1+n)} \cdot (1-\delta) + s_1 \cdot \frac{Y_t}{A_t \cdot L_t \cdot (1+g)(1+n)} + s_2 \cdot \frac{X_t}{A_t \cdot L_t \cdot (1+g)(1+n)} \quad (42)$$

$$= \frac{1}{(1+g)(1+n)} \cdot [K_t \cdot (1-\delta) + s_1 y_t + s_2 y_t] \quad (43)$$

Where: $\frac{K_t}{A_t \cdot L_t} = k_t$; $\frac{Y_t}{A_t \cdot L_t} = y_t$; $\frac{X_t}{A_t \cdot L_t} = x_t$

$$X_t = X_0(1+m)^t$$

$\Delta \ln(X_t) = m$. It is immediate to show that $\Delta \ln(x_t) = 1 + m - g - n$. Obviously, if $m > g + n$ the impact of oil on capital is positive.

$$\frac{k_{t+1}}{x_{t+1}} = \frac{1}{(1+g)(1+n)} \cdot [\frac{k_t}{x_t(1+m-g-n)}(1-\delta) + \frac{s_1 k_t^{\alpha}}{x_t(1+m-g-n)} + s_2 \cdot \frac{x_t}{x_t(1+m-g-n)}] \quad (44)$$

$$\frac{k_{t+1}}{x_{t+1}} = \frac{1}{(1+g)(1+n)} \cdot [\frac{k_t}{x_t} \cdot \frac{(1-\delta)}{(1+m-g-n)} + \frac{k_t^{\alpha}}{x_t} \cdot \frac{s_1}{(1+m-g-n)} + \frac{s_2}{(1+m-g-n)}] \quad (45)$$

$$\frac{k_{t+1}}{x_{t+1}} = \frac{1}{(1+g)(1+n)(1+m-g-n)} \cdot \left[\frac{k_t}{x_t} \cdot (1-\delta) + \frac{k_t^{\alpha}}{x_t} \cdot s_1 + s_2\right] \quad (46)$$

$$\tilde{k}_{t+1} = \frac{1}{(1+g)(1+n)(1+m-g-n)} \cdot \left[\tilde{k}_t \cdot (1-\delta) + \tilde{k}_t^{\alpha} \cdot s_1 + s_2\right] \quad (47)$$

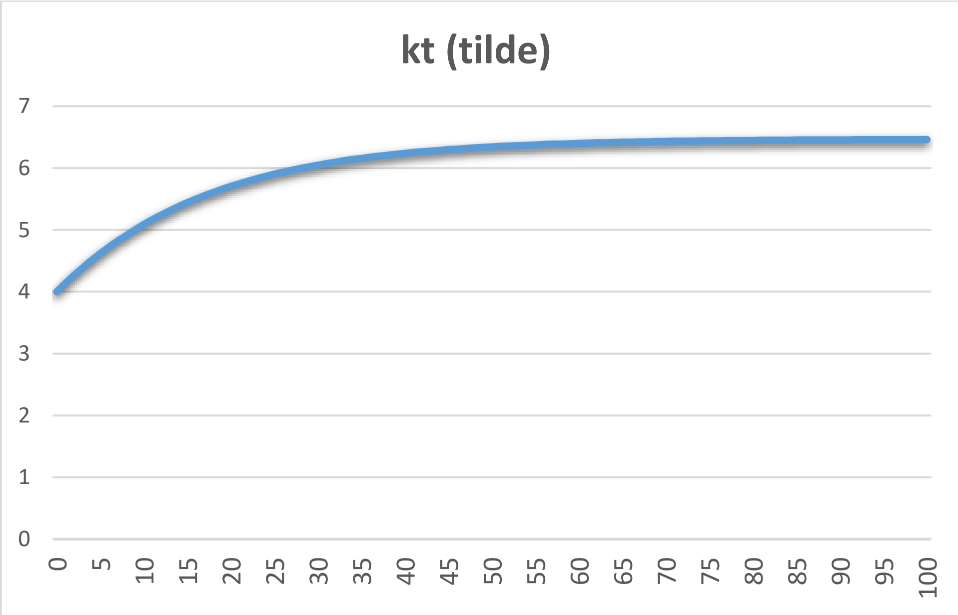
According to equation (47), the pattern of $\tilde{k}_{t+1}$ is stable if:
$(1+g)(1+n)(1+m-g-n) < 1$. This condition is satisfied when $m > 0$.
(This condition will be analysed in the following paragraph).

2.3 Simulation of model

To better demonstrate the validity of the model, we will proceed with three simulations performed with Excel.

In this way it is also possible to check if there is convergence between the variables, in this case between s_1 and s_2, that represents respectively the part invested in capital from domestic income (with $0 < s_1 < 1$) and the part invested in capital from the income obtained from the sale of oil (with $0 < s_2 < 1$).

Case A



g	n	m	δ	α	s_1	s_2	X_t
0,01	0,01	0,05	0,03	0,33333	0,2	0,15	50

Source: own elaboration

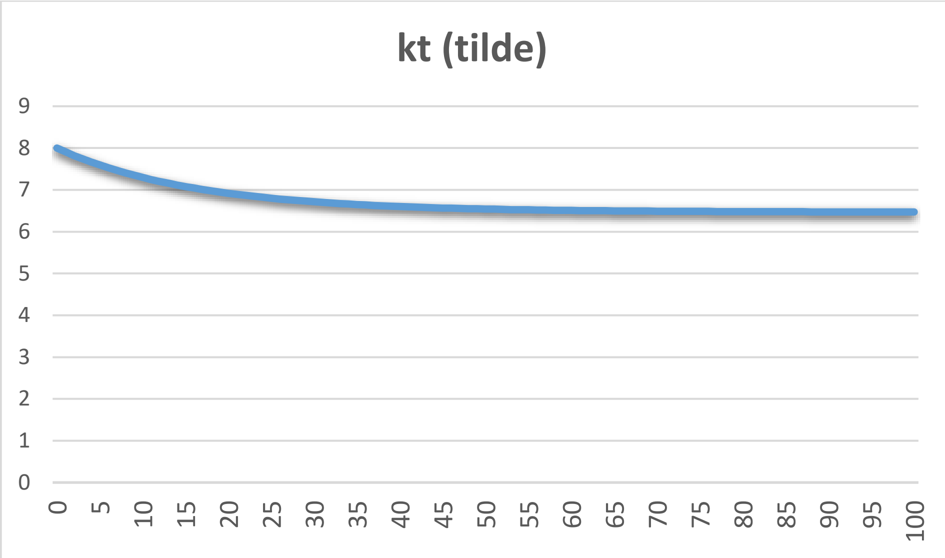
K_t Start value =200

The simulation conducted highlights the system that converges to a steady-state.

This is verified by *kt (tilde)*; as depicted in the graph, we start from a value equal to 4 which converges to a value equal to 6, describing a positive trend (the curve converges upwards).

From value $\frac{1}{(1+g)(1+n)(1+m-g-n)}$, which from now on for convenience we will describe with 1/[•], the corresponding value is equal to 0,95165, which is less than 1, this means that it is stable.

Case B



g	n	m	δ	α	s_1	s_2	X_t
0,01	0,01	0,05	0,03	0,33333	0,2	0,15	50

Source: own elaboration

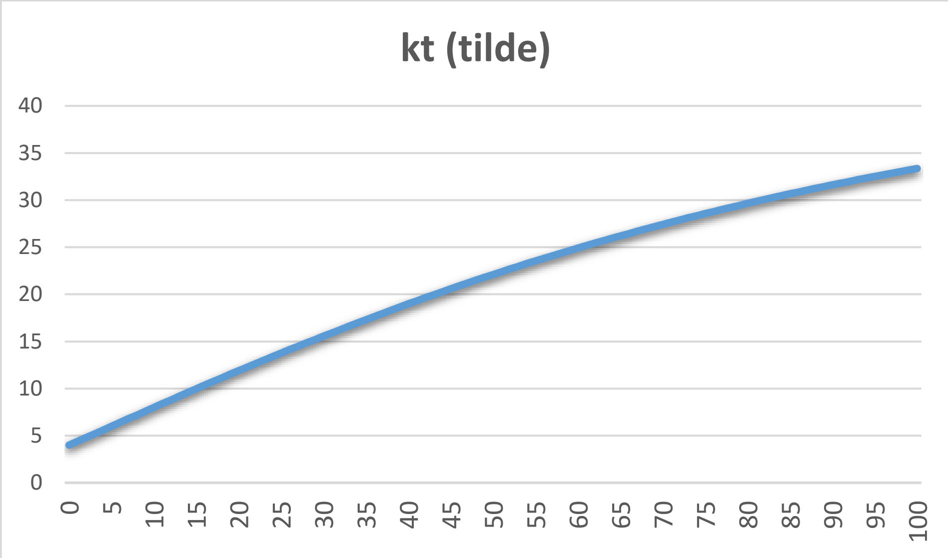
K_t Start value =400

The simulation attended the system that converges to a steady-state.

This is supported by *kt (tilde)*; as represented in the graph, we start from a value equal to 8 which converges to a value equal to 6, illustrating a negative trend (the curve converges downwards).

From value 1/[•], the corresponding value is equal to 0,951652, which is less than 1, this means that it is stable.

CASE C



g	n	m	δ	α	s_1	s_2	X_t
0,01	0,01	-0,01	0,33333	0,2	0,2	0,12	50

Source: own elaboration

K_t Start value =200

The latter simulation represents an explosive case, that is, it never converges.

To do this, a negative value ($m < 0$) was set at the coefficient m, in this case -0,01.

The condition is not respected therefore it is out of the equilibrium condition.

The system in case C does not converge towards steady-state.

This can also be seen from the value 1/[•], which is equivalent to 1,01061, which is greater than 1, this means that it is not stable.

