

INTRODUCTION

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In command of the world's largest hydrocarbon reserves and occupying an increasingly central role in both Middle Eastern and global politics, the six monarchies comprising the Gulf Cooperation Council (GCC)¹—Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates (UAE)—are now among the most heavily researched yet most commonly misunderstood actors in the international system. Bringing together six experts on the fast moving politics and economics of the Persian Gulf, this edited collection provides a comprehensive yet highly accessible analysis of these states. Following an overview of their various achievements, opportunities, and collective challenges, each chapter then discusses the individual historical backgrounds of the states, their political structures, economic diversification efforts, foreign policy and security environments, and future threats.

The six studies begin by demonstrating how the respective ruling families of these territories managed their early encounters with external powers—namely the British and Ottoman Empires—in the nineteenth century. In most cases these relationships helped secure legitimacy and protection for the governing sheikhs and their sons, often in exchange for exclusive imperial control over trade routes and foreign relations. The British Empire in particular was responsible for bringing stability to the region, as its agents rarely tolerated aggression between the tribes and rulers that had signed up to the various imperial peace treaties. An important exception, however, was the interior of the Arabian Peninsula. By

the twentieth century a powerful ruling entity—founded on a well-established alliance between adherents of purist Wahhabi Islam and the tribal muscle of the Al-Saud dynasty—was able to position itself as an independent state and, consequently, as both a threat and an opportunity to its smaller British-backed neighbours. By the 1960s the political landscape was changing once again, with substantial oil exports commencing and with Britain's imminent retreat from the region, as part of severe imperial retrenchment, prompting a period of hurried state formation, national identity building, and preparation for an uncertain future.

The chapters all then move on to demonstrate how the resulting modern states—three of which only became independent in 1971—managed to graft seemingly modern administrative departments and institutions onto existing traditional political structures. In this way, hybrid governments were established that fused centuries-old sheikhly and monarchical powers with new, rational-legal ministries and appointed bureaucrats.²

Since then, little has changed, as although there have been various experiments with political reform—ranging from Kuwait's and Bahrain's parliamentary elections to Saudi Arabia's municipal council ballots—the GCC's ruling families undoubtedly still dominate most aspects of political life, and in all cases retain monopolies over the key power bases of foreign policy, defence and national security.

While there has been variation in the individual popularity and competence of the Gulf's monarchs, all have been able to derive considerable legitimacy from unwritten (and often unspoken) social contracts or 'ruling bargains' that bind citizens to all-providing regimes.³ Essentially, in exchange for packages of oil-financed benefits, which often include direct wealth transfers, free houses, welfare benefits and guaranteed public sector employment, the rulers have managed to purchase the political acquiescence of their indigenous populations. And as for the legions of expatriate workers who have been imported in lieu of productive national labour forces, generous tax free salaries have usually been enough to guarantee satisfaction. In all cases, but especially in the smallest and wealthiest of the monarchies—Qatar and the UAE—the rulers have also been able to offer their nationals extra benefits, including a sponsorship system that allows regular citizens to build rent-generating business empires on the backs of foreign workers and, less tangibly, the maintenance of a subtle social hierarchy that invariably elevates the 'locals' above Arab and Asian immigrants.

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The chapters then outline how oil and gas exports have been the primary forces in shaping the economies of the six Gulf states over the past four decades, with the most successful industries being those that have exploited their comparative advantage of access to cheap and abundant energy. Meanwhile significant chunks of the hydrocarbon surpluses have been placed under the management of government-run sovereign wealth funds, some of which are among the world's largest. It is also shown, however, that in recent years a number of the Gulf monarchies have had to grapple with declining hydrocarbon reserves. This has placed enormous pressure on their manufacturing sectors—as energy now has to be imported—and has led to a number of post-oil diversification efforts. The UAE's second wealthiest emirate of Dubai—historically a successful trade hub—has most famously tried to reinvigorate its commercial and transport sectors, while also building up new tourism and real estate sectors, albeit with mixed success. But there is strong evidence of diversification elsewhere too, with Bahrain having long tried to build up a financial sector and Oman also opening up to foreign property investors and tourists. While there has been much less pressure to diversify in Saudi Arabia, Qatar, Kuwait and Abu Dhabi—the UAE's oil-rich and largest emirate—these monarchies are nonetheless also introducing new sectors with the threefold aims of improving vibrancy in national economies, creating appropriate employment opportunities for citizens, and building international linkages.

