Research Paper

Mehran Kamrava, Gerd Nonneman, Anastasia Nosova and Marc Valeri
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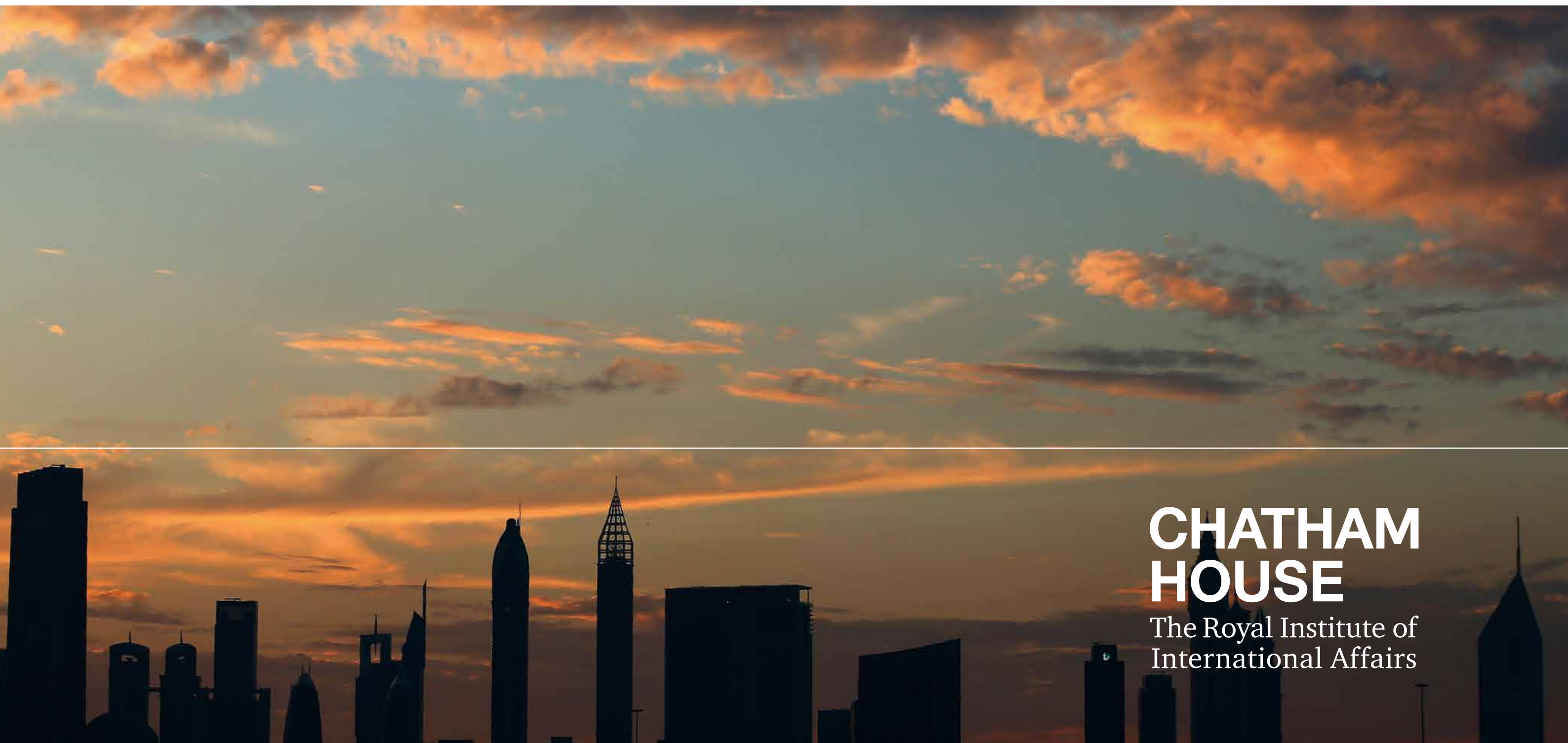
Ruling Families and Business Elites in the Gulf Monarchies: Ever Closer?