2.4 Analysis of Regression model per country

Check of the model. Key assumption of Pesaran “Growth model for major oil exporters” is:

$$k_t = (1 - \delta)k_{t-1} + \underbrace{s_1(Y_{t-1}) + s_2(X_{t-1})}_{= I_{t-1}} \tag{48}$$

$$k_t = (1 - \delta)k_{t-1} + I_{t-1} \tag{49}$$

$$I_t = f(Y_t + X_t) \tag{50}$$

Assumption: $I_t = \alpha + \beta_1 Y_t + \beta_2 X_t$ (51)

where Y_t represents the real GDP in US$ PPP and X_t is corresponds to oil export in US$ PPP. Equation (51) is estimated for UAE, Saudi Arabia, and Kuwait.

Since all variables are I(1), we run a cointegrating analysis using the Engle-Granger two-step procedure: first, we estimate equation (51) by OLS, and then we check that residuals are I(0).

This analysis was performed with the GRTL program through the method of least squares with data entry of historical series from 1979-2014.

The program provided three regressions for each country which will be analysed in order to demonstrate that the trade openness of the oil market, and therefore the export of this profitable resource, contributes significantly and consistently accumulation of capital.

These three Gulf countries who have this resource in abundance, in accordance with what has been said before, consequently conduce to economic growth.

2.4.1 Regression model of United Arab Emirates

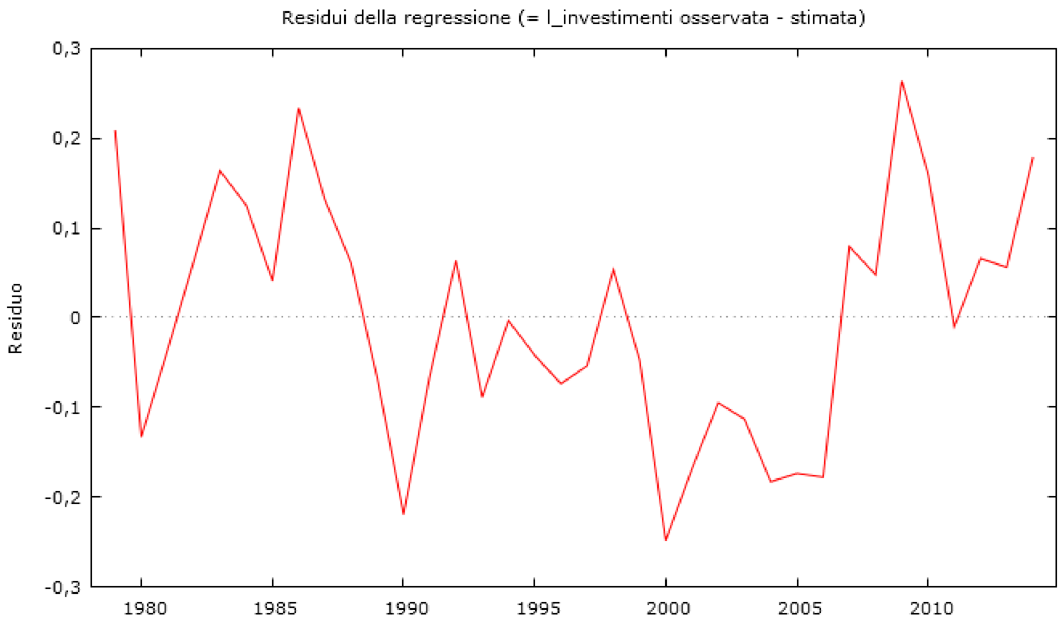
Model 1: OLS estimates of equation (53) for UAE, 1979-2014.

Dependent variable: I_t

	Coefficient	*Std. Error*	*t-Ratio*	*p-value*	
α	3,141	1,069	2,939	0,0060	***
β_1	0,585	0,115	5,095	<0,0001	***
β_2	0,223	0,096	2,309	0,0273	**

R-squared	0,903	Adjusted R-squared	0,897

Figure 9. Graph representing residues in UAE



Source: own elaboration

The UAE economy has been very stable, remarkably open and is the most relatively diverse of the GCC economies. But exports are dominated by re-exports, which reflect the narrow domestic production base and the country still depends significantly on oil revenues.

Evaluation of the analysis of the goodness of fit:

R-square determination coefficient is useful to evaluate the explanatory capacity of the model, that means the ability to represent the relationship between the dependent variable and the regressors (varies between 0 and 1, the closer it is to 1 the better the model). The observation shows the R square is 0,903 and the adjusted R square equal to 0,897, this value is very closed to 1 so the relation between variable is very strong.

Another important element in Regression analysis is given by T-test. T-test is used to evaluate the significance of the individual coefficients (if the p-value of the test is lower than the level of significance set, I reject the hypothesis of a null coefficient, the corresponding regressor is relevant for the explanation of the dependent variable). The model identifies with asterisks (*) the significance level of the p-value associated with the T-test.

- If the p-value < 0,05, 1 (*)
- If the p-value < 0,01, 2 (**)
- If the p-value < 0,001, 3 (***)

The asterisks for the p-value are all significant in 0.001, apart from one that is slightly above but still has a high level of significance.

The p-value of the residuals carried out with the ADF test results: 0,01965 that is inferior to 0,1 and that means that the p-value is stable enough.

2.4.2 Regression model of Saudi Arabia

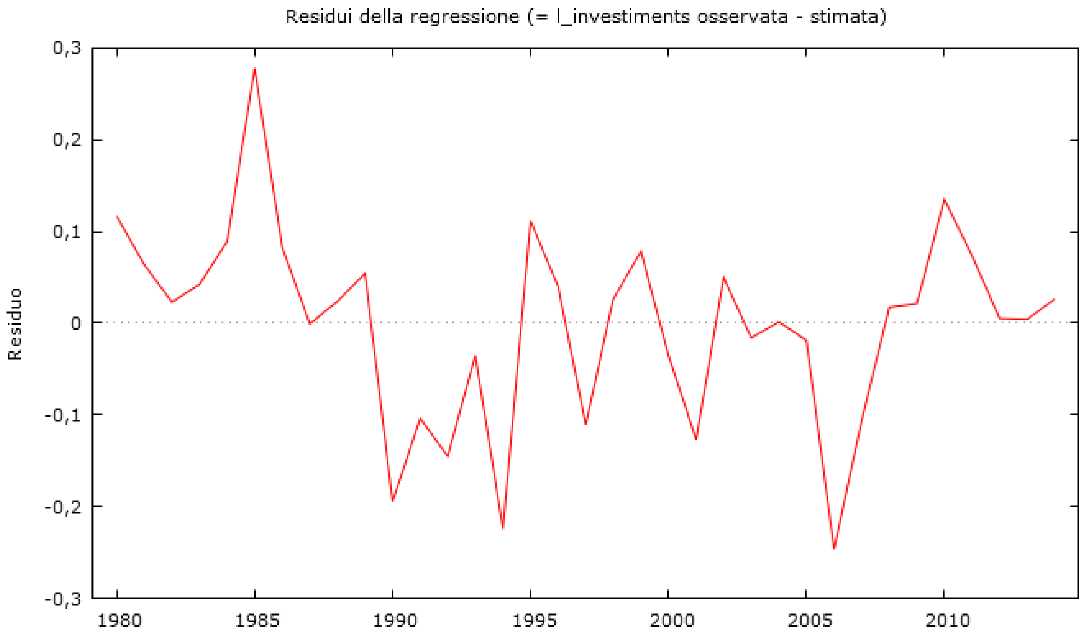
Model 2: OLS, using observations 1979-2014 (T = 36)

Dependent variable: l_investimenti

	Coefficient	*Std. Error*	*t-Ratio*	*p-value*	
α	3,211	0,737	4,358	0,0001	***
β_1	0,622	0,077	8,111	3,68e-09	***
β_2	0,155	0,060	2,599	0,0142	**
[6]Dum95_05	-0,362	0,043	-8,443	1,55e-09	***

R-squared	0,962	Adjusted R-squared	0,958

Figure 10. Graph representing residues in Saudi Arabia



Source: own elaboration

[6] Dum95_05 represents the dummy variable. Oil export is lagged by one period.

Evaluation of the analysis of the goodness of fit:

We started by estimating equation (51) only that from the year 1995-2005 two problems arose:

1) the β_2 coefficient was not significant;
2) residuals of the cointegration were not stationary because from the period 1995-2005 they showed outliers.

So a dummy variable has been inserted, lagging by a period the oil exports variable.

The results reveal the R square is equal to 0,962 and the adjusted R square is 0,958, this value is very closed to 1 so the relation between the variable is extremely effective. The level of significance is high enough for all variables, except for the variable $\beta_2$which is slightly less significant.

The p-value of the residuals carried out with the ADF test results: 0,01526.
This value is inferior to 0,1, so the p-value is stable.

Therefore a dummy variable has contributed to the model being more precise and removing the anomaly that occurred in this period of time.

