Chatham House, 10 St James's Square, London SW1Y 4LE
T: +44 (0)20 7957 5700 E: contact@chathamhouse.org
F: +44 (0)20 7957 5710 **www.chathamhouse.org**
Charity Registration Number: 208223

Middle East and North Africa Workshop Summary

Kuwait Study Group: Citizenship and the Economy in the Gulf

24-25 May 2013

Chatham House Middle East and North Africa Programme in partnership with the Gulf University for Science and Technology

INTRODUCTION

This is a summary of discussions that took place at a roundtable discussion held on 24-25 May 2013 at the Gulf University for Science and Technology in Kuwait City. Part of Chatham House's 'Future Trends in the GCC' research project, the discussion brought together a group of academics, civil society representatives, entrepreneurs, journalists and bloggers from different Gulf Cooperation Council countries to discuss some of the key trends shaping their political economy, with a focus on the concept of citizenship, labour markets and long-term economic visions for them.

Key points that emerged from the discussions included:

- The traditional notion of a trade-off between economic benefits for nationals and a monopolization of politics by the rulers was becoming more complicated. In several GCC countries the new generation now feels they have not been afforded the same benefits and services that the previous generation had. Even in rich Qatar, the government faces the problem of ever-increasing economic expectations. Moreover, Gulf nationals are not only interested in material benefits.

- Participants highlighted the tendency of elected politicians in the Gulf's (usually weak) elected or part-elected institutions to focus their demands on obtaining more short-term state-provided economic benefits for their constituents or supporters.

- Opposition movements focus heavily on criticisms of corruption and inequality, which are serious issues. Yet these groups were also criticized for lacking their own economic vision. Participants called for a more hands on approach by civil society and youth groups that can put forward ideas and alternatives.

- A recurring theme was the desire for Gulf citizens to have more opportunity to participate in planning and designing the economic and political future of their countries. The question of precisely who development is for surfaced as a key concern.

- The extensive use of foreign consultants has become particularly contentious because of the lack of local public participation in economic debates. Participants were concerned that much of the knowledge about the Gulf is produced outside the region, partly because of local sensitivities to criticism and constraints on academic freedom.

- Social and economic integration of migrant workers is too often a taboo subject even among nationals. The segmented labour market system and the mass importation of low-paid migrant workers benefits nationals economically, and helps to create a sense that they are privileged and protected.

- Governments are feeling some pressure to increase their focus on labour-market nationalization, yet these policies had failed to achieve their goals over a matter of decades and needed to be fundamentally rethought.

- The expansionary fiscal policies of Gulf states are not sustainable in the long term. It was suggested that instead of allowing economic structures to shape citizen-state relations, developing a citizenship based on economic and political participation could provide the basis for a more sustainable and productive economic system.

The meeting was held under the Chatham House Rule and the views expressed are those of the participants. The following summary is intended to serve as an *aide-mémoire* to those who took part and to provide a general summary of discussions for those who did not.

The Chatham House Rule

'When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.'

SESSION 1: CITIZENSHIP AND THE ECONOMY – SETTING THE SCENE

The meaning of citizenship

The overarching theme of this workshop was the impact of the GCC's economic structures and policies on the relations between these states and their citizens, and how these relations may develop in the future as the GCC economies evolve. It was argued that while there are clear definitions of nationality (*jinsiya*), there is little consensus on the meaning of citizenship. Even the more legalistic concept of nationality has been profoundly affected by the economic structures of the Gulf, and in particular by the evolution of rentier state mechanisms (debated in more detail below), as the economic benefits accruing to citizens have encouraged GCC countries to place particularly tight limits on eligibility for citizenship, in order to protect their living standards.

Beyond this, it was argued that the 'consciousness of citizenship' was still a work in progress, and that Western notions of the political content of citizenship might be very different from the ideas of many of the people in the Gulf, which are often not publicly articulated. For instance, it was argued that in the United Arab Emirates (UAE), tribes have traditionally been key mediators between the state and citizens: as one participant noted, 'it used to be that if you wanted to be recognized as a citizen, you needed a tribal leader to confirm that you were part of his tribe'.

A key concern expressed by participants was that much of the knowledge, theories and narratives about the Gulf is produced outside the region, with limited – albeit very important – participation by people from the Gulf. The work of renowned Gulf sociologists such as Khaldun Al Nakib and Abdulhadi Khalaf needed to be brought into the analysis of Gulf political economies, it was argued. Sensitivities to criticism and constraints on academic freedom were cited by participants as among the barriers to developing more indigenous research and conceptual frameworks. 'There are hidden walls inside researchers, and fears of naming things as they are', one said. One of the themes that recurred throughout the workshop was that governments are by no means blind to the economic challenges they face, including the unsustainability of the current fiscal model and the need to significantly reform the labour market, but debates around these areas are often held in closed-door forums, with the media tending to paint a rosier picture.

The rentier state and the 'resource curse'

The discussion moved on to the nature of the political economy of the Gulf countries. Since oil was discovered in the Gulf in the early part of the twentieth century, the political economy of GCC states has been shaped by natural resources. In the 1970s, as the oil boom boosted governments' revenues and enabled a major expansion of the economic role of the state, political scientists and economists alike tried to formulate a theoretical understanding of the mechanisms at work in countries that were generating vast wealth, due to the sale of their natural resources. The term 'rentier state', originally conceived by Hossein Mahdavy,[1] was the first theory that laid the foundation for the analysis of the economy of countries in the GCC. In the opening discussion, participants debated how relevant this model is today in the GCC, and the extent to which there were cross-country differences requiring explanations beyond this particular model.