Summary

- The pre-eminent role of nationalized oil and gas resources in the six Gulf monarchies has resulted in a private sector that is highly dependent on the state. This has crucial implications for economic and political reform prospects.
- All the ruling families – from a variety of starting points – have themselves moved much more extensively into business activities over the past two decades.
- Meanwhile, the traditional business elites' socio-political autonomy from the ruling families (and thus the state) has diminished throughout the Gulf region – albeit again from different starting points and to different degrees today.
- The business elites' priority interest in securing and preserving benefits from the rentier state has led them to reinforce their role of supporter of the incumbent regimes and ruling families. In essence, to the extent that business elites in the Gulf engage in policy debate, it tends to be to protect their own privileges. This has been particularly evident since the 2011 Arab uprisings.
- The overwhelming dependence of these business elites on the state for revenues and contracts, and the state's key role in the economy – through ruling family members' personal involvement in business as well as the state's dominant ownership of stocks in listed companies – means that the distinction between business and political elites in the Gulf monarchies has become increasingly blurred.
- Under current uncertain political and economic conditions, existing patterns of clientelism and the business sector's dependence on the state will not undergo significant changes. In these circumstances, the business elites are unlikely to become drivers of political reform.
- In the context of persistently low oil prices, growing tensions related to the definition of the new social contract and the content of structural reforms in the Gulf monarchies are likely to provoke renewed popular frustrations and considerable turmoil.

Introduction

For the six Gulf monarchies – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) – the sharp fall in world oil prices since 2014 has intensified debate regarding the need to rethink socio-economic structures in order to address challenges to social and political sustainability. This reassessment comes only a few years after the 'Arab Spring' uprisings, in reaction to which these states spent extensively in implementing emergency economic and security measures to counter domestic and regional impact and to ensure the survival of the authoritarian order.

In the context of this questioning of the oil-rent model of development – a model on which these monarchies, which together make up the Gulf Cooperation Council (GCC), have extensively relied since the 1950s, and which has underpinned the social contract – the issue of relations between the national business elites and the ruling families has never been so critical. This reflects both the decisive role that the business classes have had for decades in supporting the established order and shaping political legitimacy, and which they are expected to play in underpinning each GCC state's new economic vision, in which business is viewed as the primary engine of economic growth and provider of employment for Gulf nationals.

This paper shows that a common evolution has been taking place across the GCC. For much of the 20th century, a de facto 'oligarchic' pact linking the ruling families and the national business elites was central to the maintenance of the authoritarian status quo. Even if some variations could be seen in the nature of this state–business relationship from one GCC country to another, a common characteristic was that the economic pre-eminence of local business actors was recognized and protected, and the business elites were granted a large share of oil revenues in return for their support for the established order. But this informal understanding has undergone crucial changes over the past two decades, with the involvement of ruling families in business – from a variety of starting points – increasing dramatically in all countries. The paper examines the correlations and implications of the royals' growing economic influence for the behaviours of the business elites in light of policies implemented, and their roles in this changing order. The increasing personal involvement of ruling family members in business in the Gulf monarchies is likely to have implications for the future legitimacy of these regimes. In particular, it will make large-scale austerity measures announced recently more difficult to justify, in a context of popular frustration regarding widening inequalities and increased concentration of wealth in the hands of a few.

The business elites' history of political influence

Business communities in the Gulf monarchies have a long history of political influence. Prior to the rise of oil as the dominant economic driver (which across the Arabian Peninsula took place gradually from the 1930s, first in Bahrain and Kuwait, to the 1970s in Oman), domestic stability was underwritten by an arrangement that linked rulers with a number of prominent tribal leaders and local merchant families. The latter in particular helped meet the rulers' financial needs, and in return received political influence and protection for their economic interests. Thus, the merchants, who controlled the two main economic sectors (pearling and trade), enjoyed not only personal proximity to the rulers – including through marriage alliances – but also the protection this closeness brought them. For the ruling families, the business elites were indispensable to the maintenance of the political status quo: not only did they provide liquid assets for each ruler, in the form of loans, but the ruler was able to deduct from these same business interests the taxes and custom duties that represented the major sources of his revenue. This situation further increased the merchants' political influence, their involvement in the day-to-day business of state (through the granting of decision-making positions), and, ultimately, their critical role in ensuring the ruler's political survival. In the numerous instances of succession conflicts and quarrels within ruling families in the Gulf monarchies, both the ruler and any challengers to the throne were driven to forge alliances with business elites in order to assert their own authority within the ruling family, which in turn underpinned the influence of the business classes. This mutually beneficial alliance between merchants and rulers was disrupted by the sudden material self-sufficiency of the rulers after oil was discovered across the Peninsula and oil exports began. From this point, the state monopoly on managing expenditure and development allowed the creation of a welfare state which became the new cornerstone of the ruling families' political legitimacy.