2.4.3 Regression model of Kuwait

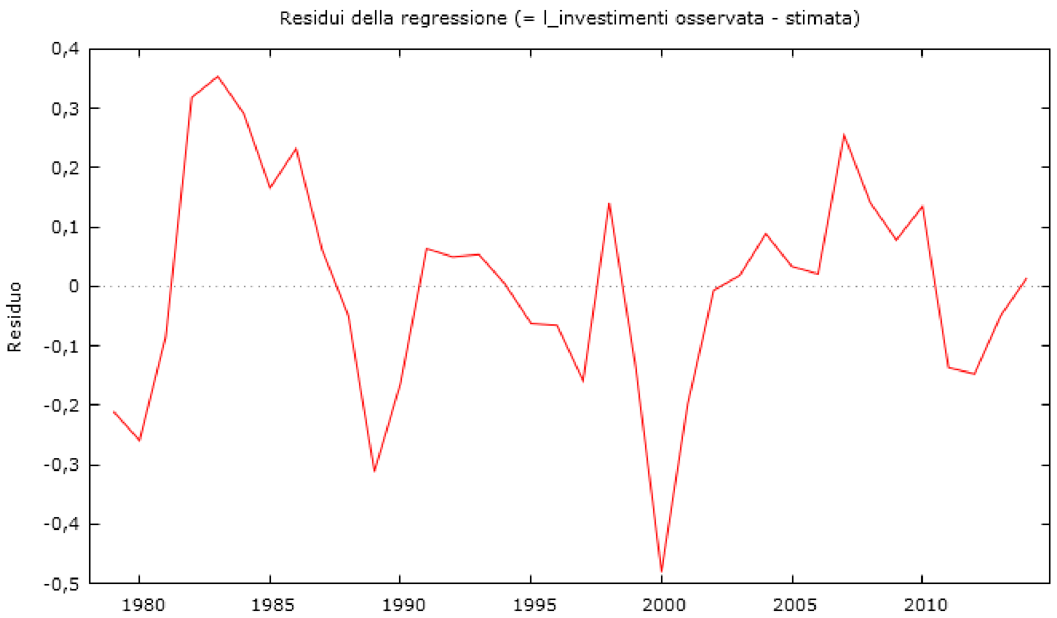
Model 3: OLS, using observations 1979-2014 (T = 36)

Depenent variable: l_investimenti

	Coefficient	*Std. Error*	*t-Ratio*	*p-value*	
α	2,675	0,622	4,301	0,0001	***
β_1	0,604	0,059	10,25	<0,0001	***
β_2	0,114	0,037	3,103	0,0039	***

R-squared	0,844	Adjusted R-squared	0,835

Figure 12. Graph representing residues in Kuwait



Source: own elaboration

Evaluation of the analysis of the goodness of fit:

The table above demonstrates the R square is equal to 0,844 the and adjusted R square is 0,835, this value is very closed to 1 so the relation between the variable is extremely effective. As can be seen, all the p-values show that they are all very significant.

The p-value of the residuals carried out with the ADF test results: 0,03321 this is inferior to 0,1, so the p-value is stable.

The discussion on the role of exports in the economic growth of developing countries has shifted towards export promotion and greater openness. There have been several empirical studies that have documented a stable and positive relationship between exports and economic growth. Empirical results indicate that exports have a positive and significant impact on economic growth in the three Arab Gulf countries. While still deeply dependent on oil, these Arab Gulf countries have been engaged in efforts to vary their internal economies and the formation of their trade. The empirical results reported here underline the importance of persevering these objectives in a liberal, market-oriented way and avoiding the use of regulatory and prohibitive measures.

3. FORECASTS: The growth strategies of the Gulf countries

It is interesting to note that the Gulf countries have all recently drawn up plans medium and long-term growth and economic development promoted by the respective regulations. The programs were born following fluctuations and the subsequent decline in oil prices of the 1980s; they became increasingly urgent after the Gulf crisis of 1990-91 which greatly weakened the economy of the GCC countries.[64] These development plans have as their main objectives: of economic diversification, the creation of jobs in the face of the growing population and the improvement of education, health conditions and general well-being.[65]

The plans denote a mature awareness on the part of governments of the fact that economic production can no longer depend completely and exclusively on the hydrocarbon industry, but must look for other ways to implement and promote different sectors.

3.1 UAE forecasts:

3.1.1 “Dubai Clean Energy Strategy 2050”

One of the central elements of the economic diversification process is the growing interest in the renewable energy sector. The "Dubai Clean Energy Strategy 2050", which provides for investments of AED 150 billion (approximately 38 million euros), aims to make the Emirate of Dubai a world centre of clean energy and the green economy. The goal is to provide 75% of Emirate's energy from clean sources by 2050. In line with the economic diversification strategy, the government is also implementing a strategy of greater support for SMEs, with the aim of increase their contribution to the country's economy from 40% to 45% of GDP by 2021. On the front of the sustainability of public finances, in recent years the UAE has progressively increased taxation (especially indirect taxation) to reduce the dependence of tax revenue from oil revenues. In particular: i) at the beginning of 2018, value-added tax was introduced at a rate of 5%; ii) from October 2017, a 100% excise duty on tobacco and 50% on energy drinks; iii) from the last two years a tax equal to 25% of the value of services in the tourism-hotel sector; iv) from 2016 a municipal tax on the value of real estate and rental contracts, and so on. In 2019, thanks mainly to the increase in oil revenues, the balance of the public budget is expected to return to positive after three years of deficits. The UAE has fiscal margins to conduct a medium-term growth support policy: the level of public debt is contained (approximately 50% of GDP) and under control about the fundamentals of the economy. The UAE has an impressive financial bulk, which they invest abroad through sovereign wealth funds. The destination of investments is diversifying: an increasing amount of portfolio investments is transformed into direct investments. At the same time, the geographical distribution is changing with increasing quotas directed towards Asia and Africa. Foreign investments are estimated (source UAE Central Bank and Economist Intelligence Unit) between 500 and 800 billion US dollars (of which at least 250/300 managed by the Abu Dhabi Investment Authority, the Abu Dhabi Sovereign Fund). To this figure must also be added the investments connected to the private heritage of the main Sheikhs of the country.[66] The rapid increase in the population, together with the processes of urbanization and industrialization, as well as the phenomena of climate change, has determined a strong impact on the demand for energy and water in the United Arab Emirates, which continues to grow at a very rapid pace. In terms of electricity, 13,000 kWh per capita is consumed, placing the country among the geographies with the highest value of global demand. This demand has been matched in recent years by a substantial increase in production plants and related installed capacity, which currently stands at around 29 GW. The per capita consumption of water in the Emirates is also among the highest in the world, equal to over 500 liters per day, more than double the world average, while the country is among the top ten globally due to the scarcity of water resources, with less than 100 / mm per year of rainfall. In this context, the United Arab Emirates have for some years decided to diversify its energy mix to be able to sustainably feed the long-term economic development process.

To this end, the country is trying to develop autonomous capacities in alternative energy technologies and to encourage international collaboration, promoting environmental conservation processes. In 2017, the country, therefore, launched the energy strategy for 2050, the first unified strategy in this area, which aims to increase the contribution of clean energy from 25% to 50%, reducing CO_2 production by 70% and increasing efficiency in individual consumption by 40%. The strategy aims to create a mix that combines the use of renewable sources, nuclear energy, and clean coal. The UAE government plans to invest 700 billion dirhams (around 180 billion euros) by 2025 to meet growing energy demand and to ensure a sustainable development process for the country's economy. For the United Arab Emirates, characterized by problematic climatic conditions and by an almost entirely desert territory, with low availability of water resources and a strong contribution of desalinated water, the intelligent and sustainable use of water in agriculture is an essential requirement. The country aspires to reduce its strong dependence on the import of food and minimize the environmental impact of agricultural production. Consequently, it has an enormous need to adopt irrigation technologies and cultivation methods that allow to significantly reduce water consumption, through the use of advanced hydroponic technologies or the experimentation of crops suitable for saline and desert environments. [67] The “Dubai Clean Energy Strategy 2050” intends to declare the Emirate of Dubai a world centre of clean energy and the green economy.[68][69]

Investments in solar energy are also substantial: by 2020 the largest solar park in the world with the lowest production costs globally, the Al Maktoum Solar Park, should be completed. Among the various projects underway in the country is the completion, by 2030, of Masdar City, which will become the first city in the world entirely self-sufficient in terms of energy and with low levels of CO_2 emissions. The Dubai Electricity & Water Authority (DEWA) plans to install solar panels on 10% of the city's homes.[70]

3.1.2.VISION 2021

UAE Vision 2021 was launched by H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Emirates and Sovereign of Dubai, at the close of a Cabinet meeting in 2010. The vision aims to make the United Arab Emirates among the best countries in the world since the Union's Golden Jubilee. [71]
The Executive has launched development plans, such as the 'Vision 2021', to become leaders in infrastructure and sustainability, launch urban planning projects, reshape public transport and encourage shared private mobility. In the construction sector, the retrofitting - that is, energy efficiency and the removal of architectural barriers - of public buildings is underway and the 3D printing plan of Dubai has been launched to create 25% of the buildings using this technology by 2030. Besides, the city aims to become the first in the world to use blockchain technology by 2020 to carry out administrative obligations for businesses. At the end of 2019, the 5G network will start operating. Among the works under construction in the United Arab Emirates, Mohammed bin Rashid Al Maktoum international airport stands out, which will be equipped with 5 runways and is expected to become the busiest in the world with over 180 million passengers per year. Also, the Etihad Rail project to expand the national railway network. Furthermore, work has started on the construction of the Dubai Creek Tower, the tallest skyscraper in the world, and on the development of the Dubai International Financial Centre, the surface of which should be tripled. The government is also engaged in the construction of Dubai South, the new southern area of the city that will host the EXPO 2020 site, 45 minutes by car from the international airports of

Abu Dhabi and Dubai, but less than 15 minutes from the new Al Maktoum International Airport. As part of the process of economic diversification and modernization of services, the United Arab Emirates is continuing to invest in the digital revolution with the creation of special economic zones that have facilitated foreign investments in the ICT sector. The government has introduced derogations from national legislation regarding visas, corporate control, profit transfer, and taxation. In this context, Dubai and Abu Dhabi aim to become the first smart cities in the world. In particular, the 'Smart Dubai 2020' plan envisages creating a city based on the sharing economy (one of the objectives is to achieve 25% of self-driving vehicles by 2030) and characterized by the ever-decreasing use of cash and paper documents. [70] To turn the vision into reality, its pillars have been summarized in six national priorities, which represent the principal areas of government action in the coming years.[71]