The characteristics of a rentier economy include those below.

- Economic reliance on income derived from rents, seen as essentially windfall wealth, or 'almost a free gift from nature'.
- Typically the theory has focused on states that depend on oil export revenues, but there may be other sources of rents, such as foreign aid, or income gained through the use of political privileges

1 Hossein Mahdavy, 'The Patterns and Problems of Economic Development in Rentier States: The Case of Iran,' in Michael Cook, ed., *Studies in Economic History of the Middle East* (London: Oxford University Press, 1970).

- Only a small proportion of local population is engaged in the production of rent.
- The state is the principal recipient of the rent.[2]

The debate about the rentier state has also been linked to the idea of the 'resource curse', or the negative effects that windfall wealth has had on some, though by no means all, countries. Much depended on how countries chose to use the 'gifts' from nature, and whether these were directed into productive activities or simply distributed to citizens, it was said. The GCC economies remained heavily dependent on oil, which is the largest contributor to GDP in most of the Gulf states, and typically accounts for 80–90 per cent of government revenues and export earnings. A participant said that economic growth depended almost exclusively on the disbursement of oil revenues and on low-cost foreign labour. While GCC governments had used their wealth to employ and provide economic benefits to nationals, the local population has been disengaged from the revenue-making process. They were also largely disengaged from state decision-making processes, and institutional structures remained weak. On one hand, citizens in the wealthier Gulf states, especially the UAE, Qatar and Kuwait, enjoy some of the highest living standards in the world in terms of GDP per capita, life expectancy, access to education and so forth; on the other, advocates of the 'resource curse' theory say oil has not only incapacitated economic diversification but has created a democratic deficit.

Meanwhile, the nature of politics is profoundly affected by competition over the distribution of resources. Here, participants pointed to the way that the state's distribution of economic benefits is used by GCC governments, who sometimes explicitly cite their largesse (such as free healthcare and education) as a reason that their systems are preferable to Western democracies. Their control of oil resources allowed them to not only to expand the role of the public sector, but also to expand the role that ruling families and senior ministers play in the private sector, especially during the oil boom that has taken place since 2003. It was said that governments had demonstrated that their control of resources made them powerful enough to take away nationality at a single stroke, something that has happened to dissidents in at least three Gulf countries since the start of the Arab awakenings (with many precedents before that).

Rentier MPs

Participants also highlighted the tendency of elected politicians in the Gulf's (usually weak) elected or part-elected institutions to focus their demands on obtaining more rentier benefits for their constituents or supporters. In Bahrain, it was said, MPs were demanding salary increases, 'out of the existing cake, rather than addressing the corruption issue'. In the UAE, it was said, the federal national council had passed 13 motions to increase rentier benefits – including higher pay for fishermen, lower electricity tariffs, and a lower retirement age for women – and that most of these were passed by elected members from the poorer northern emirates, not the appointed ones.

While some participants criticized such MPs for short-sighted behaviour, others said their actions were rational in the context of the Gulf. 'Normally the private sector contributes two things to society, taxes and jobs, but why should a Gulf citizen want to support the private sector when they won't get taxes or jobs out of it?'. Another participant said that MPs were following the ruling families' approach – 'they're saying if they can have it, why can't we?' – but that elected representatives might act differently if they were allowed a more productive and responsible role in government. None of the Gulf countries includes any elected representatives in executive bodies.

2 Beblawi, Hazem. 'The Rentier State in the Arab World', in Luciani, Giacomo, ed. *The Arab State*, pp.85–98. (London: Routledge, 1990)

Prospects for the rentier model to change

Many participants said that the rentier state model for the GCC was still relevant today, though it could not explain everything, and in particular lacked a theory of change, or a model of how the rentier model might evolve over time. A participant said the economic notion of adaptive expectations also had to be factored in, or, put more bluntly, that 'you can't trick people all the time'. People were becoming accustomed to the benefits they received, and, after increases in public spending in response to the Arab protests, many people were expecting more pay rises to follow. It was essential to look at how the rentier state would evolve and whether the implicit bargain would break down. Against this, it was said that populations might become 'path dependent': it was asked if 'can you really change this after 40 years?'. It was noted that in Bahrain, people used to protest against the influx of lower-paid migrant workers; now they were more likely to demonstrate against attempts to make foreign labour more expensive.

Another said that reformists in Gulf governments did not necessarily want their countries to be rentier states. They were concerned about the size of the expatriate populations, the lack of jobs for nationals and the overall sustainability of their economic models. Some knew they could not rely on wealth preventing people from protesting, seeing the social and political tensions at play in some of the countries, such as Bahrain and Kuwait. 'Things will change, but it will be very slow,' one said.

The blurry line between private and public sector

Attempts have been made recently by GCC countries, such as the UAE, to create a private sector that can lessen the state's reliance on natural resource revenues. In general participants agreed that it was difficult to draw an entirely clear distinction between the private sector and the government in the Gulf, given the important role that ruling families play in business in most states, which is not always transparent.

