

Jane Kinninmont
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Future Trends in the Gulf

Executive Summary and Recommendations

Politics in the Gulf Cooperation Council (GCC) states will be significantly transformed in the coming decade.

Generational change, with 60 per cent of the population under the age of 30, is placing strain on traditional political structures. The revenues from energy resources are not sufficient to sustain the current political-economic bargain in the medium to long term: three of the six GCC countries need oil at US\$100 per barrel in order to balance their budgets, and, crucially, these 'break-even' prices are rising as population growth adds to public-sector wage and subsidy bills. In four of the GCC states, hydrocarbons resources will run out within the lifetime of citizens born today. Current and future shifts in the structure of the political economy, demographics, education and the availability of information will all affect power relations between states and citizens, citizens and expatriates, and different social groups. Citizens in these six states – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) – will expect more of a say in how they are governed and how their countries' resources are managed.

Since 2011, much of the analysis of political stability across the Middle East and North Africa (MENA) has focused on an oversimplified division between the region's republics, some of which have seen their rulers overthrown after popular revolutionary uprisings, and the monarchies, which have not. There is a prevailing narrative that the monarchies are especially stable, and that their resilience in the past means they will also be resilient in the future. However, **a more nuanced approach is needed to understand the potential for political transformation, which should not be conflated with street protests or changes of elites.** The example of Egypt shows that even an apparent revolution can result in only limited change to a country's institutions and power structures. Real transformation implies change at the level of informal institutions, social norms and attitudes, and ideas. In some respects this is already occurring in the Gulf, reflecting the impact of education, local debates and deep shifts in the flow of information.

The current economic bargain between state and citizen in the Gulf states is unsustainable as they all prepare for a post-oil era, albeit with greatly differing timescales. Oman and Bahrain have already been faced with declining oil revenue, whereas Saudi Arabia has nearly eight decades of oil production at current rates, and Abu Dhabi could cover the costs of some eight years of government spending through its sovereign wealth fund alone. However, none of these states can afford to keep increasing public spending in the way to which their economies and societies have become accustomed in the last decade of high oil prices. All have long-term plans envisaging a transition to a post-oil economy, developing a mix of energy-intensive and knowledge-based industries, employing more nationals

in the private sector, and considering the introduction of taxation, all of which will have implications for their social contracts.

Yet the trend since the Arab uprisings has been a return to short-termist policies of increasing public-sector spending and employment – in 2011 the GCC countries made new public spending commitments worth US\$150 billion, or 12.8 per cent of GDP and created tens of thousands of new public-sector jobs, many in the security forces. This is essentially because the declared economic policy visions, entailing radical revisions to the role of the state, are not matched by visions of the political and social changes that would be required.

Even at a time of plenty, GCC countries are already feeling growing internal, bottom-up pressure for greater popular participation, and in particular for representation of specific marginalized groups, including young people, women, religious minorities and citizens living in the less well-off areas of Saudi Arabia, Oman, Bahrain and the UAE. Such pressures are likely to intensify in a context of lower oil revenues, even if prices stabilize at US\$100 per barrel. Citizens who will in future need to make a greater contribution to their economies, and receive fewer economic benefits from the state, are likely to have very different expectations about government transparency and accountability.

Changes in the availability of education and information are adding to expectations of greater transparency, freedom of expression and political participation, including among women and traditionally marginalized groups. The global trend of far greater freedom of information has a particularly pronounced impact in countries where the media were previously tightly controlled by the state, as in the Gulf. Young people are exposed to a far greater diversity of ideas than were their parents. Social media, hugely popular in the Gulf states, are normalizing the public expression and participatory debate of views.

These intensifying pressures will not necessarily lead to revolution, but if the Gulf rulers do not act to accommodate changing public expectations, more and more republican revolutionary movements could arise in the coming years. Revolutions may not succeed, given the tools and resources that Gulf governments have to maintain power. But struggles over power and wealth could polarize social, ethnic or religious groups; opposition movements could become radical and divisive, like the government policies that engender them; and larger regional and international powers could take advantage of unaddressed political weaknesses.

Indigenous reform movements present an opportunity and an asset for governments to work with, especially since most oppositionists are not revolutionary. Only a

small minority of people in the Gulf supports political violence, but the current policy focus is on this minority. To understand the range of possibilities for more inclusive participatory development, local policy-makers (and those in external countries) need to listen to their reformist movements, local academics and civil society groups, which have repeatedly called for more checks and balances on government, more meaningful elections for parliaments, greater freedom of speech and serious efforts to combat corruption. A wide spectrum of opposition movements, including Islamists, liberals and younger-generation groups who seek to blend the two approaches, have at times found common cause in critiques of corruption and inequality.