- The executive teams belonging to the 2021 National Agenda

Figure 7. National Agenda 2021

Source: Official web-site of UAE Vision 2021 program: [*https://www.vision2021.ae/en/national-agenda-2021*](https://www.vision2021.ae/en/national-agenda-2021)

His Highness Sheikh Mohammed bin Rashid Al Maktoum, on 16 October 2016 during the cabinet meeting proposed the executive teams. The teams are made up of 500 officials who illustrate various public and private sectors to speed up the achievement of the objectives set in the UAE national agenda. The latter includes 52 national indicators that measure the well-being and happiness of the citizens of the country in 6 national priority areas which are: health, education, economy, environment and infrastructure, society, security and the judiciary. The global work plans representing short, medium and long term initiatives to achieve the objectives are regulated by the 36 executive teams of the 2021 National Agenda. The teams are responsible for defining and monitoring the implementation of these plans and for the formulation of the subgroups necessary to implement the works. The UAE has benefited from this rapid pace of development while preserving the fabric of their society, the essence of their way of life and the uniqueness of their culture. The vision aims to make the United Arab Emirates one of the best countries in the world since. Also, these plans have as further objective to bequeath future generations a prosperous, secure and stable nation. Their mission is to face the challenge of building a modern and progressive nation so that the people of the Emirates can share the fruits of their common development. The United Arab Emirates can count on many impressive achievements since its inception and are now among the most advanced nations in the world. The country is known to be characterized by a strong ambition and has no intention of relying on the results achieved in past years. The nation will work harder, both from an innovation and organizational perspective, and will be vigilant in examining the trends and challenges that will be expected.[71]

- Create value through Competitive Knowledge Economy

The whole economy will witness significant economic changes in the coming years and the country aims to be at the centre of this revolutionary change. The country will aim for an economy based on research and development, promoting innovation as mentioned above and finally strengthening the regulatory framework for the most important sectors and promoting value-added sectors. These improvements will attract foreign investment and help advance the country's economic environment.

Another goal marked on the national agenda is to bring the UAE among the best in the world in terms of entrepreneurship. This plays a very important role in unlocking the potential of citizens and allows them to be a driving force for economic development through small and medium-sized enterprises in the private sector. The entrepreneurial mentality was also intended to influence schools and universities in support of future generations with creativity, leadership, awareness, and ambition. Also, the government intends to guarantee a high lifestyle for its citizens. Therefore, the program seeks to place the country among the top countries in the world by per capita income and to ensure discreet national participation in the workforce as regards the private sector.[71]

- Infrastructure, sustainable environment and investment on the education system

The government is sensitive regarding the issue of sustainability, therefore it wants to protect sustainable development by preserving the environment and achieving a perfect balance between economic and social development. The agenda focuses on the maintenance of water resources, improving air quality, further increasing the contribution of clean energy and perfecting green growth plans. It should be emphasized that it is essential for the country to be the best in the world for road infrastructure, airport quality, ports, and electricity. The agenda takes into account the education system, intending to equip all schools, universities, and students with intelligent systems and devices as the basis for all teaching methods, projects, and research. The aim is also to be able to make students rank among the best in the world of knowledge of the Arabic language, in reading, mathematics and science exams and to increase the degree rate to encourage all schools to an incomparable leadership and internationally recognized teaching staff.[71]

- Purview health care world, secure jurisdiction and identity attachment

The agenda highlights the importance of achieving an excellent health system in the country and that it is worldwide. The collaboration will be carried out between all the country's health authorities and the government to obtain the validation and confirmation of all public and private hospitals subject to precise national and international quality standards of services and medical personnel. The program highlights the seriousness of preventive medicine and seeks to reduce cancer and lifestyle-related diseases such as diabetes and cardiovascular disease. The country will become among the best countries in the world in terms of quality of health care thanks to this particular attention to the health sector. One of the main objectives of Vision 2021 is to make the UAE the safest place in the world. it is essential to guarantee the rights of individuals and businesses and to make the judicial system among the most efficient in the world. Vision 2021 takes charge of preserving a cohesive society, proud of its identity and sense of community. It is essential to preserve the unique culture, heritage, and traditions of the United Arab Emirates.[71]

3.1.3 EXPO 2020

The Expo will take place from 20 October 2020 to 10 April 2021 involving over 180 countries. According to estimates, at the big event are expecting 25 million visitors, 70% of whom come from countries other than the host one. The completion of the works is scheduled for the end of 2019, to facilitate tests and checks because of the grand opening. The Dubai Expo 2020 will coincide, inter alia, with the celebrations of the Gold Jubilee of the United Arab Emirates, the fiftieth "birthday" of the state, whose independence from the United Kingdom was sanctioned on December 2, 1971. After the Expo? Difficult to predict the future exactly. Certainly, most of the structures will be transformed into a cutting edge university research centre, equipped with a congress centre, museums, exhibition spaces, as well as numerous innovative services for students and researchers. The main theme quotes so "Connecting minds, creating the future". Much more than a theme, a real mission with which the Universal Exhibition intends to recall the spirit of collaboration in the name of development and innovation. Furthermore, there are three "sub-themes" are gathered that deepen and motivate the intent "to create the future":

- sustainability, for progress that does not compromise the life and needs of the next generations. Focus in particular on sustainable production and the consumption of energy and water;
- mobility, to create new and more efficient connections (whether physical or virtual) between people, communities and countries;
- opportunities, to be unlocked for the benefit of the future of peoples. New potentialities for people and communities to enhance successful partners for the future. Aim for the interconnection between people and businesses as a factor in social and economic development.[72][73]

A mention also for the logo, which perfectly embodies the theme of Expo 2020:
a ring made up of many small concentric circles that come together to form the central ring. Symbol of the unity of peoples and continuity between present and future. To make the history of the logo even more fascinating is its origin. The design is inspired by an ancient gold ring, over 6,000 years ago, recently found during archaeological excavations in the Saruq Al Hadid desert, between Dubai and Abu Dhabi. [72]

Figure 8. Logo EXPO 2020

Source: official web-site of EXPO Dubai 2020: https://www.expo2020dubai.com/en

The goal, in continuity with the theme of the event, is precisely to gather ideas from all over the world and inspire participants to mobilize on shared challenges. Ideas must simplify life and improve its quality, without forgetting what has been done with Expo 2015. Proposals and projects will, therefore, be summarized in a common vision for our future. And the basis for this change is the Expo 2020 site itself. Half of the electricity used during the event will be entirely generated from renewable sources, while 90% of the material to be used in new buildings will be converted and reused by old buildings and infrastructure. The Dubai Expo is also an opportunity to encourage employment and investment: the sustainable development of tourist attractions, commercial and residential spaces will create approximately 277,000 new jobs, 40% of which are destined for the tourism marketing sector. The Dubai 2020 exhibition area will be set up in a new fairground, covering an area of over 400 hectares, the Dubai Trade Centre-Jebel Ali. It is located in the area adjacent to the new Al Maktoum International Airport, the largest airport in the world by several passengers (160 million per year). The free-zone that will surround the exhibition site promises to be served by the most innovative transport network on the planet and will be divided into six distinct districts (Aeronautical, Commercial, Golf, Logistic, Exhibition and Residential District) plus the airport and a Business Centre intended for start-up offices and large international companies within the Commercial District. [72]

Besides, Expo 2020 Dubai is the first Universal Exposition that takes place in an Arab country and will be the first to be held in the ME.NA.SA. (Middle East, North Africa, South Asia). For six months Dubai will be transformed into a world showcase in which the participating countries will present the best of their ideas, projects, exemplary and innovative models in the field of tangible and intangible infrastructure on the themes of the Universal Exposition to the world. The most connected city in the world:

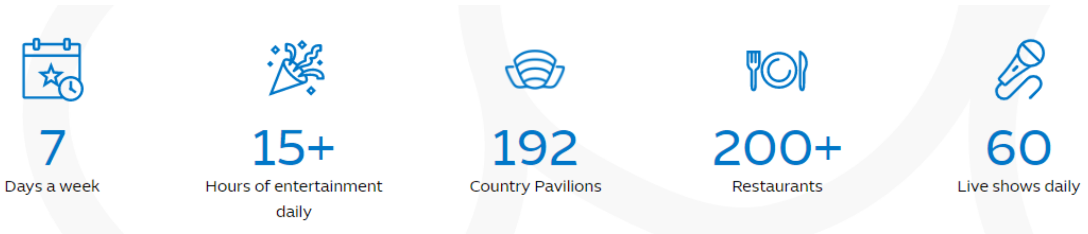
The Arabic term with which the city of Dubai was called in ancient times is al Wasl "connection", testifying to the strategic importance of its geographical position as a link between people from all over the region. Dubai is located at the crossroads of the world, geographically and culturally. At Wasl Plaza, it will be the heart of the Expo 2020 Dubai site and will represent the ideal place for exchange and meeting between civilizations. The United Arab Emirates are located a few hours' flights from the main international destinations, in the centre of an area that welcomes two-thirds of the world population in an 8-hour flight radius. The United Arab Emirates has now become a global hub for businesses, tourism and, increasingly, for sharing knowledge. They are home to over 200 nationalities who work together, exchange ideas and create partnerships to consolidate the country's position as a contemporary centre of innovation and knowledge.[74]

The official website of expo 2020 shows that:

- Over 80% of they are excited to improve global trade;
- Over 80% will host unique corporate programs;
- Over 80% corporate delegations.

Start-ups and international conglomerates can benefit from being part of Expo 2020 Dubai. With millions of visitors and hundreds of participating countries, the next World Expo is full of commercial possibilities.