In Kuwait, the inefficiency of the public sector in service provision has led to some attempts to procure services such as water and waste management from the private sector, with the passage of a build-operate-transfer law four years before. But there was a chronic failure of implementation. A participant argued this was partly because of the lack of efficient and productive SMEs, with much of the Kuwaiti private sector consisting of large family investment companies and banks. State owned enterprises also play a dominant role in the local business scene. A participant highlighted a study published by Vox EU[3] earlier that month, comparing the proportion of a country's top ten listed companies that are state-owned, which found that the UAE had the second highest proportion after China, while Saudi Arabia came in sixth place.

A participant said that Gulf nationals travelling abroad often encountered the stereotype that people from the Gulf were unproductive, passive and just waiting for *baraka* (blessings) to appear. Yet historically the Gulf had developed layers of productive activity, for instance finding a variety of ways to utilize the sea for infrastructure, boat building or trading in pearls and jewellery. It was said that in the age of oil the approach had largely been to export crude oil, and that the Gulf should be doing far more to use its resources for manufacturing. Entrepreneurs were disproportionately in small-scale retail businesses, 'selling abayas or cupcakes'. It was said there should be more opportunity for local entrepreneurs to develop industrial projects based on oil wealth, which currently tend to be dominated by major state owned companies.

3 Max Büge, Matias Egeland, Przemyslaw Kowalski, Monika Sztajerowska, 'State-owned enterprises in the global economy: Reason for concern?', Vox EU, 2 May 2013. http://www.voxeu.org/article/state-owned-enterprises-global-economy-reason-concern

SESSION 2: LABOUR MARKET AND DEMOGRAPHICS

Introduction

A segmented labour market exists in GCC states, where nationals are largely employed by the public sector and expatriates making up most of the private sector. The private sector itself is divided into low paid migrant workers usually from South-East Asia and highly paid people who are typically from Western countries (and sometimes from parts of Asia or and Iran). Socio-economic divisions in a highly hierarchical labour market affect the social relations between expatriates from different national and ethnic backgrounds.

Since the 1970s many governments in the Gulf have tried to implement policies that promote and encourage the employment of nationals in the private sector. But the policies have not worked. Instead, the proportion of expatriate workers in the private sector has risen in all of the Gulf states. In this session, participants discussed through a series of case studies, the issue of the GCC's segmented labour markets and the competing pressures on policymakers, businesses, citizens and expatriates within it.

The Omani example

A participant, using the example of Oman, provided a brief case study on why attempts to nationalize the labour market in the country have been hard to achieve and discussed the vested interests that sustain the status quo.

Oman has relatively low oil and gas resources compared to its GCC neighbours with a large territory and the second largest number of nationals of any Gulf country. The 2010 census stated that there were two million Omanis and around 800,000 non-nationals. Some regard the latter figure as an underestimate and think that the number of expatriates is now around twice that amount (the expatriate population was found to be significantly underestimated in both Bahrain and Oman in recent years and there has long been scepticism about the Saudi figures). In fact, according to these statistics and the growing influx of expatriates, the national population in Oman would probably be reduced to 50 per cent of the overall population within the next two to three years.

In 1975, the Omani government initiated its first five-year development plan, drafted with the aim of diversifying the labour market and reducing the expatriate population. However, within a five-year period, with the end of the Dhofar war in the southern provinces in 1976, the expatriate population was to double. In the late 1980s, the government worked hard to reduce dependency on oil revenues and by the mid-1990s the focus concentrated on labour market nationalization, income diversification and promoting a tourism sector to provide jobs.

Currently, Oman's long-term economic vision aims to make the private sector responsible for nearly 70 per cent of employment by the year 2035, compared with 30 per cent today. Since joining the World Trade Organization in 2000, Oman has seen greater inflow of foreign investment. However, the participant said, the number of Omani job-seekers increased from 30,000 to 100,000 in number between 2000 and 2009. While the Omani government has been trying to find a way to accommodate and produce employment for its national population, there is little incentive for nationals to migrate into the private sector. Over 70 per cent of private sector workers earn only \$500 per month, compared with the minimum public sector wage, which is \$844 per month. High-wage, capital-intensive sectors such as mining employ a high proportion of nationals, but labour-intensive sectors such as construction employ barely any.

Vested interests

Despite official policies aimed at increasing ‘Omanization’, such as quotas requiring companies to employ nationals, other policies pointed in the other direction, such as the exemption of the construction sector from these quotas, and the introduction of residence permits for foreign investors, seen by one participant as a de facto way of obtaining permanent residency (typically very hard to obtain for non-nationals in the Gulf). The political influence of major employers, often from well-connected merchant families, tended to undermine the implementation of Omanization initiatives. Yet since 2011 labour strikes had placed more pressure on the government to focus on employment issues. One participant argued the authorities had given more powers to the parliament so it could act as an alternative conduit for citizens’ grievances instead of labour unions and strikes.

The political influence of major employers had also helped to abrogate an ambitious programme of labour market reforms in Bahrain, a participant said. The reforms introduced in 2006 had focused on reducing the cost gap between nationals and non-nationals through the introduction of labour fees, supported by the country’s crown prince and by the main opposition group, Al Wefaq. However, since the 2011 uprising and the relative marginalization of the crown price, labour fees had been suspended, the labour law had been changed and a number of labour rights taken away. The curtailing of the reforms meant it was difficult to evaluate the effectiveness of a programme that should have been an important case study for the entire GCC.

The union movement in the Gulf

The union movement began in the early 1950s in the GCC with the discovery of oil and the beginning of the rentier state model. Changes in the political environment in the GCC promoted the union movement, for example, in Bahrain reformists formed the National Union Committee in 1952 following sectarian clashes. The union movement carried out a number of protests and general strikes, demanding an elected popular assembly.