With the discovery and exploitation of oil reserves came the consolidation of the economic position the business elites occupied. The rulers assured them of privileged access to the oil windfall through public contracts in sectors dealing with infrastructure and urban planning (roads, public buildings, etc.), as well as by means of tough laws restricting the rights of foreign investors, so as to protect the national market. Through the *kafil* (sponsor) system, any foreign individual or company wishing to work in a GCC country has been obliged to associate with a local partner, who receives regular payment in return. As explained by Mohamed al-Rumaihi, in the case of Bahrain: 'the granting of import licences and the setting up of agencies were rigidly controlled by the Government for the benefit of the big merchants. Any newcomer wishing to enter a particular field faced a monopoly situation which was almost impossible to break.'[1] The effect was that wealth distributed to the population by the state in the form of salaries, social allowances or price subsidies was recouped by the long-serving allies of the rulers (the business elites in particular) through ownership of companies winning public contracts. This compromise – abdication of political influence in return for protection of business monopolistic positions – actually allowed the business elites to strengthen their economic and social pre-eminence by the conversion of trade dynasties to rent wealth.

There were variations in this general pattern from country to country. While in Kuwait and Oman the rulers promised to keep royal family members away from business activity, in Qatar – where the merchant community was weaker and smaller – the ruler allowed his relatives into the business elites' economic territory. In the post-independence UAE, the ruling families of Abu Dhabi and Dubai were critically reliant on business expertise to build the new state. This favoured the commercial elites' integration in political structures there, and further enhanced their proximity to the Al Nahyan and Al Maktoum dynasties – and thus their own stake in the preservation of the authoritarian order. In Bahrain and Saudi Arabia, the business elites kept a firm grip over the economy until the mid-1970s, meanwhile using their personal proximity to senior members of the ruling families to act as informal advisers and thus ensure their interests and priorities were taken into account.

The ruling families' increasing involvement in business

Across the Gulf monarchies, the relationship between the ruling family and business elites has experienced significant evolution over the past two decades. In particular, all the ruling families have moved much more extensively, and along a similar path, into business – albeit each at its own pace, depending on the historical balance of power between the two sets of interests. The first GCC country

[1] Al-Rumaihi, M.G. (1976), *Bahrain: Social and Political Change since the First World War*, London: Bowker, pp. 150–51.

where this shift occurred was Bahrain. Rising oil revenues after 1973 and the suspension of the short-lived parliament in 1975 drastically transformed the pre-independence oligarchic pact. The business elites' economic role is now generally restricted to the one of subsidiary partner in projects decided and led by a few senior members of the Al Khalifa, who have become the country's most prominent business actors. The real estate sector has been crucial in this evolution, as much of Bahrain's most valuable land has been tightly controlled by the ruling family. Since the 2000s, an uncontrolled real estate boom has come to serve as a diversification policy in itself, with megaprojects on reclaimed lands – such as Bahrain Bay (in which the king is a partner)[2] or Bahrain Financial Harbour (in which the prime minister is involved).[3]

The extent of the Saudi royals' business activities increased dramatically from the 1990s, as the generation of princes born in the 1960s and the 1970s, whose prospects of accessing senior political positions were very limited, engaged themselves elsewhere.

In Abu Dhabi and Qatar too, ruling family members are in control of powerful companies that dominate the economy – either personally or through sovereign wealth funds. The large-scale involvement of royals in the economy came about earlier in Qatar (in the late 1980s) than in Abu Dhabi (in the early 2000s), but has since increased in both emirates. The economic weight of former Qatari prime minister Hamad bin Jassim Al Thani[4] and several sons of the late UAE president Sheikh Zayed, including Abu Dhabi's Crown Prince Mohammed bin Zayed and UAE Deputy Prime Minister Mansour bin Zayed, illustrates this transition. Merchant elites are now subservient to the ruling families and are obliged to adapt to the latter's business priorities. Among other positions, Mohammed bin Zayed chairs the government company Mubadala, regarded as his foremost investment vehicle.[5] Mansour bin Zayed (who is married to Manal bint Mohammed bin Rashid, a daughter of the ruler of Dubai) chairs Abu Dhabi's third largest wealth fund, the International Petroleum Investment Company (IPIC),[6] as well as the Emirates Investment Authority, the UAE federal government's sole sovereign wealth fund. In addition to these government roles, Mansour bin Zayed controls holdings including the Abu Dhabi United Group for Development and Investment (which owns Manchester City Football Club) and DAS Holding.