Figure 9. Program during Expo 2020 exposition



Source: official web-site of EXPO Dubai 2020: https://www.expo2020dubai.com/en

Expo 2020 will be a gateway to new markets for all companies, offering them the opportunity to develop relationships with nations, multilateral organizations, companies, as well as with millions of visitors, echoing the Expo theme "Connecting minds, create the future ".[73]

Dubai expects an economic boost of $ 17.7 billion at the end of the Dubai Expo 2020. That said, it also aims to continue providing work, implement properties for purchase or lease, encourage SMEs to innovate and collaborate, promoting travel and tourism. The certain result of Dubai Expo 2020 will leave the United Arab Emirates one of the main destinations for business and investments.[75]

3.2 SAUDI ARABIA forecasts:

3.2.1 Vision 2030

To deepen this theme, I referred to the work performed by [7]Manuela Morello: "L'Arabia Saudita di Muḥammad Bin Salmān: il programma Vision 2030 tra modernità e conservatorismo".[76] The elaborate was very useful for studying in-depth the reforms implemented by the Saudi royal family in the framework of the new modernization process in which the nation has been engaged for several years now. To ensure that Saudi Arabia manages to become independent of oil revenues within the next twenty years, during 2017, the country launched a reformation program denominated Vision 2030. This intervention strategy, presented by the crown prince, Muḥammad Bin Salmān, consists in the restructuring of national resources to generate new investment financial sectors. In the framework of the country's modernization and internal security, Muḥammad Bin Salmān worked on the Vision 2030 program, an intervention strategy involving two distinct work plans: the origin of a "vibrant society" and the strengthening of an "economy thriving". At least from the theoretical point of view, the sovereign's intentions are to reconstruct the country into a model of excellence on a global level and to work collectively with the Saudis in this growth process.[77] In April 2016, Muḥammad Bin Salmān, as President of the Commission for Economic and Development Affairs, introduced the reform agenda at issue. The aspirations are essentially three, and according to the Prince's perception, it is arduous as well as a concrete project. In summary, the objectives are: to rank among the major economic dominance in the world, consolidate the position of Saudi Arabia as the heart of Islam and the Arab world, and enhance the centrepiece of a network that connects three continents (Asia, Africa, and Europe).[77]

[7] Based on the elaborate: "L'Arabia Saudita di Muḥammad Bin Salmān: il programma Vision 2030 tra modernità e conservatorismo", by Manuela Morello, Academic year 2017/2018

Figure 10. Official logo of Vision 2030

Source: official website of Vision 2030 Saudi Arabia: https://vision2030.gov.sa/en

To achieve its aspirations, the principle aims to strengthen the capacity of the new alternatives through a restructuring plan of the school system, diversify the economy thanks to the use of natural and cultural resources present in the country, to implement a new bureaucratic streamlining military force on which the principal has already invested heavily. The first section of Vision 2030 is regarding developing a vigorous society. The growth strategy in this circumstance principally concerns tourism, culture, education, and health. As regards the enhancement of the tourism sector, the goal for 2030 is to be able to receive at least 30 million visitors annually for the minor pilgrimage, [8]Umra, and double the amount of archaeological sites recognized as Unesco heritage sites. The prince has already started renovations which have made it possible to increase the capacity of the airports of the Holy Cities and the capacity of the places surrounding the two Holy Mosques. In 2017, moreover, new simplified procedures were introduced for obtaining an entry visa for Muslim tourists wishing to undertake the pilgrimage to Umra or Mecca. A tender was launched for the award of your work for a system of services to the online tourist. Furthermore, there has been ample room for the development of private building entrepreneurship for the construction of a wide range of economic and luxury hotels that can satisfy the service offer of all visitors. One of the many objectives deals with the Islamic religion,

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8 Thanks to the renovations in 2015, the number of visitors climbed to 8 million. The goal for 2020 is to reach 15 million callers.

which is to create a point of reference for Saudi citizens and visitors interested in learning about the history of Islam regardless of their profession of faith. As regards the promotion of Saudi culture, the prince intends to inaugurate an Islamic museum that can embrace researchers from all over the world thanks to an excellent system for consulting and collecting historical materials. The other public funds are still to be quantified, which is aimed at using them for the construction of a library and a research centre capable of competing with the standards of international excellence and capable of attracting intellectuals from all over the world.[77] It was highlighted by the communication campaign that made this first intervention famous plan, that this strategy is based on two crucial points that make Saudi Arabia a country, they say, unique and this is the faith in Islam and unity national. Moreover, restoration works are planned in various archaeological areas of the country. The prince wanted to emphasize the fact that, only through the preservation of cultural heritage, can identity continuity and unity of the nation itself be guaranteed for future generations. The Vision 2030 program supports the image of a country that already has the foundations to aspire to be a vast world power. It seems that it is also and above all a celebratory act of Saudi Arabia aimed at reawakening or increasing patriotic sensibility in the population and which can provide new elements to consolidate the legitimacy of the power of the ruling family. This suggests that in some way, the prince's intervention is justified by some sort of fear for the future of the ruling dynasty, as well as the country itself. The prerequisites for the restoration of the welfare system concern the safeguarding of the safety of Saudi cities. According to the nation's official statistics, the crime rate in the country is less than 0,8% per 100,000 people compared to 7,6% of the global average. As regards the development of cities in terms of well-being and the promotion of entertainment activities, the Vision 2030 program has foreseen huge state and private investments which will be discussed in the following paragraphs. In this regard, the program mentions the fight against drug use and trafficking and the prevention of road accidents. In the context of the development of cities, the state also intends to act to ensure better electricity, water, and public transport distribution services. Taking a cue from the attention paid by the international community to the issue of eco-sustainability in recent years, the prince then also stressed the defence of the environment, stating that these government initiatives will guarantee respect for the natural resources present in the country. According to the vision for 2030, Saudi Arabia aims to place at least three cities among the top 100 best in the world in terms of management and development, to increase household spending on cultural and entertainment activities within the Kingdom since current level from 2,9% to 6%, and to increase the number of citizens who practice sports at least once a week, from 13% of the population to 40%. As for the second objective, the reform program in the cultural sector provides for the opening of new recreational spaces, in which national talents can emerge and the simplification of the legal process for the opening of amateur and cultural clubs. The last point of this first section of the Vision 2030 program concerns the improvement of the health system and education. The investments in the welfare system mentioned in this section of the program mainly concern the objective of allowing an increasing number of citizens to own a house and access the basic services of the national management system. As regards health, the Saudi system has benefited in recent years from numerous private investments. and that, thanks to the use of internationally renowned doctors, the average life expectancy has increased from 66 to 74 years, in the last three decades. Future investments will concern prevention campaigns to reduce the rate of infectious diseases and to the dissemination of information about hospital care services in the country. In this sense, the prince has foreseen a process of privatization of the sector that can guarantee a better quality of service, the best medical experts for the citizen and above all timely treatment. However, such an investment suggests that the use of these excellent services will be subject to a high cost and therefore will be limited to the only portion of the population that can afford it economically.[77] The objectives of this intervention plan are to rank among the top 10 nations in the Social Capital (currently Saudi Arabia is 26th) and to increase the average life expectancy from 74 to 80 years. As for the school system, Vision 2030 provides for the implementation of the "Irtiqā'a" program, which will measure how effectively schools involve parents in their education of children. Curricular activities aimed at training "young people with the character" who, shortly, can spend their skills in developing the country as a new managerial class.[77] As part of the government initiatives related to the cultural sphere, Prince Muḥammad Bin Salmān spent on drafting decrees relating to five main themes: gender problems, the opening of borders to tourists (including non-Muslims), the launch a new program of entertainment activities, education and the national health system. The attention that Saudi Arabia has paid to gender problems is undeniable. In the Global Economic Gender Gap Report of 2016217 of the World Economic Forum, Saudi Arabia ranked 141st out of 144 countries concerning gender equality and, since then, King Salmān has reacted by promulgating a series of decrees and granting women some of the rights. that have been claiming for some time and which will be explained below. One of the most important reforms about gender equality was the introduction of universal suffrage in 2015 through the implementation of a decree of the king 'Abd Allāh, dating back to 2011. For the first time in the history of the country, the women were admitted to municipal elections both as electricians and candidates. Due to the influence of the opinions of the most conservative godly, the percentage of women who exercise political power remains very low today. Currently, only one woman holds political roles at the national level and it is [9]Tamāḍar Bin Yūsef Al-Ra viceman, Deputy Minister of Labour and Social Development. Another area where new gender equality laws have been adopted in recent years is education. Experts agree that, since the 1960s, the level of education of women has risen dramatically, so much so that in 2017, the percentage of literate women (91,4%) was almost on par with that of men (96,5%).[78] According to the latest national statistics, the percentage of women enrolled in university is even higher than that of male students, but according to the World Economic Forum, there is still a slight difference that sees a percentage of 61.8% of female graduates against 64.4% of men with an academic degree. Also, it should be specified that men have the opportunity to continue their studies abroad and many of them go to Europe, but especially to the United States to attend university courses, so the percentage of men with a university degree could be higher than the figure provided by the statistics of the World Economic Forum.[78] On 21 September 2017, the prince granted women the right to drive motor vehicles, starting on 26 June 2018. The decision responds to the “[10]Women2drive” awareness campaign organized by some Saudi women who had

[9] As already mentioned, the first woman to hold an institutional role at national level was Nūra Al-Fayiz who in February 2009 was appointed deputy minister of education and responsible for women's issues and their education.