The Gulf states have had a number of shared security concerns in recent years, most notably a fear of either military aggression or fifth column activity generated by the Islamic Republic of Iran. Iraq too has been a cause of concern, especially for its most immediate neighbours, Kuwait and Saudi Arabia. However, the GCC has done little to promote a united front in the face of such threats, with the liberation of Kuwait in 1991 and the current containment of Iran relying almost entirely on the deployment of Western troops or the presence of United States bases. Moreover, the six monarchies have regularly pursued their own foreign policy and security strategies, and this remains an area of great divergence. Saudi Arabia and the UAE have invested in some of the world's most advanced military hardware—mostly sourced from the US, France, and Britain—and have built up the most powerful conventional armed forces in the developing world. Both states have also been taking hawkish stances on Iran⁴ and now seem willing to play the role of regional hegemons. In

contrast, despite housing US naval and air bases, Bahrain and Qatar have pursued active neutrality, carefully maintaining channels of communication with both Iran and the Western powers. Qatar in particular appears willing to play the role of an Arab Switzerland, now regularly positioning itself as a mediator in regional disputes. What the Gulf states do have in common, though, is that those with hydrocarbon surpluses still view foreign aid to beleaguered Arab or Muslim states as an important component of their foreign policy and security building. Very public efforts to get aid to embattled Palestinian communities in the West Bank, war-torn Somalia, tsunami-hit Indonesia and impoverished Kosovo have not only boosted the domestic legitimacy of Gulf rulers and their governments, but also served to win friends and buy off enemies in both their neighbourhoods and their own constituencies.

The future challenges facing the Gulf states are, again, both shared and diverse. As all of the chapters indicate, the rulers must prepare for a fast-changing political landscape. This has become particularly pressing following the 'Arab Spring' of 2011 and the pro-democracy revolutions that have swept the region, beginning in Tunisia, Egypt and Libya. With serious unrest spreading eastwards to the GCC's borders, notably in Syria and Yemen, and a full blown revolt having already begun in the poorest GCC member, Bahrain, the situation could rapidly develop into an existential crisis for the surviving monarchies. As yet, no proper roadmaps are in place for genuine democratic openings, and this renders the existing polities brittle and highly vulnerable to rapidly mounting pressures for reform from their fast growing and increasingly educated youthful populations. Most acute is the strengthening opposition to the monarchies' routine reliance on censorship and their perceived lack of accountability. Blocking Internet sites, pulping newspapers, and co-opting journalists, academics and other would-be civil society actors may reduce the immediate need for heavy-handed security apparatuses, but the methods and rationale behind this Gulf-wide strategy are being increasingly criticised, and often in the open. The lack of any meaningful indigenisation of the labour force also remains a concern, as repeated attempts to hold in check the stream of immigrant workers and push nationals into the workforce have routinely failed. At the root of the problem is the unwillingness of citizens to compete on a level playing field with foreign workers, given their social contract with ruling families and their preference for maintaining hierarchy-based,

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rent collecting economic structures.⁵ In time, this may prove to be the ultimate weakness for these states, as post-oil economic realities will require reforms that strike at the core of the ruling bargain and particularly its reliance on distributive practices.

Individually, Bahrain presently faces the toughest challenges, given that its government no longer has either wealth or economic advantages to transfer to its citizens. Recent elections have exposed resentment over an increasing wealth gap between the state's various communities, with its substantial Shia population having been particularly vocal. Having resorted to a public and deadly crackdown on its opponents in early 2011, and having invited Saudi Arabia and the UAE to deploy troops to Bahrain to help suppress the rebellion, the Sunni ruling family's legitimacy has been greatly and perhaps irrecoverably damaged. Although at the helm of a much more powerful economy, the ruling family of Saudi Arabia is also facing a looming crisis. Many Saudis consider themselves poor and disenfranchised, and the country's substantial Shia population undoubtedly sympathises with the Bahraini people's plight. Women too are becoming increasingly vocal, with many beginning to publicly condemn their status as second class citizens. Moreover, with an aged ruler surrounded by almost equally aged potential successors, there is concern that the kingdom's political stability may deteriorate as factionalism surfaces within the inner circle. The situation is likely to be exacerbated by an ongoing struggle between reformers and religious conservatives—the latter still commanding great loyalty across the state, even if their political power has been carefully contained in recent years. Oman too faces a succession question, with its childless ruler having taken much personal credit for the sultanate's various modernisation programmes. If his successor proves less progressive, there is a danger that the measures which have been taken to liberalise Oman's economy—and which have delivered largely positive results—may be reversed.

As the chapters on Kuwait, Qatar and the UAE demonstrate, these monarchies also face parochial challenges. Kuwait's unusual parliamentary political culture—an awkward mishmash of pork barrel politics and public chest-beating—is now deeply entrenched, and it will prove difficult to push through genuine democratic reforms without significant instability. Meanwhile Kuwait will probably remain unable to develop its economy properly or emerge from the sidelines of the regional system. With the smallest but wealthiest per capita population of all the

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GCC states, Qatar is the most vulnerable to invasion or coup d'état. Its energetic, rather high risk foreign policy may at some point backfire, especially if regional or international powers deem that its usefulness has expired. In this scenario, the country will be left unprotected and will represent a valuable prize. The UAE is the most complicated of the six states given that it is a federation of seven emirates. Only one of these still commands significant hydrocarbon reserves, and it is likely that this will lead to increasing economic and political centralisation. Given the proud histories and carefully guarded autonomies of the other constituent emirates, this may result in significant tension within the state. Already there have been signs of growing unrest in the poorer, outlying emirates, as significant numbers within their populations are uneasy over the ambitions of the current generation of Abu Dhabi rulers.