In most cases in the GCC, the laws regulating unions and workers’ rights tend to be broadly drafted allowing for manipulation or loose implementation. International pressure has encouraged some GCC states to legislate to allow unions, notably in the run-up to the 2022 FIFA World Cup in Qatar. But in general GCC governments do not implement laws that allow effective union activity, with the exception of Kuwait, where the union movement dates back to the 1930s. In Bahrain unions have been permitted since 2011, but the laws on the right to strike are contradictory, it was said, and the right is prohibited altogether in a number of sectors. Across the Gulf, the dependence on transient migrant labour also undermines and largely precludes effective union organization.

A participant said there should be more effective ‘social education’ on the potential for unions to play a constructive role. Workers were not aware of the importance of how to solve problems with the owners of businesses and management. In Bahrain strikes in 2006 and 2008 were not accompanied by effective negotiation and communication, and some disaffection with the unions ensued. Another important issue is that of independence of unions, as unionists sometimes felt the need to attach themselves to political groupings for survival, losing their political independence.

Salary expectations

The failures of labour market nationalization are also directly linked to the structure of the economy and the sectors that are chosen as priority areas for investment and diversification. Property, infrastructure, transport and logistics were seen as important drivers of economic growth, but did not create many jobs that GCC nationals would work in, owing to their high reservation wages. productive structure of the economy does not induce the development of high-skilled labour.

Governments in the GCC are aware of these problems but are struggling with current solutions. In the UAE, out of the working local population only 12,000 are in the private sector, while there are around 13,000 Emiratis graduating from university every year. Many participants shared the opinion that the reason for the failure of labour market nationalization was the pay gap and the salary expectations of nationals. One participant highlighted that the salary expectation of an Emirati starting in the public sector is 30,000 AED a month – almost $8,000. In the private sector, a starting salary would be almost half that.

Another said the reason for the chronic failure of labour market nationalization was ‘you can’t solve the problem of discrimination with favouritism’; quota requirements were not addressing the fundamental issues of skills and pay.

Tensions over migration

Participants said there was a high risk of growing tensions between nationals and expatriates, especially in countries such as Bahrain and Oman where the wage gap is lower and nationals are sometimes competing for the same private sector jobs as migrants. In the wealthier Gulf countries, there were also rivalries over pay for highly skilled executive jobs, where young and ambitious Gulf nationals sometimes resent the packages offered to highly skilled expatriates in managerial positions (companies counter they need to compensate expatriates for housing, schooling and other benefits offered for free to nationals). Thus there was some resentment of expatriate workers, even though the vast majority of them are far poorer than nationals and enjoy much weaker legal rights.

The influx of migrant labour workers in the Gulf is usually regulated by a *kafala* (sponsorship) system that makes workers extremely dependent on their employer, who acts as their sponsor, and makes it almost impossible for them to change jobs without their employer’s prior approval. Moreover, while there are laws in place protecting workers’ rights, these are often un-implemented, as courts would almost always be expected to rule in favour of nationals over their foreign employees. Thus there are frequent reports of Gulf companies failing to pay migrants’ salaries, as well as unscrupulous labour middlemen bringing debt-bonded migrants to the Gulf on the basis of false information.

Moreover, the dramatic rates of inward migration were leading to some tensions over rapid social and cultural change in Gulf cities. For instance, a participant argued that the influx of expatriates to Muscat was leading some nationals to feel alienated from their traditional urban setting. Another flagged a 2010 Twitter campaign entitled ‘UAE is full, go back home’. Several participants stated that they felt uneasy with these kinds of campaigns and sentiments, and that the expatriate population should be acknowledged and appreciated as a vital part of their economies’ success. Some Twitter users had responded to the UAE campaign by asking fellow nationals, ‘Will you pump the gas? Clean the streets?’. Another argued the tensions were overstated, saying that while in Bahrain many nationals would prefer to see more jobs going to Bahrainis, for the most part Bahrainis maintain positive working and personal relationships with expatriates. Nonetheless there have been instances of attacks by Bahraini nationals on Asian workers.

The impact of migrants on the concept of citizenship

Social and economic integration of migrant workers was a taboo subject even among nationals, argued another participant. The segmented and exclusionary labour market system helps to create a sense of privilege among nationals. It supports their high living standards through the ample supply of low-cost labour. And it allows them to enjoy a greater share of the country’s oil-revenue rents than would be the case if longstanding migrant residents were able to obtain citizenship and share in the country’s wealth. This has fundamentally shaped the concept of citizenship in the Gulf, it was said: ‘there is the idea that the state should protect my privilege to live well, which is understood as a right’.

The existence of expatriates has also been important for reinforcing national identity in the GCC, it was said. The Gulf through mass importation of workers has created the ‘other’; without them, citizens would not enjoy such privileges. This has system has strongly benefitted the governments in the GCC with a minority national population; the minority local population at times feels uncertain and insecure over national identity, and entrusts the ruling elite with the responsibility of upholding a sense of national identity, even if it is an artificially monolithic one. This reinforces the idea of the ruler as the ultimate guardian of national identity against ‘corruption from these expatriates’, a participant argued.