[10] The awareness campaign was spread on Facebook and the official page is located at the following url: https://www.facebook.com/Women2DriveKSA/

protested in the previous months by recovering driving social networks but also has economic reasons at the base. In reality, the prince had already expressed his intention to grant the right to drive women, but he had also spoken of the worrying opposition of the country's Wahhabis who refuse to accept these reforms because of their interpretation of the *Sharīʿa* according to which, to example, women have only a quarter of the brains of men and that therefore, a reform such as the granting of a driving license scientifically implies, according to them, a risk for the safety of the community itself and is not consistent with the prevention plan of traffic accidents mentioned in Vision 2030. This decree also has consequences on the internal budget of the wealthiest Saudi families who, according to official data of the country, have hired around 800,000 drivers (almost all foreigners) by paying them an average salary of $ 400 a month, to allow their women to move. Finally, among the consequences of this reform, also the fact that from an economic point of view, obviously an increase in the demand for cars is expected which will somehow help to make the country's economy run faster.[79] In this regard, in January 2018 Prince Muḥammad Bin Salmān inaugurated in Ǧidda the first Saudi car show open to an exclusively female audience.[80] Another interesting reform would concern the cancellation of the obligation to wear ʿabāya, the typical Saudi black dress that completely covers the woman's body. In an interview with CBS, on the occasion of his first visit to the United States, the prince said that in Saudi Arabia the law is very clear: everyone must wear modest clothes, but the *Sharīʿa* does not specify whether a ʿabāya, a black dress or simply a veil. According to Muḥammad Bin Salmān, it is up to women to interpret the concept of modesty in their way of dressing, just as it works for men.[81] On a sociological level, in general, the wealthiest Saudis still have the perception that women are not responsible for working and that it is a task that only men in the family have to respect. In reality, it is a partial vision because this school of thought is typical of families that are certainly more affluent and who can afford economically the preservation of this status quo; as already mentioned, the situation is very different in rural and desert areas. As for the education sector and the world of work, currently, in the country more than 50% of Saudi women have a university education, almost 2 million women are unemployed and the rest are reserved for jobs in the healthcare sector, education or trade (in the latter case, women work as shop assistants in shops

and supermarkets whose access is reserved for families and is therefore forbidden to single men).[78][82] For the diversification of the national economy, Saudi Arabia has recently launched on the international tourism market, one of the sectors on which the principle and its collaborators are involved more in the context of the project of economic diversification and the process of reducing dependence from oil revenues.
Mu Binammad Bin Salmān intends, at the same time, to push the Saudis to stay in the country during their free time, but also to attract new tourists thanks to the redevelopment of historical and non-historical attractions in the area. In 2017, the principle presented a project that involves the development of some tourist areas overlooking the Red Sea.[83][84] In these areas, construction works for new infrastructure will begin at the end of 2019 and are expected to end by 2022.[85]
The works on the new tourist plan also involve the redevelopment of the historical sites and Saudi natural reserves and the organization of excursions to the numerous desert and volcanic territories present in the territory. These interventions would also seem designed about environmental protection, one of the key points of Vision 2030.[77] Saudi Arabia's decision to open the frontiers in a new category of tourists from all over the world has a meaning above all, it has carried out the work to facilitate the process for the arrival of tourist tourists (until 2017 concessions included, and with not a few restrictions, to foreigners of Muslim religion who intended to undertake the pilgrimage to the Holy Places or reasons for study or work). This reform has aroused great opposition to the government from the most conservative, who believe that this type of tourism is introduced in the introduction into the country of foreign customs and prohibited by their interpretation of Islamic law, such as the use of alcoholic beverages and hence to the total breakdown of Saudi morality. Muḥammad Bin Salmā will probably act as he did for the other reforms, overshadowing the influence of the traditionalist thinking of the country's old ruling class and proceeding without difficulty in its reformism.[86] After analysing the reform program already implemented and relating it to the government objectives for 2020 and 2030, it is possible to reflect on the priority government objectives of the royal family. In the next 20 years, the country will probably experience a great growth process. The royal family seems to have support from the local population in letting the country face this new era of change. However, it is clear that, regardless of Saudi support, the reforms are entirely

designed and managed by the royal family and a small group of men of power. Finally, it should be stressed that some of the strategic points of this development process, such as the communication, information, and training of personnel involved in recreational, cultural and sports activities, are entirely managed by the State that has the right to evaluate, promote, review or block any investment initiative. This attitude suggests that the royal family wants a modernization of the country, but that it also tries in every way to protect its power and legitimacy, avoiding the spread of ideas, projects, and activities that can upset the conservative tradition of the country from which, it is undeniable, the Saudi throne also depends. From an economic point of view, however, given the national wealth at the moment, the Vision 2030 project could also be fully implemented. It is more important instead to ask whether the Kingdom will be able to guarantee the functioning of this vanguard after 2030. The Vision 2030 program clearly describes the objectives of the government, offers statistics, manifests the country's problems and proposes solutions, but how feasible can all this be? Certainly the current wealth of the country, in terms of material and financial resources, will allow the construction of a welfare system that is so at the forefront of the country's tradition. However, concerns arise when one wonders if, once the crisis has arisen, the Kingdom will be able to bear the costs of operating this complex service machine.[77]

3.2.2 The strategy and objectives for 2020: Investing in the quality of life

The entire Vision 2030 program consists of reforms designed to have an impact on the national financial system and is divided into general objectives foreseen for 2030 and specific objectives for the two years 2018-2020 which are privatization, the protection of the Public Investment Fund, the consolidation of the fiscal balance and the implementation of a reform program aimed at improving the quality of life.

As regards the privatization process, the program is based on four fundamental pillars that characterize all Saudi policy from the discovery of oil to today:

the bureaucratic streamlining of the legislative and executive sector, the creation of bodies responsible for speeding up the process for the obtaining the authorizations necessary for the investment in the country and the management control of the privatization process, to ensure that the reforms are respected and punctual.[87]

Based on these pillars, the program has set objectives including:

- The regulation of privatization and the identification of sectors on to which it can be applied;
- The establishment of an institution that deals with the pre-selection and study of feasibility on the country's development proposals;
- The privatization of the innovative sectors of the development system;
- Support the work of ministries that deal with environmental protection and renewable energies, education, construction, transport, and health;
- Investment in NGOs and primary care centres;
- The privatization of the waste collection (and recycling) system, the postal service, the mills, and sports clubs;
- The sale of the territories owned by the state to increase the value of the land available in the country and contribute to the revitalization of building entrepreneurship.[87]

The Public Investment Fund (PIF), which is the main funder of Vision 2030, was established in 1971 through Royal Decree no. M/24, to unlock new investment sectors such as construction and infrastructure in Saudi Arabia and abroad. For example, one of the most recent appropriations managed by the PIF concerns the funding of $500 billion to build commercial and industrial areas in Jordan and Egypt.[88] Under the Vision 2030, the PIF will be fuelled by capital injections by the government, from loan and debt financial instruments with private companies and from earnings retained by past investments, as well as, as mentioned, by the proceeds of the likely listing on the stock exchange of ARAMCO, scheduled for 2019, in which it will be analysed in the next paragraph. government actions just described contribute to the achievement of most of Vision 2030's objectives including strengthening Islamic values and national identity, representing a model for a healthy life, diversifying the economy by investing in culture and entertainment, lowering the unemployment level, maximize efficiency of national governance and promote responsibility of civil society towards the territory.[88] The PIF will depend on the establishment of an entity responsible for carrying out short-term economic forecasts, for achieving the specific objectives and for managing the long-term results of this new policy. In particular, the objectives are to manage listed and unlisted companies mainly in Saudi Arabia and in various sectors to bring them to a prominent role in the international financial world; the diversification of Saudi companies to increase participation in the development of the private sector, identify the knowledge that the country has developed in recent years and therefore create jobs for highly qualified personnel in small and medium-sized enterprises and finally, the development of infrastructure and real estate. This sector includes the so-called giga-projects (such as the [11]Red Sea Project and the Qiddiya Project) which concern various sectors of trade and investment and which aim to enhance the Saudi economy in the medium and long term. Finally, international investments that aim to diversify the Saudi economy and give the country global leadership are mentioned. The result of the achievement of these objectives (through the injection of credit into the state coffers and some loan and debt instruments) would constitute around 47% of the total annual state revenues by 2020. The last point of the PIF program concerns instead, government initiatives and short-term reforms, many of which have already been implemented and will be illustrated in the following paragraph. The tax review program was designed concerning the financial decline that Saudi Arabia had to face during 2017 and consists of some fundamental pillars for the realization of further specific objectives which are: to prepare all state entities for the financial management of the sector, planning of state macroeconomics, maximizing state revenues and optimizing the use of national finances.[88] In May 2018, the Vision 2030 program was integrated with a guide to the reforms, the budget and the objectives set for 2020. This document offers an overview of the sectors in which the Kingdom intends to intervene, the procedures that will be implemented to achieve the objectives and the crucial factors that will intervene in this process, which are called "game changes". The government initiatives for the 2018-2020 period concern infrastructure and transport, housing, urban design, and the environment, health, education, safety, sport, culture, the arts, and entertainment.

[11] The Red Sea is a project that aims to transform hundreds of kilometers of the coasts of the Red Sea into a seaside area equipped to welcome tourists from all over the world. Qiddiyya, on the other hand, is the name of a mega amusement park that will be built by 2022 just outside the Saudi capital.

Also, activities are planned to encourage the commitment of civil society in the country's development and growth process. In the following, the most relevant activities that may have a greater and short-term impact, as well as the reforms already implemented, will be analysed.

- Infrastructure and transport

  In the infrastructure and transport sector, the keyword adopted by the program is smart, intelligent. This first section mainly concerns the concept of connectivity and the development of new technologies capable of guaranteeing a good eco-sustainable public transport service.

- Housing, urban planning, and environment

  In this section, the objectives set for the last quarter of 2020 are to increase the percentage of Saudis who own a house, to encourage construction entrepreneurship, to reduce carbon emissions and to build several green areas in the major cities of the Kingdom. Construction is one of the sectors in which the prince has decided to intervene, initiating a privatization process that encourages foreign investment.

