Chapter 1

Introduction

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Abstract

The chapter portrays the GCC region starting with its history. It overviews the evolution of the region and particularly the establishment of the GCC. Furthermore, it depicts the overall economic profile of the region and its socioeconomic development since its inception. It ends with the content description of the whole book.

Keywords: Gulf Cooperation Council (GCC), history, Arabian Peninsula, culture, Islam, entrepreneurial activities.

The Arabian Peninsula has deep roots in history, and it is an important part of the world for several reasons. First, it is known for being The Land of the Prophets, the place from which Islamic religion came. Second, throughout history this place has been the centre for trading (Mecca). Third, today this region is again known for business where several global financial centres are located. Fourth, most oil production is produced in this region and it is still the land of huge world oil reserves. Fifth, tremendous progress in education is happening in this Peninsula, where worldwide, famous, universities have established modern campuses.

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The Peninsula was under the Arabian Empire for six centuries (632–1258), until Genghis Khan, who led the Mongolian Army destroyed Baghdad (headquarters of the Empire, and later capital of the Islamic Caliphate). After that, the Ottoman Empire invaded and this land was occupied until the 20th Century. In the early 1900s some movement on the land of the Kingdom of Saudi Arabia (KSA) had been established to free the land from the Ottomans, with the help of the French and the British. Meanwhile, many wars happened between the tribes and lasted for decades. Each country's respective independence started from the 1930s onwards.

The Gulf Cooperation Council (GCC), was established in 1981. The GCC is made up of six countries, the Kingdom of Saudi Arabia (KSA), the United Arab Emirates (UAE), Kuwait, Bahrain, Qatar, and the Sultanate of Oman (Figure 1.1).

Fig. 1.1: Logo of the GCC Alliance

Source: GCC.¹

¹GCC (2020). *Logo* [Online] Available at: <https://www.gcc-sg.org/en-us/AboutGCC/Pages/Logo.aspx> [Accessed 4 December 2019].

The main purpose of the GCC is to share common cultural values and benefits, which are based on Islamic beliefs. Free movement of people, goods, and capital ensured this region very fast development.

The region (Figure 1.2) has been of interest to investors and venture capitalists for several decades. It is known for incredible developments where the whole world comes together. The main reason for development of this region is the discovery of oil. Although the GCC members were late in discovering this precious resource, they used it

Fig. 1.2: Map of GCC Members

Source: Encyclopedia Britannica.²

²Encyclopedia Britannica (2020). *Gulf Cooperation Council*. [Online] Available at: <https://www.britannica.com/topic/Gulf-Cooperation-Council> [Accessed 4 December 2019].

for their rapid development. The first oil discovery was in Iran in 1908, then in Iraq in 1927 (although they are both not in the GCC). The first GCC member who found oil was Bahrain in 1931, then the KSA and Kuwait in 1938, Qatar in 1940, while the UAE in 1958, and Oman 1964.

The economy of these countries is dependent on world oil production and its prices. Recently, these countries recorded declines in their GDP due to decreases in oil prices. All currencies of the GCC members are pegged to the US Dollar (USD). Qatar has the highest GDP per capita (USD\$59,324), the UAE (USD\$37,622), Kuwait (USD\$27,359), Bahrain (USD\$22,579), the KSA (USD\$20,028), and Oman has the least GDP per capita (USD\$14,982).

In the last few years, all countries began to base their budgets on the real economy, production and export. In order to do that, they promote education for locals which will allow them to take crucial positions in the economy from expatriates so that they can run their economies independently. The number of expatriates in these countries varies and the biggest number is in the KSA with approximately eight million. Additionally, the GCC's governments promote entrepreneurship development across the countries. A huge amount of funds is available in each country to promote entrepreneurial activities. They have realised that dependence on oil is not a long-lasting solution. Their population should be involved in these processes, and thus respective governments support education throughout universities as well as via lifelong learning centres. Business incubators at universities or separate are being established.

As the region lacks real sectors like production, the establishment of start-ups, small and medium enterprises (SMEs), and attraction of foreign direct investment (FDI) should be done. In view of this need, it would be worthwhile to outline the region from the perspective of its history and its values, the economy and current state of entrepreneurship as well as future prospects, for those who want to know more before investing in this region — this book will be of a great value to them.

The GCC countries have commonalities which play a significant role in entrepreneurship development. Firstly, the religion of Islam, has predetermined many things that are not usual for Western countries as well as those of the Far East. Secondly, culture is a phenomenon that all business must acknowledge. The culture has “drivers” and “pullers”, which are key for success and prosperity, and it is wise to know when to use each of them.

For entrepreneurs who are discovering the GCC for their prospective businesses, they must be familiar with the three principles that guide the local populations. Being aware of the environment in which businesspersons are in, they can establish a good base network for long-term success.³ According to some, the following are the main pillars: “family, Bedouinism and Islam”.⁴ In fact, all three factors contain very strong principles and none of them should be neglected. *Family* is first. *Bedouinism* has deep roots in overall Saudi Arabian culture that influences individuals and society on certain decisions that should be made. *Islam* has come after the time of Bedouinism, however, the Bedouin ethos⁵ is preserved and inherited along with Islamic teachings. Islam teaches all Muslims from a young age to be moral, fair, just and helpful to others.⁶

GCC countries follow the teachings of Islam, which subtly orders entrepreneurial activities to be of help to society and people at large. In this context, entrepreneurship is the “engine” of economic development

³Dana, L.P., Etemad, H., and Wright, R.W. (2000). The Global Reach of Symbiotic Networks, *Journal of Euromarketing*, 9(2), pp. 1–16. Available at: https://doi.org/10.1300/J037v09n02_01 [Accessed 25 June 2019].

⁴Lalond, J.F. (2013). Cultural Determinants of Arab Entrepreneurship: An Ethnographic Perspective, *Journal of Enterprising Communities: People and Places in the Global Economy*, 7(3), pp. 213–232.

⁵Ibid.

⁶Biygautane, M. (2015). ‘Analysis of the Impact of the Cultural and Institutional Characteristics of the Gulf Cooperation Council States in Entrepreneurship: Opportunities and Challenges’, in Kaufmann, H.R. (ed.), *Entrepreneurial Challenges in the 21st Century: Creating Stakeholder Value Co-Creation*, Palgrave MacMillan, UK, pp. 222–234.

in every society.⁷ It opens new jobs and boosts development of a country.⁸

The Gulf region has always been influenced by oil reserves and the revenues they generate. To a large extent their economies are built around expatriate workers and Western technology. Arab leaders across the region recognise the need to empower entrepreneurship, the development of sustainable SMEs and help well-established family businesses navigate succession and prosper into the next generation.

The following chapters describe each country in the GCC (Bahrain, Kuwait, Oman, Qatar, the, and the UAE), with their respective history, economy, entrepreneurship status and future perspectives.

⁷Fayolle, A. (2007). *Entrepreneurship and New Value Creation the Dynamic of the Entrepreneurial Process*, Cambridge University Press, Cambridge, UK.

⁸Palalic, R., Ramadani, R., and Dana, L.P. (2017). Entrepreneurship in Bosnia and Herzegovina: Focus on Gender, *European Business Review*, 29(4), pp. 476–479.