It was said that there was a potential conflict between aspirations to strengthen ‘political citizenship’, where citizens were seeking a greater role in power-sharing and democratic institutions, and ‘economic citizenship’, where citizens had high expectations about their job prospects, in turn based on assumptions about the lower status of migrants. Opposition movements were criticized for neglecting the issue of migrants’ rights. Conversely, a participant asked, ‘if we had citizenship based on duties and rights, not privilege, how would perceptions of migrants change?’.

SESSION 3: EXPECTATIONS AND ENTITLEMENTS

In the last 35 years, the living standards of Gulf citizens have been gradually rising. Qatar and the UAE both rank in the top ten per capita incomes in the world, with Bahrain, Saudi Arabia, Kuwait and Oman ranking in the top thirty. Citizens in the GCC typically enjoy heavily subsidized housing, education, healthcare and energy. According to the UN Human Development Index (a measure of life expectancy, literacy, education, standards of living, quality of life and a standard means of measuring well-being), all GCC states are bracketed within the 'Very-High' or 'High' human developments tables. However, income and wealth inequalities are high, and democratic participation very weak.

This session discussed what type of political contract exists in the GCC, and whether it has changed over time. Participants discussed how the economic expectations of Gulf nationals related to their political expectations, and if there were any generational differences in attitudes to economic and political rights.

Bahrain and the social contract

It was said that the idea of a social contract was an important element in Bahrain's political struggle. The country's first constitution, drafted by an elected assembly, was said to represent a social contract between the governors and the rulers, including the introduction of an elected parliament in 1973. The restoration of a fully elected parliament has been a key focus for opposition groups ever since this was suspended in 1973]; the current parliament, introduced by a new constitution in 2002, is half-elected and gerrymandered. This problem would not be solved by offering pay rises or economic handouts, it was said. There was a failure to understand that many affluent nationals also want to see change.

At the same time, the opposition lacked an economic vision. As one participant said, 'They talk about fighting corruption, but that's not a vision.' Nor had Bahraini citizens had the opportunity to participate in developing the country's official economic vision, Vision 2030. Economic expectations were unrealistic. Many Bahrainis expected to have the same living standards as their Emirati or Saudi neighbours, but the country simply lacked the resources, it was said.

Changing expectations of the state

Another participant argued that the traditional notion of a trade-off between economic benefits for nationals and a monopolization of politics by the rulers was becoming more complicated. Citizens in the Gulf are no longer bound by material benefits, but want their governments to provide intangible benefits – opportunities for knowledge and education, international prestige, and the safeguarding of culture and religion in an age of globalization and mass migration. These demands and aspirations vary between the different Gulf countries and are affected by variables such as natural-resource endowments, local human capital and political culture, and the different styles of ruling by the different ruling families.

In Qatar in particular, the state had adopted extensive policies to cultivate non-material sources of political legitimacy through the promotion of, among other things, nationalism, culture and heritage, education, international prestige and political stability, through projects such as Education City, Katara Cultural Village, the Museum of Islamic Art, the Doha-Tribeca Film Festival and the World Cup in 2022. This required extensive investment and as the participant noted, the GCC states requiring this most have the fewest resources to achieve it. Another participant said that in Saudi Arabia in 2011, the government had started to encourage larger National Day celebrations than usual, as a way for young people to celebrate and let off steam, at a time when various political petitions were circulating; this happened although the celebrations had been opposed by the religious establishment, and the participant argued the government was seeing a greater need to pay attention to youth even at the cost of annoying their traditional support base among the clerics.

In the UAE and Qatar, ruling families could afford to be generous to the small numbers of citizens. In Qatar, per-capita oil and gas income was more than 20 times what it was in Bahrain. In countries with fewer resources, it was more tempting for governments to discriminate in allocating resources only to a small and loyal elite.

Even in rich Qatar, it was said, the government faced the problem that citizens have ever-increasing economic expectations. In 2006, Qatar doubled pensions, yet there are now widespread calls for further increases as prices and lifestyle continue to become more expensive. In 2011, salaries in the public sector (where the majority of employed Qataris work) were increased by 60 per cent and by 120 per cent for those in the police and the military. Yet according to a recent survey conducted by Qatar University, less than half of the respondents (47 per cent) said that the salary increase 'really helped our family'. In the same survey, only 21 per cent of respondents felt that an annual income of $100,000 was an adequate economic situation. This is in part a reflection of widespread indebtedness that affects three-quarters of Qatari families.

In Kuwait, the new generation now feels they have not been afforded the same benefits and services that the previous generation had. It was said this was one of the factors leading critics to call for an elected prime minister who did not come from the ruling family, in contrast to their parents' generation. One participant said that 'the country hasn't done for me what it did for my parents'. Despite having a budget surplus for more than a decade, Kuwait was struggling to meet its commitments in terms of infrastructure and services. The waiting list for government housing now numbered over 100,000.

Participants disagreed on the extent to which GCC citizens needed to change their sense of economic entitlements. One argued that the sense of entitlement was not just a matter of greed: instead, the fundamental idea that natural resources belong to the citizens, not only the government, was at the core of people's expectations. Another said: 'There is a sense that if you are affluent or employed you don't have the right to express political discontent – and I think this is unique to our region'. Others argued that developing a more sustainable and responsible concept of citizenship required more awareness of duties and 'giving back'. A participant argued that a social contract is not only created by a constitution, but by the more prosaic institution of a tax system. This refers to a widely held theory that the rentier state system could be unwound by the introduction of a taxation system that makes the government reliant on its citizens for its income, and in turn encourages citizens to hold their governments accountable for how their money is spent.