- The National Health System

  The Ministry of Health, which is primarily responsible for the population development and growth program, has set itself very specific objectives to be achieved by 2020: lowering the rate of diabetes spread among the population, increasing life expectancy and intervene through rich awareness campaigns on the rate of obesity, cancer, and mental and psychiatric diseases. As regards public spending, the program plans to establish a proportional contribution system, which can guarantee at least basic care for citizens who need it, imposing higher taxes on the wealthiest Saudis.[77]

- The school system and the labour market

  The reforms envisaged in the training and labour market sectors aim to make Saudi universities competitive globally, attract talents from all over the world who can be spent on training Saudi young people and, finally, decrease the female unemployment rate which, according to the Index Mundi for 2017, it is 93%.[89] To achieve these objectives, the Ministry of Education and the Ministry of Labour and Social Development will be responsible for investing in academic research. Among the most relevant interventions, the establishment of Arabic and English language learning centres, the planning of school programs through which young people can bring out new skills that affect the world of work, the creation of awareness-raising that promote the importance of women's access to the labour market and the implementation of measures that encourage teleworking and part-time working hours. This section of the document also deals with the socio-economic integration of immigrants, a topic very dear to the new sovereign policy, as foreign workers in the country are involved in all sectors of the employment market. In particular, the objectives are to facilitate the obtaining of documents that allow you to stay in the country for talents who distinguish themselves in the academic and entrepreneurial field and encourage the formation of mixed classes made up of citizens and immigrants in schools at all levels of education.[77]

- Security and defences of citizens

  the prince intends to intervene by strengthening the national police force in charge of the defence of citizenship, especially concerning the fact that about 100,000 voluntary murders have been recorded in the Kingdom (although it is not clear the period taken into consideration or when they go back to these data). It is also interesting that emphasis is placed on the perception of crime by the population in major cities because the aim is that citizens feel safe on the street and at any time of the day. By the way, applications have been created available on the major portable devices, through which the Saudis will be able to evaluate their perception of safety in the most important city areas.

- Sport and physical well-being of the population

  The section dedicated to sports is one of the richest in objectives and intervention strategies, in the vision for 2020. It is interesting to underline that here, the activities are divided into two macro-categories: those that will be open to private funding and the activities that instead, will remain in the circuit of state contributions. In particular, private investors will have the opportunity to finance the achievement of the following objectives:

- The opening of new spaces in which to play sports;
- The realization of sports programs and competitions in 30,000 schools and universities;
- Activation of more than 500 sports clubs across the Kingdom;
- The organization of over 300 sporting events every year;
- The organization of courses for the training and updating of experts, teachers, and coaches;
- The construction of start-ups in the sports and sportswear sector;
- The realization of awareness campaigns for investment in the sector (for example, the construction of gyms and motor rehabilitation centres);
- The inclusion of women in the world of sports and sports competitions, including in international challenges (with a particular focus on women coaches and on the construction of buildings that allow separate spaces for men and women);
- The involvement of volunteers who are committed to taking care of the spaces dedicated to the athletic preparation of men, women and disabled people for the Paris 2024 Paralympics and the Tokyo Olympics in 2020;
- The involvement of foreign investors for the qualitative improvement of the performance of football teams.

➢ Heritage, culture, and arts

The development of cultural activities is one of the key points of the whole Vision 2030 reform program and it is for this reason that among the objectives for 2020, this section is particularly articulated. Unlike the sports sector, the government offers more precise statistics here and it is already clear what the numbers of events, institutes, and centres will be open to the public within that year. From the tables, it is clear that the Kingdom's main objective is to transform the wealth of the country's cultural heritage into excellent sources of income, but at the same time, improve the number of sites of cultural interest that can be visited. The General Authority for Saudi Culture has foreseen the restructuring of 84 bookstores on the national territory, the digitization of reference materials, the organization of cultural festivals, the construction of the Royal Art Complex which can accommodate a very large user base in terms of users' interests and ages and, finally, the organization of awareness campaigns that promote culture and the arts.

In 2018, the Kingdom has already inaugurated 2 theatres, a cinema, 2 private libraries, and 26 art galleries and has organized 55 different shows and 110 theatrical performances. The objectives for 2030 will increase these numbers exponentially, so much so that there is talk of 647 theatrical performances, 6 festivals, 109 shows and a total of 778 cultural events. Investments are also planned in the context of the development of the sector of record and film production, as well as music and publishing houses. All that concerns the creation and management of forums, blogs and training courses for artists, will be of state competence and will be regulated through new legislative codes on which, however, work has yet to begin. The prince, therefore, intends to create a network of entertainment channels which, however, will be entirely managed by the state and open new recreational centres that can host events and shows of all kinds, but in full respect of the Saudi tradition.

- Cross-cutting initiatives and the involvement of civil society

  A final section of the program of reforms scheduled for 2020, includes initiatives transversal to the objectives mentioned so far and the involvement of civil society (constituted by organizations under the total control of the sovereign) for the realization of the same.

  The game changers:

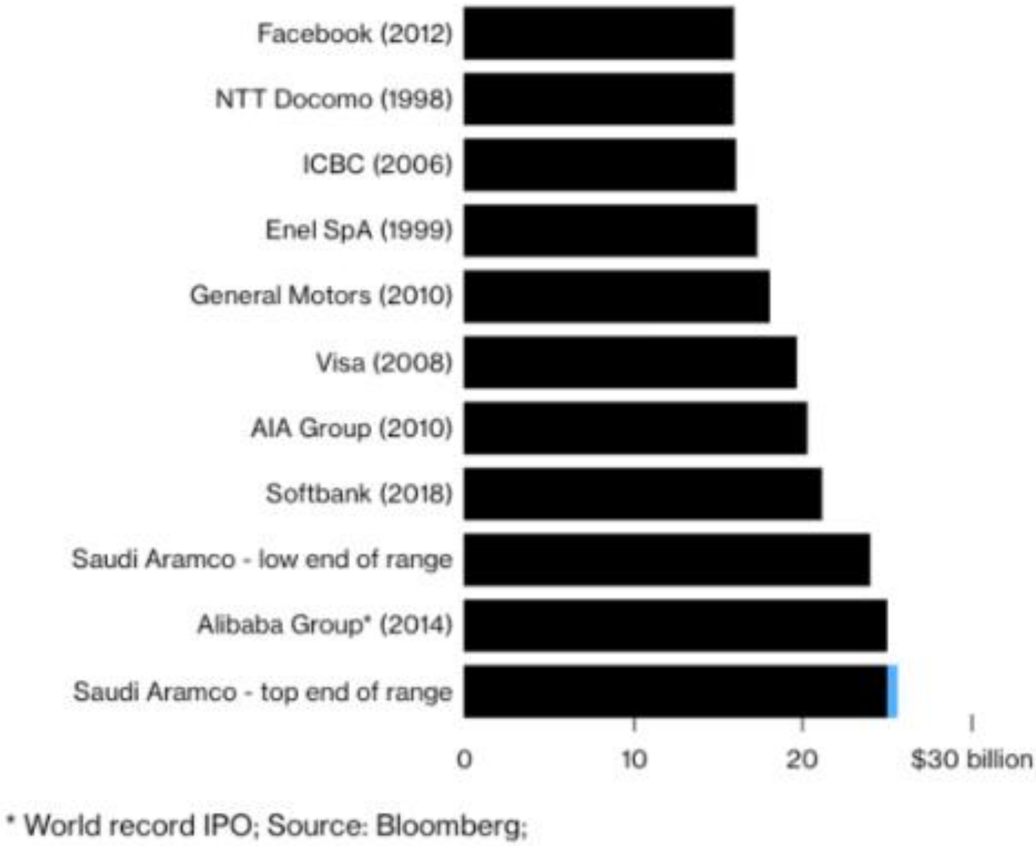
  In the framework of these reforms expected by 2020, Prince Muḥammad Bin Salmān also cited crucial factors for their implementation, including cooperation with SAGIA, the Saudi Arabian General Investment Authority, for achieving the following objectives: to develop and improve investment opportunities in the country, develop the arts and culture in Ğidda (a city considered to be among the most open and "westernized"), open cultural sites (including theatres, art galleries, and libraries), develop the film sector, implement new artistic training courses for both women and men, build the Royal Art Complex, organize and host international sporting events, revive women's participation in sports and cultural activities, improve the quality of life also concerning the types of accommodation attributed directly by the State, to build public spaces reserved for recreational and rest.