However, the current indications are that a benign scenario of voluntary reforms is not going to happen.

Gulf policy-makers are aware that long-term social and economic shifts are under way, and often speak of the desirability of evolutionary reform in harmony with local values. But rulers are naturally reluctant to cede power; in addition, their heightened perceptions of threat since 2011 have often led them to adopt repressive policies, imprisoning peaceful dissidents (from Ali Salman in Bahrain to Mohammed Qahtani in Saudi Arabia, or dissidents' lawyers such as Mohammed Al Roken in the UAE and Walid Abu Khair in Saudi Arabia), revoking citizenship as a punishment for peaceful dissent, and tightening restrictions on free speech and assembly through new legislation on cybercrimes and terrorism. This has left the relative reformists inside ruling establishments on the back foot. The occasional limited attempts to increase opportunities for political participation and youth inclusion are frequently undermined by concurrent moves to restrict political activity and punish advocates of change who are deemed too critical. By treating peaceful reformers as a threat, the GCC governments are squandering the opportunity for gradual, consensual change towards more accountable government with greater participation by citizens.

The dangers of suppressing peaceful political opposition are evident from other countries in the region, notably Iraq and Syria, where the weakness, fragmentation and radicalization of the groups that opposed the Baathist regimes have contributed to the current situation. At the same time, limited confidence in state institutions adds to fears that a lack of institutional checks and balances could lead a newly empowered popular movement to run a 'tyranny of the majority'. Long-term institution-building will be critical to strengthening this confidence.

The very strategies that help to keep the ruling families secure can lead to social conflict. Sunni–Shia sectarianism has been instrumentalized in both Bahrain and Saudi Arabia to weaken and discredit Shia opposition movements. Concerns about the long-term costs of inciting sectarianism

are now gaining more attention given the role of GCC financiers, clerics and militants in supporting Islamic State in Iraq and Syria.

The Gulf is a diverse region, and experiences and policies will differ in each of the countries concerned. Bahrain and Oman are faced with the most immediate economic pressure on their ability to sustain the implicit bargain between society and the state. Saudi Arabia has a far larger population, greater regional disparities and higher risks of political violence than any of the other states. However, its centrality in the world oil market implies that it would have more foreign security support in the event of a domestic uprising. Kuwait is the most likely to evolve into a genuine constitutional monarchy. The UAE and Qatar appear the most stable in terms of their domestic politics, but internal insecurities are encouraging them to play a role in a variety of regional conflicts

International allies and Gulf security

The succession of a new generation across a host of key posts will inevitably mean new personalities to deal with, new relationships to build, and potentially new risks to established partnerships. Changing trade patterns, and generational shifts, suggest that the Gulf states are likely to become less Anglocentric, and therefore the United States and the United Kingdom cannot rely on remaining the default partners for trade or investment. Gulf countries will also be looking for new security allies to diversify away from their dependence on traditional partners. However, there are few clear substitutes for the long-established US and British (as well as French) role in underwriting their security and providing defence equipment. These allies sometimes underestimate the significant leverage that they still have in the Gulf compared with most other countries, even if it is less than during the imperial period. As much as Asian countries are strengthening their trade links with the Gulf, they are reluctant to step forward as security allies. Meanwhile, Western countries' reduced dependence on oil imports from the Gulf should enable them to be more strategic in how they sustain security alliances in the region.

The United States and the United Kingdom need to rethink their assumptions: the relations between citizens and state in the Gulf should be seen as fundamental to the future security of these countries. If governments choose to repress popular demands rather than accommodate them, there will be a heightened risk of conflict. Regimes may have the resources to ensure their own survival, but at the cost of broader social and political stability. Such a scenario will also mean a heightened risk of opposition to governments that are closely allied with those in the Gulf.

Alliances will be more resilient, therefore, the more they are valued by the wider local populations, especially among the younger generation. This means there is a case for a more people-centred and less elite-centred approach to the Gulf, especially when it comes to setting economic and security priorities.

There is no doubt that social and political changes in the Gulf will take place. The questions are rather what form they will take and how they will be managed. One scenario could be a consensus-based process of adaptation, building on some of the existing institutions, and making parliaments and courts more independent – bringing in new checks on the power of the rulers. In another scenario, growing social, political and economic contestation would instead lead to conflict, as groups seeking a greater share of power and resources came into confrontation with those wanting to protect the status quo – especially if rulers exploited the differences between such groups in order to preserve their own power.