One participant argued that attitudes were already changing, saying that among youth in the UAE, there was now a greater demand to have a job, not just a house. There was some awareness that natural resources would eventually run out.

SESSION 4: DECONSTRUCTING THE ECONOMIC VISIONS

Wary of their heavy reliance on natural resources, GCC states have undertaken grand programs of reform designed to diversify their economies, enhance the private sector, improve educational development and boost the employment opportunities for nationals. This session debated the purposes, strengths and weaknesses of these long-term economic visions. Discussions centred on how realistic these visions were and whose ideas they reflect. In the wake of the recent financial crisis and the Arab uprising, participants discussed whether a fundamental rethink was required.

Kuwait

The economic vision for Kuwait, 'Kuwait Vision 2035', aims to make the country a leading financial and commercial trade centre for the region. Initiated by the emir and passed by the parliament in 2010, it is divided into seven five-year phases. The budget for the first phase, 2010–15, was estimated at $110 billion. The major projects envisaged under the plan are Silk City, a planned new urban development area opposite Kuwait City, intended to house 700,000 people, and an energy zone in the south of the country. The participant highlighted that foreign companies will execute these projects, with local domestic agents doing nothing more than 'sharing the profits'

The critiques of the vision centre on the idea of creating free trade zones and encouraging the transfer of goods through Kuwait, without a scope for further development. A participant argued that besides the installation of free trade zones and foreigners paying taxes, the reach of this vision is limited. In South East Asia, free trade zones were developed after years of state-led intervention to ensure stability. Additionally, this vision is not unique. The idea to create a regional financial centre has already begun in Bahrain, Dubai and Qatar; Kuwait would need to compete more effectively with its neighbours or else devise a more original vision, it was said.

Focusing on finance as a leading force for development was in the opinion of the participant problematic. Both in the Gulf and internationally, this was a sector that tended to be highly concentrated in the hands of a few powerful players, whether the major banks in the Gulf or the three big ratings agencies internationally. The financial crisis had also exposed the sector's fragility and vulnerability to global economic problems. It was argued that the focus on financial liberalization was somewhat outdated and failed to take the newest economic thinking into account. In conclusion, the participant felt that Kuwait's latest vision largely depended on imported neoliberal narratives, similar to those in other GCC states.

Abu Dhabi

Abu Dhabi's vision, first published in 2009, was described as an 'audacious' 22-year strategy plan that includes some $160 billion of development projects in the first five years alone. With 80 per of the UAE's revenues coming from oil exports and an ever-increasing expenditure bill, it aims to reduce reliance on oil by developing a large empowered private sector and the creation of a knowledge-based economy. Originally conceived by the crown prince of Abu Dhabi, Sheikh Mohamed bin Zayed Al Nahyan, the vision has been supported strongly by the country's ruler, Sheikh Khalifa bin Zayed Al Nahyan

In 2011, the government salary costs were 10 per cent of all revenues, subsides and transfers accounted for 12.2 per cent and in 2012, the government doubled all public sector salaries. This increased the 'break-even price' (the amount of money for which oil must be sold to cover the costs of acquiring it and exporting it) from $23 per barrel in 2008, to $92 per barrel in 2011. An economy such as this requires extensive diversification in order to continue. To attract investment, the vision says the country needs to create an open, efficient and effective business environment, sufficient infrastructure, and a highly skilled and productive workforce. Its ambitious target is to reduce unemployment among nationals to five per cent by 2030, in effect achieving full employment, while increasing GDP fivefold. The vision anticipates 12 priority sectors for development including petrochemical, engineering (mostly metals), aerospace, pharmaceutical and life sciences, tourism (developing islands, similar to those on the coastline of Dubai), healthcare (primarily for medical travellers), transport (airport and rail network), education (for high-calibre graduates), media and expanding the financial sector.

Criticisms of the vision include the view that it tries to be too comprehensive and 'all-consuming', while the targets, particularly on employment, appear unrealistic. Educational priorities would need to change: while the vision focuses on creating life sciences and engineering sectors, currently 80 per cent of graduates are in the humanities. As with other Gulf economic visions, much of the agenda appeared to be set by international consultants, and contained numerous examples of consultancy buzzwords and jargon. However, it was argued the vision should be seen as its name suggests, as a story about an ideal scenario for the future, which could provide a guide to aims and aspirations, rather than being taken literally.

Bahrain

Surrounded by resource giants, Bahrain is a country with limited national resources. Its vision for 2030, focuses primarily on having a competitive economy, further private sector development and job creation to promote sustainable growth.

Initially thought out in 2008, without neither much opposition nor enthusiastic support, the vision was not understood by most Bahrainis; participants questioned how many had even read it. This appears to be a common theme when discussing economic visions in the GCC, reflecting some disconnect between ordinary citizens and the centres of economic policymaking, which are at times criticized for listening to well-known Western consultancy firms more than their own people.

The liberal, free-market economic assumptions underlying such visions were said to be more 'ideological' than the visions suggested. The vision imagines a Bahrain with a borderless economy, deregulated investment, less state intervention and a 'level of social assistance'. The underlying model of a liberalized society of consumers and business owners was at odds with the traditions of Bahraini society, based on social solidarity embodied by the family.

Calls for greater public participation in defining the Gulf's economic future

It was said that the lack of public participation is evident in any of these GCC economic visions. There was a call for a broader GCC-wide economic development strategy to be developed through greater public participation.