3.2.3 The tax system and the listing on the stock exchange of Saudi ARAMCO

One of the reforms that most shocked the tax system was the introduction of VAT, a 5% rate in January 2018, in addition, this tax was also applied in the Arab Emirates. It will affect the cost of living given that up to that time there was no system in Saudi Arabia taxation and the population had state goods and services free of charge or at very low prices thanks to subsidies.[90] In particular, the tax increased the cost of petrol, tobacco, soft drinks, hotels, and telecommunication services, while it was not applied on rents and sales of houses, airline tickets and tuition fees.[91] The Saudis of the eastern Shiite province, in the aftermath of the introduction of the taxation, expressed their discontent,[92] but being a reform particularly felt by the sovereign family, which does not intend to retro front, King Salmān issued a decree:
it establishes an increase of the salaries of civil servants. In particular, it provided for the payment of 1,000 additional riyals per month (approximately $270) to administrative staff and a premium of 5,000 riyals for the military engaged in the war in Yemen, as well as other subsidies for pensioners.[93] This tax reform responds to the goal of enriching the state coffers but is not consistent with the policy aimed at cutting public spending and reducing state subsidies that cost the country billions of dollars a year, an expense that Saudi Arabia soon will no longer be able to support. Furthermore, the negative reactions to the introduction of taxation show that the Vision 2030 reforms (where they introduce the privatization of healthcare, for

example) may not collect the desired consensus, and therefore jeopardizing the legitimacy of the regime and its basis of consent. The directive taken into consideration here complies with other aspects of the modernization process started by Vision 2030 and in particular to improve the well-being of the population in medical terms. The introduction of VAT and the increase in excise duties is a decision launched in April 2017 at the Gulf Cooperation Council, as part of a project that aims to improve the eating habits of the population and which therefore inspired the decision to introduce a 50% rate on sugary and carbon dioxide drinks and 100% on energy drinks and tobaccos.[94] Since the 1990s, the oil giant has gradually extended its influence globally, investing in massive expansion projects in various countries and creating numerous joint ventures. in 1988 the Saudi Arabian Oil Company (or Saudi Aramco) was founded. A few years after the first announcement of the crown prince Mohammed Bin Salman (MbS) dating back to 2016, Saudi Aramco officially debuted on the market on 11 December 2019. Entry on the stock exchange, limited for now only to the Saudi list (Tadawul), exceeded 25 and a half-billion dollars, proving to be the most impressive Initial Public Offer (IPO) ever. The partial privatization of the oil giant provided for the placement on the market of 1.5% of the capital which led Aramco to touch the 1,900 billion dollars in value, a valuation higher than that of the five main players Exxon, Total, Royal Dutch Shell, Chevron and BP overall. The operation, which beat the previous record marked in 2014 by the Chinese e-commerce leader Alibaba in 2014 with 25 billion, fully enters the Saudi Stock Exchange among the top ten world markets. The stock rose 10% immediately after the opening of negotiations in Riyadh.[95][96] This is the maximum allowed by Tadawul, which imposed an oscillation-band between + 10% and -10%. The closing price was 35.2 riyals ($ 9.39), meaning Aramco's valuation has already gone from the initial 1.7 trillion to $ 1.888 trillion. Abu Dhabi funds, according to the Financial Times, have invested $ 5 billion in Saudi Aramco instead of $ 1.5 billion as initially planned.

Figure 11. At the top of the range, Aramco's IPO would be bigger than Alibaba's



Kuwait's sovereign wealth fund would also be in the investor squad in the first hour.[97][98] Despite the initial local dimension of the IPO, mainly relying on national investors and regional allies such as the United Arab Emirates and Kuwait, it will inevitably have repercussions on the international energy supply since Saudi Aramco guarantees about 10% of the global supply of crude oil (with the extraction of about 10 million barrels per day). With an estimated profit of $ 111 billion in 2018, the company is the most profitable in the world. The sale of a part of Aramco is one of the cornerstones of Prince MbS's plans to diversify the economy and decrease its dependence on oil exports. The opening up of the main national state asset to the market will contribute to the financing of the massive reform program envisaged by Saudi Vision 2030. The official intentions of the Monarchy aim to increase the contribution of the private sector, create new job and development opportunities for small and medium-sized enterprises, boosting privatizations, tourism and socio-cultural participation of subjects.[95][99]

3.3 KUWAIT forecasts:

3.3.1 Vision 2035: the bold plan to transform Kuwait

Oil has lead that this small nation has transformed from a thriving commercial port into a profitable oil-exporting centre with a highly developed, but not diversified economy. Statistics show that the Kuwaiti economy is strongly linked to oil. It makes up almost half of the country's GDP, about 95% of exports and about 90% of government revenues. This has certainly favoured and contributed positively to enrich Kuwait but has also influenced being too dependent on oil. With this, Kuwait certainly does not want to abandon or set aside oil, but the time has come for the country to diversify its economy. This will happen with Vision 2035, the government's new plan to convert the country into a regional financial and commercial centre. The significant goal of the Vision 2035 is alleviate and simplify the bureaucracy that slows down renewal and modernization and stimulate private sector investments. Vision 2035 was actually conceived some time ago. The original plan was enunciated and formulated in 2010 by the government of the previous prime minister, Nasser Mohammed al-Sabah. When al-Sabah resigned in the middle of severe political agitation and disturbance in November 2011, the plan was silently interrupted and side-lined. The fundamental purpose of the Vision 2035 is alleviate and simplify the bureaucracy that slows down renewal and modernization and stimulate private sector investments. Due to the various circumstances and economic conditions in which the country poured, the plan was never really shelved. If the Vision 2035 project explodes and brings good results, the government expects a vibrant new ecosystem of businesses, including a new generation of fintech that have had positive effects in other GCC markets. Speaking of which, the Kuwaiti government is building South Saad Al Abdullah, a "smart city". The place will host 400,000 people and also a souk that will be managed by an artificial intelligence system (AI).[100] The plan recently helped the country jump into the World Bank Group (WBG) corporate index. Last year also saw Kuwait improve its position in the Middle East region by increasing its competitive standards, a matter recognized by the World Economic Forum (DAVOS) global index. The International Monetary Fund (IMF) expects a 3.5% growth in the non-oil sector in 2020. Kuwait is well aware of the relevance and interest of differentiating income from oil, which represented 90% of the country's domestic production. The Vision was launched by His Highness Sheikh Amir Sabah Al-Ahmad Al-Jaber Al-Sabah about a couple of years ago to turn Kuwait into an international hub for commerce and business. Since then, Kuwait has launched various projects within Vision 2035 in coordination between the public and private sectors. Kuwait is aiming to position the private sector in the first place to reshape the economy, particularly with the IMF, which indicated that the sector has been able to assimilate 100,000 Kuwaiti citizens into its workforce within the next five years.[101]

On the first of May 2019, the Jaber Causeway, the bridge that will connect the Bay of Kuwait from side to side, dedicated to the late Emir Jaber al Ahmad al Sabah, who ruled Kuwait during the first Gulf War, was inaugurated. It belongs to one of the longest on the planet with 36 km that joins Kuwait City (Madinat Al-Kuwait) on one side, Madinat Al-Hareer on the other, a new area of economic development that will arise by 2035. The bridge will connect Kuwait City to the Subbya area in less than 30 minutes, instead of the current 90 minutes. The construction time of the bridge was 5 years, albeit with almost a year of delay with an estimated total cost of 3 billion and a half dollars. The Jaber Causeway bridge was designed by the French group Systra and built by the South Korean Hyundai the South Korean Prime Minister Lee Nak-yeon was present at the inauguration together with the Emir of Kuwait. It is interesting to note that for the first time a world record work is not being made in Dubai which represents the city of records. This fact shows that finally the emirate that had lagged behind the other countries in the area demonstrates that is putting itself on par with the other Gulf countries.[102] As mentioned earlier, in May 2014, in the north of the country, Madinat al-Harrer, or Silk City project was co-confirmed and filed; [103] the new financial and commercial centre of Kuwait, will rise at the entrance of the Jaber Causeway. Furthermore, thanks also to a special regulatory framework, the new area will be a comfortable and profitable "free economic zone" of 250 square kilometres open and prepared for foreign operators. It is a colossal project and the estimated cost is 86 billion dollars with the support of international capital. The goal is to build an urban complex for 700 thousand people on five artificial islands by 2035: in the middle, the Burj Mubarak Al-Kabir will stand, with its 1001 meters and 234 floors it will be the tallest skyscraper in the globe. This will also represent a geoeconomic game for China with these new silk routes. In 2016, the emirate was one of the first Arab countries to sign an agreement with Beijing, entrusting the construction of a mega-refinery to China Petrochemical Corporation. The Emir met with President Xi Jinping last July where they have been important contracts for Silk City and surroundings.[104] If the silk city is completed, it will also include an Olympic Stadium, residences, hotels and retail stores. The urban complex will be able to house up to 700,000 people who will benefit from 450,000 new jobs.[105] The Mubarak Al-Kabeer port is under construction, a modern seaport for container ships and oil tankers but also an intermodal logistics centre.[104]

Conclusions

The objective of this work is to analyse in-depth the role of trade openness indicator that focuses on oil, in economic growth, which is confirmed to be quite important for these countries that they are prosperous in one particular resource, oil. The most distinctive aspects of the Emirati, Saudi and Kuwaiti political culture are a strong propensity for economic growth and modernization accompanied, however, by the enhancement of the country's historical, cultural and traditional heritage. As we have seen in the course of the discussion, the idealization of the past Bedouins belonging to the Gulf countries addressed, the system of values relating to this past as well as the characteristics of strength and spiritual resilience indicated as proper to the Bedouin tribes, were fundamental elements in the process of building the national identity. This past-present dualism is strongly felt by the national population, sometimes in a conflictual way, sometimes as an element that has contributed to the overall economic success of the Emirates, Saudi Arabia, and Kuwait. Governments above all encourage this latter vision, wanting to highlight the fact that the countries have achieved certain goals due to the management and administration capabilities of the same government apparatus, which inherited them from the Bedouin past of nations, together with the values that they still animate every type of bond present in the societies of these three countries. As can be seen in the first chapter, where the historical events were exposed and studied in-depth, the origins have profoundly distinguished the entire evolution that has gone through them. This has led them to be three excellent powers of the Middle East and the world today. The picture that emerges from the analysis conducted in the second chapter, is that the trade openness in these three countries as regards the oil sector, has favourable effects for the oil-exporting countries. This contributes to the accumulation of capital and therefore consequently to economic growth. The trade openness is not mathematically solvable, but it is possible to interpret it with a simulation. While still deeply dependent on oil, these Arab Gulf countries have been engaged in efforts to vary their domestic economies and the formation of their trade. The empirical results reported here underscore the importance of persevering these objectives in a liberal, market-oriented manner and to avoid using regulatory and prohibitive policy measures. The three Gulf countries quickly became an important economic centre and key players in the international scenery economy. There are, of course, also concerns for the future, and indeed all investments and very dynamic business represents a potential great challenge for the future. With the implementation of the new projects planned for the coming years, listed in the third chapter, the diversification of the economy of the countries will be allowed.

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