Addressing the growing expectations of Gulf populations – both ‘national’ citizens and non-indigenous residents – and providing greater opportunities for them to participate in designing their future should therefore be core elements of the region’s security, serving as a counterweight to pan-Islamic and transnational trends. Curbing fiscal spending will be a pressing concern in the next five to ten years, and the need to diversify away from oil will require long-term transformations of the economy and education system. Governments, opposition groups and civil society – as well as international allies – need to engage constructively in addressing the full implications of these complex challenges.

Recommendations

For GCC governments

- **The Gulf countries should recognize that it is time to seize the opportunity to carry out gradual and consensual political and social reforms towards more constitutional forms of monarchy.**
 - Gulf elites often suggest there are only two options, their continued dominance or a victory for Islamist extremists. But there are many paths for more participatory political development, which would also help to foster more moderate and constructive opposition movements. Local political development can build on traditions of consultation (*shura*) and debate (from the established social institutions of the *diwan* and *majlis* to newer forums in the media and universities), while also enhancing the effectiveness and credibility of state institutions and making them more independent of the executive.
- **Accompany long-term economic diversification schemes with serious plans for long-term political development** to manage the impact of political shifts in the economic role of the state.
 - Gulf leaders are right to say that building participatory institutions is a long-term project – but this means that such efforts should start now. There is scope to work through existing *majalis al-shura* (parliaments), expanding their powers, and increasing or introducing elected components. Strengthening judicial independence should also be a top priority; recent judicial reforms in Oman and Saudi Arabia are a step in the right direction.
- **Develop stronger, more transparent institutional mechanisms – parliaments, judiciaries and ministries – to manage the competing interests that naturally arise in any society.**
 - Gulf rulers are also right to point to their indigenous traditions of consultation. But most of the GCC states are now too large and diverse for the traditional consultations via the royal *diwans* to function effectively as the sole intermediaries between society and ruler. A meaningfully participatory political system needs to be rooted in local traditions with local support, whereas imitating institutional forms from elsewhere may lack local credibility. But to be meaningful, consultation needs to involve a greater degree of freedom of speech.
- **Decriminalize peaceful opposition activities, from calling for constitutional monarchy or an elected parliament to criticizing rulers for their policies.**
- **Transparency and openness in governance should be accorded a higher priority.** There will inevitably be increasing public scrutiny of corruption and of economic inequality. If budgets for subsidies and salaries are tightened, the public is also likely to call for greater control over the spending of royal courts and wider royal families. Gulf governments could pre-empt some of these calls by increasing the transparency of budgets and sovereign wealth funds, and by preparing more open systems of competitive tendering for government contracts, as Bahrain has done.
- **Ensure social and economic inclusion, as a valuable counterweight to the pull of sectarian or ethnic identities.** For instance, the Shia populations in Kuwait and Oman are far better integrated than is the case in Saudi Arabia or even in Bahrain (where, uniquely, they form a majority), because of the governments’ different economic and social policies towards them.

- Meaningful and sustainable reforms will require changes not only to formal laws and institutions, but also to informal institutions, ways of operating and ways of thinking within ruling establishments. Ultimately, this means that **the ruling families need to prepare their own younger generation to have a different role, with less power over the political system and the economy.** Just as they need to raise awareness among their citizens of the long-term unwinding of the oil-based economic bargain, they too need to accept that this will change their own position.

For international allies

Develop and implement more of a people-centred strategy

- **Diversify the base of relations with the Gulf beyond the existing elite** – and reach out to a broader base among the increasingly well-educated and aspirational new generation. This will be critical to developing long-term, sustainable strategic partnerships of clear value to both sides, even though the current period of uncertainty across the Middle East makes long-term planning extremely challenging for external actors.
- **Defence cooperation with the Gulf needs to be placed in a wider political context**, where respect for human rights is not seen as being at odds with security imperatives, but as part of ensuring sustainable security.
- **The United States and the United Kingdom should use their leverage in the region to form a united front with other Western countries to support international efforts on rights issues, for instance at the UN Human Rights Council.** Reaching out to civil society and political parties can prove tricky, as local governments are often suspicious of such attempts – as was seen in 2014, when Bahrain temporarily deported a US Assistant Secretary of State for meeting opposition leaders.
 - The decision of both the United States and the United Kingdom to expand their military bases in Bahrain, despite the country's deep political polarization and the intensifying repression of opposition leaders, has sent a strong signal that political reform, while encouraged publicly, is not the US or UK priority.
- While it is not up to Western countries to bring participatory government to the Gulf, it is in their long-term national interest to ensure that their methods of engagement do not hold it back.