A recurring criticism was that these grand narratives about the future of the Gulf countries were not deeply rooted in the Gulf's own traditions and societies. Designed by foreign consultants who suggested transferring lessons learned from Norway or New Zealand, they were often written in English with weaker Arabic translations. This is partly because the visions are to some extent designed for international consumption, to enhance public relations and Gulf 'country brands', with the ultimate aim of gaining prestige and attracting inward investment. As one participant noted, these economic visions have been able to capture international attention, and create an impression of ambition. However, when international companies look into actual investment opportunities, they do not rely on the visions, but on more realistic and granular information, often obtained from unofficial sources.

Outreach to and interest from the broader Gulf societies had been limited. Others said that this was too critical, saying much of the younger generation were Western-educated and had a desire to modernize their own societies. They argued the use of foreign input was constructive and allowed achievements to be monitored and tracked though rating systems such as those of the World Bank, International Monetary Fund and other similar agencies that deal with development.

Grand narratives about the future of Gulf countries were often met by scepticism by nationals who questioned whether they would be implemented. Many of the same policy prescriptions had been repeated since the 1970s – notably on labour-market nationalization, diversification away from oil, and the need to improve education – yet the problems persisted. Participants differed over whether they thought the wrong remedies were being proposed, or whether the problem was the lack of implementation of what would otherwise be desirable policies. But the failure or refusal of official policy documents to adequately assess the – often political – obstacles to change and reform was cited as a problem.

One participant said that even by publishing these visions, GCC states were being more transparent than in the past. But greater public participation and a clearer legal framework for implementation would improve credibility and buy-in. Another suggestion was that visions for the modernisation and progress of the Gulf states needed to give a clearer outlook on how economic development will be linked with political development. The separation of the two has left political developments trailing behind. But the example of Bahrain has shown the potential for a changing political environment to stall or derail economic development plans.

SESSION 5: NEW CITIES AND FUTURISTIC MASTERPLANS

In an age of rapid urbanization around the world, the Gulf states have adopted the idea of building new cities to promote economic development, create jobs and house their growing populations. The world's economic production is heavily concentrated in Western cities, especially in North America, but new cities, especially in Asia, are becoming increasingly important contributors to global GDP. The Gulf countries, which are experiencing dramatic population growth, have embarked on a variety of projects to build new cities, ranging from industrial and economic cities in remoter areas of Saudi Arabia to so-called 'cities' that are essentially free zones or real estate projects within existing cities such as Dubai and Abu Dhabi. This session explored the political and social effects of this emerging urban geography.

The new city projects are fundamentally driven by the idea of increasing growth, whether this is economic, demographic or geographic. Yet the numbers of nationals in most of the Gulf states is fairly small: Bahrain, Qatar, Oman and the UAE have about 3.6 million nationals between them. Planned new urban developments would be capable of housing a far larger population, and are intended to attract both international investment and new expatriate residents. It was said that they were based on the idea of land being a commodity, and were geared towards a new form of (higher-skilled and higher-paid) expatriate workers, investors and consumers, rather than productive citizens. Governments were seeking to find ways to attract wealthier expatriates without posing too much of a challenge to the economic privileges of nationals, for instance in the UAE and Bahrain's experiments with residency visas for non-citizens who owned property. In Bahrain, property owners are also able to vote in municipal elections.

It was said that cities in the GCC are socially and geographically segmented, with 'gated communities' within them creating in affect, new cities within new cities. Two different social or ethnic groups could live in close physical proximity but in effect live in two different worlds.

Additionally, nationals are frustrated with the lack of affordable housing and the multitude of expensive and lavish real-estate projects catering for the wealthy and for international elites – a problem, it was noted, that is also familiar in Western countries. In Bahrain, where both the land mass and the population have been growing at among the fastest rates in the world, there have been numerous luxury property projects built, often on reclaimed land that has reduced public access to the seafront, while there is a serious shortage of affordable housing, with 50,000 still waiting for government-provided homes.

Participants discussed a case study from Kuwait City in some depth. In 1975, the Kuwait's government decided to develop a vast piece of land (seven per cent of Kuwait City, the capital of Kuwait), with a proposed 1,000 units, schools and clinics – the Sawaber Housing Project. Due to the high cost prices per unit, the government through the Public Authority of Housing (PAH) decided not to follow plans made by the contractor at the time and tendered the project to another company. The original design was altered to achieve a cheaper cost per unit, and many of the social and environmentally responsible elements were removed. It took over 10 years to develop and was completed in the late 1980s. By 1992, over 500 families had moved into the new project. By 2005, many problems had surfaced with regards to the design of the utilities in the complex.

In 2010, just over 21 years after the complex was built, the PAH requested that the government expropriate the complex due to 'unhealthy living conditions' under the 'Expropriation for public interest' law. The law, which passed in 1964, gives the state the right to expropriate privately owned land if this achieves national welfare. In February 2013, it was announced that the housing project would now be developed into a financial and business district to stimulate economic development in the city. The participant, describing this case study explained that hundreds of families are now being ejected from their homes under this legal ruling and that many will struggle to find new housing due to the long waiting lists in Kuwait.

Meanwhile, a participant referred to uncertainty over the impact of the planned World Cup in Qatar, and the related development of a mass-transit system, on residential areas. Previous projects such as Education City required many housing units to be reclaimed after the government originally awarded them to citizens in the 1990s.