In Saudi Arabia few royals – apart from Talal bin Abdulaziz, from the 1960s, and his son al-Waleed (Kingdom Holding) – were involved in business on a wider scale until the late 1980s. Among these are Mishaal bin Abdulaziz, the current chairman of the Allegiance Council and the founder of Al Shoula Group in 1970; Mohammed bin Fahd, a major partner in the Al Bilad conglomerate since the early 1970s; Abdullah bin Faisal, who founded the Al Faisaliah Group in 1971; and his brother Mohammed, regarded as one of the pioneers of modern Islamic banking.

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[2] O'Murchu, C. and Kerr, S. (2014), 'Bahrain land deals highlight alchemy of making money from sand', *Financial Times*, 10 December 2014, https://next.ft.com/content/b6d081a2-74b8-11e4-8321-00144feabdc0.
[3] Richter, F. and De Sa'Pinto, M. (2011), 'Special Report: In Bahrain, a symbol at the heart of revolt', Reuters, 17 June 2011, http://www.reuters.com/article/us-bahrain-gfh-idUSTRE75F4LF20110617.
[4] Of a total wealth estimated at some US $1.2 billion, he owns $700 million worth of public stock in Deutsche Bank, through his investment vehicle Paramount Services Holdings.
[5] Gulf States News (2015), *GSN 1,000: Transformation and trepidation in the Gulf monarchies*, 17 September 2015, p. 43. Mubadala owns stakes in the Carlyle Group, a US private equity company, Piaggio Aerospace, General Electric, etc.
[6] In June 2016 Mohammed bin Zayed announced the creation of a committee, to be chaired by his brother Mansour, charged with the responsibility of merging Mubadala and IPIC.

political positions were very limited, engaged themselves elsewhere. Among the most prominent business royals who emerged this time are Hussam bin Saud (Saudi-Kuwait Holding, Zain), Abdulaziz bin Ahmed (Atheeb), Ahmed and Faisal bin Salman (Saudi Research and Marketing Group), Abdulaziz bin Fahd (MBC, Al Arabiya) and Khalid bin Sultan (*al-Hayat* newspaper, Al Raha Group for Technical Services). Subsequently, from the 2000s, a very large number of Abdulaziz's younger grandchildren and great-grandchildren have entered business, including Khalid bin Bandar bin Sultan (Dayim), Turki bin Abdulrahman (Modern Group), Abdulaziz bin Mitab (Kanooz), Abdulaziz bin Sattam (BT Al Saudia), and Faisal and Turki bin Muqrin (Saudi Development and Training Company).

In Kuwait and Oman, where for a long period the business families were sufficiently strong to keep the ruling family out of their domain, royals have more recently entered business. In the case of Kuwait, the children and grandchildren of the current ruler, Sabah Al Ahmed, have become key actors in the economy. Prominent among these are Nasser Sabah (Al-Futooh Holding and Kuwait Enterprises Holding) and his brother Hamad (chairman of the holding company KIPCO, which has consolidated assets of some US $32 billion, and on the board of which two of Nasser's sons also sit). They and other members of the ruling family, including the former emir's daughter Hussa bint Saad (chair of the Arab Businesswomen's Council and a board member of Ithmaar Bank), are only a few examples of the growing presence of the Al Sabah's in the private sector.

In Oman the involvement of the ruling family in economic affairs has been evident since the mid-2000s. Notably, three sons of Sultan Qaboos' paternal uncle Tariq bin Taimur – who in the absence of a named heir are the more probable candidates for the eventual succession to Qaboos – have prominent business roles. Asad bin Tariq, the sultan's personal representative, has been chairing the board of trustees of the University of Nizwa, Oman's largest private university; and also heads Asad Investment Company, which controls more than US $1 billion in assets worldwide.[7] Asad's half-brother Haitham, the minister of national heritage and culture and chair of the committee responsible for drafting Oman Vision 2040, the country's long-term national strategy, controls his own holding company, National Trading. Haitham's full brother Shihab chairs the Seven Seas group, which has investments worldwide in petroleum, mutual funds and medical supplies. Sultan Qaboos's maternal uncle, Mustahil al-Ma'ashani, has chaired Muscat Overseas holding, the most active business group in Dhofar. Mustahil's son Khalid chairs the first Omani banking group, Bank Muscat, and Dhofar International Development and Investment Company, which is the main shareholder of the second largest Omani bank (Bank Dhofar).