- **Relations are more likely to last – and grow – if a wider base of the public sees clear value in economic and security cooperation with those allies.**
- **Be culturally sensitive before making judgments about different political systems.** Diplomats also need to be aware that the nature of Gulf political culture is hotly debated inside the region, even if these changes are not always visible to outsiders. Their support for reform should be influenced by the priorities articulated in the region, but should not see local governments as the only people entitled to speak for particular cultures.

Orientate economic engagement towards education and diversification

- **Economic cooperation can potentially be a win-win situation.** The GCC countries will need international engagement for decades to come, especially to develop education, skills and technology – where traditional Western allies often still have a strong advantage – as well as to help them diversify their economies.
- **But their Western allies need also to listen to local critiques about the emphasis that the United Kingdom, the United States and France place on defence exports.** There is widespread cynicism about the value of big-ticket defence imports from these countries, especially when GCC armies fundamentally depend on foreign security guarantees, not their own forces and equipment.
- **Countries seeking to develop sustainable partnerships with the Gulf need to demonstrate the ability to add real value to sectors of clear public benefit**, such as health care, education, affordable housing (a particular issue in Saudi Arabia, Bahrain and Oman), resource sustainability and cultural industries. These will have wider public appeal than defence, finance and energy, which create few local jobs.
- **International businesses seeking a long-term presence in the Gulf need to find ways to obtain public buy-in by adding value to the local economy and skills base**, and by employing locals as well as the expatriates who make up most of their workforce. Since private-sector businesses offer only limited employment opportunities and do not contribute much in the way of tax, their interests attract scant public sympathy. This suggests that in those Gulf states that have elected or partly elected parliaments, deputies will continue to show some resistance to encouraging private business interests and privatization projects.

Reshape security cooperation

- The Gulf states will remain key allies of Western countries seeking a more secure region. **As such, it needs to be recognized that they have a particularly important role to play in helping to counter violent extremist groups at a religious and ideological level.** This relates to domestic reforms too.
- **In partnering with Gulf countries against extremism, Western allies need to broach sensitive issues** such as religious education in Saudi Arabia, or the impact on Western publics and Muslim communities outside the region of publicly flogging Saudi blogger Raif Badawi for ‘insulting Islam’, even as the world debates the balance between free speech and religious sensitivity in the aftermath of the *Charlie Hebdo* murders in Paris.
- **Western governments need to avoid being drawn in – whether through their own agencies or through private companies – to assisting governments in uncovering ‘crimes’ that in their countries would be seen as rights,** as evidenced, for instance, in the lengthy prison sentences meted out to young bloggers for ‘insulting’ rulers. Since 2001, the ‘war on terror’ has led to examples, from Yemen to Afghanistan, of international counterterrorism being co-opted to settle discrete scores. While policing in the GCC is far more subtle, disagreements over the broad definition of ‘terrorism’ do raise problems for counterterrorism cooperation.
- **A fresh discourse on Gulf security needs to take account of the need for people to feel secure vis-à-vis their own governments,** for instance by ensuring the police are held accountable by independent judiciaries, and ending lengthy detention without trial. Such concerns need to be taken into account when setting priorities for both private- and public-sector cooperation with GCC security establishments. The smaller Gulf countries have some of the world’s largest police forces relative to their populations.
- **It is essential for Western policy-makers to listen to local public opinion, not always conveyed to them by governments.** While Western countries are understandably preoccupied with tackling groups that threaten their own people (currently Islamic State and Al-Qaeda), Gulf populations want more weight to be given to protecting people in their region – especially Iraqis, Syrians and Palestinians – from state violence and refugeehood as well as terrorist groups.
- Finally, **the Gulf needs to be seen in the context of relations with the wider Middle East.** The Gulf states have been a core focus of Western and Asian trade and diplomacy in recent years. This is in part because of their wealth, and also because political uncertainty has complicated diplomacy and investment in the larger states of the MENA region. However, it is worth recalling that the citizens of the Gulf states comprise under ten per cent of the Arab world’s populations, and as such, policies towards these countries should form part of a wider strategy towards a diverse region.

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