The cities envisaged by GCC urban masterplans have been based in part on the expectations that large-scale oil income and foreign direct investment will continue to flow. Some of the plans have not been officially revised since the global financial crisis and the bursting of the Dubai property bubble, it was noted. It was unclear how many of the existing plans would be built and how long-term plans would interact with growing fiscal pressures in several GCC countries.

Again, the question of precisely who development is for resurfaced as a key concern among some participants who said the public is rarely consulted, with one saying ‘Why do we need mega-cities when we have such small populations? Just to serve foreign capital and exploit foreign labour?’. Participants differed in their views of the demographic changes, with some saying there was a demographic ‘imbalance’ while others praised the creation of ‘cosmopolitan countries’. It was said that such projects need to be evaluated and debated by the public as part of a broader discussion about the future nature and identity of the Gulf states, between modernization and tradition.

SESSION 6: ECONOMIC TRENDS AND THE RULING BARGAIN

This session was an open plenary discussion that drew on conclusions from the earlier sessions. Various scenarios presented by the Gulf rulers define the economic vision of the GCC, in theory, however in practice there has been a lack of practical implementation. While there has been staunch criticism from opposition groups, several participants felt that those groups lacked their own economic vision, and the Gulf may require a more hands on approach by civil society groups that can put forward ideas and alternatives.

Participants cited concerns that the current wealth enjoyed by the Gulf would not last. The IMF project that sovereign wealth funds spending and investment will slow down by 2017, and the shale gas revolution in North America (and other parts of the world) poses long-term risks to the price of Gulf energy exports.

A participant said it was unfair to blame GCC governments for all the economic problems in the Gulf, though several added that in an age of uncertainty and volatility in the Middle East, it was important that the government take the lead in tackling core economic issues and creating a roadmap for a solution. One participant said: ‘We are at a point in time where a lot of economic reform can happen because people are fed up’. Another said that the new generation in Gulf politics was less easy to classify in ideological terms than the previous generation, not wanting to identify so much as leftist or capitalist, which was argued to be a strength, encouraging flexibility of thought.

A recurring theme was the desire for Gulf citizens to have more opportunity to participate in planning and designing the economic and political future of their countries. ‘The citizen is not part of the picture in the economic visions, they are portrayed as consumers rather than part of a society,’ one said. ‘There should be a picture of the future, but with everyone working on it,’ another said. ‘I need to know that these hours I’m in work have a role in helping us all arrive at something together’.

The extensive use of foreign consultants has become particularly contentious because of the lack of local public participation in economic debates. ‘We need wisdom and compromise, not more consultants,’ said one. In the wealthiest Gulf states, this has also added to resentment and rivalry between some ambitious young nationals and expatriates who they see as earning higher salaries. Governments were evidently feeling some pressure to increase their focus on labour-market nationalization, yet these policies had failed to achieve their goals over a matter of decades and needed to be fundamentally rethought. Participants were also concerned about the impact of globalisation on state sovereignty. Some participants felt that globalization and an integrated global economy might be a driver for political change that could benefit them. Others were more concerned about the impact on sovereignty and local decision-making.

There needed to be a new compact between the government, private sector, citizens and expatriates, said another, otherwise moves such as cutting subsidies would not work if nationals felt ‘some people are living in palaces, and they think my 50 fils of water will break their backs’. ‘Instead of letting the rentier state shape citizenship, can we let citizenship shape the economy?’ asked one participant in conclusion, arguing that citizenship based on freedom and participation could provide the basis for an economic system that would move away from rentierism and the existing basis of cheap energy and cheap labour, towards a more productive and educated system.

ABOUT THE FUTURE TRENDS IN THE GCC PROJECT

Our core research project on the Gulf, Future Trends in the Gulf States, directed by Senior Research Fellow Jane Kinninmont, aims to research, analyse and anticipate some future scenarios for the political and economic development of the GCC states.

The research explores four main themes:

- **Citizenship and political development:** This theme looks at citizens' shifting attitudes and political aspirations, particularly those of the under-30s who make up the majority of the GCC's population, exploring the dynamics of reform.
- **Citizenship and the economy:** This theme explores changing economic realities within the GCC, analysing the potential of GCC countries to reform and diversify their economies and the links between citizens' political and economic expectations.
- **Islamism and post-Islamism in the Gulf:** This theme considers the diverse aspirations of Islamically inspired movements and their respective trajectories amid regional changes.
- **External 'threats' and internal community relations:** This theme focuses on the intersections between shifting regional dynamics, transnational movements and community relations within GCC countries.

The project seeks to deepen understanding of these various themes while analysing the prospects for GCC countries to adapt to ongoing changes in the region and develop their systems accordingly. These themes will be explored in the context of relevant changes in the wider Middle East region – primarily the Arab awakenings and the ongoing tensions between Iran and some of its neighbours. Engaging with younger-generation scholars, researchers and analysts from the GCC countries is a core element of the project.

ABOUT THE MENA PROGRAMME

The Middle East and North Africa Programme, headed by Dr Claire Spencer, undertakes high-profile research and projects on political, economic and security issues affecting the Middle East and North Africa. To complement our research, the MENA Programme runs a variety of discussion groups, roundtable meetings, workshops and public events which seek to inform and broaden current debates about the region and about UK and international policy. We also produce a range of publicly available reports, books and papers.

www.chathamhouse.org/mena