The business elites: simply following the ruling families?

The private sector in all GCC states has for many years been highly state-dependent, with business activity closely linked to direct and indirect distribution of government wealth. State contracts have been one of the most substantial sources of enrichment for business actors, which have also relied on government bailouts at times of financial difficulty. At the same time, each state's distribution policies towards the wider population have maintained high levels of consumption, and this has been to the great benefit of local businesses – not least through the ownership of companies awarded public contracts. Indeed, the dependence of the local private sector on the state has increased since the end of the 2000s, as shown by the overall pattern of growth in the public sector's share in total investment among the Gulf monarchies. For the GCC overall, the public sector accounted for an average of 39.7 per cent of gross

[7] Asad's son Taimur has been chairman of Alizz Bank, Oman's second Islamic bank, since 2012.

fixed capital formation in 2009–14, compared with 32.6 per cent in 2003–08. The rate of increase was particularly notable in Bahrain (from 19.6 per cent in 2003–08 to 30.0 per cent in 2009–14), Kuwait (from 22.3 per cent to 34.1 per cent) and Saudi Arabia (from 35.4 per cent to 47.4 per cent), while the largest share (57.3 per cent in the latter period, up from 49.5 per cent) was in Oman. The exception to the trend was the UAE, where the share declined from 35.5 per cent in 2003–08 to 31.5 per cent in 2009–14.[8]

Despite some shift in the composition of business elites and the emergence of new business actors, the oil-based power balance remains intact. Naturally, the protection and expansion of the associated privileges has been of paramount interest to the GCC business elites, and has largely defined its engagement in political discourse. Even in the rare instances of 'new money' disrupting the monopolies of the old business elite families – examples being Esam Jinahi in Bahrain, or Mahmoud Haidar in Kuwait, who have been considered as being among the GCC's most influential economic figures since the early 2000s – it is only with the patronage of, or in partnership with, royals who are themselves involved in business that these could rise to become prominent economic actors. Traditional merchant families have been successful in maintaining very high barriers of entry into the business community, thereby preventing newcomers from threatening their monopolies and resisting the nationalization of the workforce. Thus, established businesses contribute relatively little to support small and medium-sized enterprises and new private-sector interests in general.

The capacity of the business sector to engage in politics in the Gulf monarchies depends on historical relations between ruler and merchant class; on the presence of institutions through which business interests can formally participate (indeed the parliament in Kuwait has provided an important platform for the merchants' political engagement since the independence); and on the extent to which the political field is monopolized by the ruling family. In Bahrain and Saudi Arabia formal political engagement by business has been limited, constrained by the dominance of royal family members in top government positions. Thus, merchants' interests there have been pursued mainly through lobbying bodies such as chambers of commerce and industry, and through informal connections with ruling family members. Business interests in Qatar and the UAE are to a large extent protected by the close interconnection of often indistinguishable economic and political elites. The situation in Oman and Kuwait, however, is appreciably different. Business actors in both states have been directly involved in formal politics, occupying key government positions as well as – in the case of Kuwait – engaging in parliamentary politics.

The engagement of Gulf business interests in politics has not necessarily been uncontentious. Indeed, business actors have at times made use of both formal and informal channels to challenge government policies that potentially compromise their critical economic interests. In Bahrain in 2008–09, for example, business owners openly lobbied the prime minister in protest against efforts by the Economic Development Board – a body headed by the crown prince – to introduce labour market reforms, and the measures were in the end watered down. In Kuwait, notably, some of the country's most prominent business figures allied themselves with the opposition movement in 2011–12 against alleged corruption at government level. In Qatar there has been strong opposition from much of the private sector, including from business royals, to the cautious reform of the sponsorship system that is scheduled to enter effect in December 2016. There has been a similar pattern elsewhere in the Gulf; even in the UAE, where a model of free zones has been developed, the law outside the free zones requires that a company must be majority-owned by nationals.

[8] United Nations Conference on Trade and Development (2015), *World Investment Report 2015*, http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf, p. 55, Table II.5.

Across the Gulf monarchies, however, the business community's critical reliance on state largesse has made it wary of political confrontation, as the stability of the incumbent regimes ensures the continued flow of rents to the private sector. Therefore, the trend across the Gulf following the Arab uprisings has been towards a closer alliance between business and ruling powers, with merchants representing the regimes' strongest supporters. In Bahrain the vast majority of the private sector openly supported the hardline prime minister against opposition protests in 2011–12 – a notable exception being Faisal Jawad, chief executive of the long-established Jawad Business Group (JBG), whose perceived sympathy with some protesters made his businesses targets for boycotts and vandalism.[9] In Oman perceived conflicts of interests and alleged corruption resulting from direct involvement of business leaders in government were among protesters' main grievances in 2011. While a cabinet reshuffle was subsequently implemented, this did not profoundly restrict the merchants' access to political decision-making, and popular resentment of business elites persists. In Kuwait the opposition-dominated parliament in the second half of the 2000s had attempted to tackle the interests of the private-sector elite head-on. For instance, it opposed government measures intended to bail out businesses affected by the 2008 financial crisis, pushing instead for the government to drop consumers' debts; it also blocked several megaprojects, such as the planned new Al-Zour refinery and a joint Dow Chemical deal at the end of 2008, and questioned the legality of the Kuwait Chamber of Commerce and Industry. This prompted members of the business community generally – even those figures who had previously supported the opposition movement – to realign themselves with the ruling powers in the aftermath of the Arab uprisings. The merchants were confirmed as the main supporting pillar of the regime after legislative elections in 2013, and for this they were rewarded economically. Kuwait's new parliament – which, after a large-scale boycott of the polls, lacked any prominent opposition representation – swiftly approved a US $130 billion five-year development plan for the period 2015–20; this had a particular focus on the implementation of multiple infrastructure projects and enhanced public-private partnerships, thereby opening large-scale opportunities for the local business sector. Many new schemes were launched, and a number of suspended projects, including the Al-Zour refinery, were revived.

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Thus, their primary interest in retaining privileged benefits from the rentier state has pushed the region's business elites to strengthen their support for the incumbent regimes across the Gulf, and to act as committed proponents of the political status quo that guarantees and secures their economic benefits. Such opposition to reform, combined with the business community's ability to influence the political discourse in favour of its own interests, underlies the growing antagonism observed among the wider population towards these elites across the region. The wide socio-economic disparities between the established business community – together with the ruling powers that this community supports – and the less privileged and more numerous sections of each Gulf monarchy's population have been thrown into sharp relief, with increasing resentment on the part of the latter that they

[9] JBG was established in the 1950s. On a number of occasions from 2011 JBG premises were reportedly vandalized by pro-regime activists (see for example Abu-Nasr, D. (2012), 'Torched Bank Warns Formula One Racing into Bahrain Violence', Bloomberg, 19 April 2012, http://www.bloomberg.com/news/articles/2012-04-18/torched-bank-forewarns-formula-one-racing-into-bahrain-violence), and state-led campaigns were organized to encourage boycotts of JBG products.

are getting only the crumbs of a cake that business elites and ruling powers are dividing between themselves. The situation is aggravated by the distinct structural autonomy of the private sector, which is not required to contribute to the benefit of the population as a whole by paying taxes or by providing sufficient employment. In the context of financial pressure arising from low world oil prices, the competition for state resources has intensified. At present, the governments of Qatar and the UAE are still able to continue providing roughly the same level of welfare to their people, but those countries with a larger population (Saudi Arabia) or fewer resources (Oman and Bahrain) are faced with a much more urgent dilemma of distribution.

The state and business: neither separate nor united

Given the multiple commercial and familial linkages between merchants and entrepreneurs on one side, and royals on the other, divisions between 'business' and 'state' are now arguably more conceptual than actual. Furthermore, family and clan dynamics are often highly influential in shaping interactions between commercial interests and the state – and specifically the ruling family. These interrelationships occur within and between concentric circles of power and influence in the Gulf monarchies, beginning with a small core of political and economic decision-makers and extending outwards to the various layers of society. Through this process, the erosion of the private sector's autonomy in favour of the interests of the centralized rentier state is further accentuated by the multiple and overlapping clientelistic networks and linkages connecting society and state.

State–business relations in the Gulf are thus characterized by three principal features. *First*, rent revenues have enabled the state to ensure the dependence of the private sector through mechanisms such as significant stock ownership in major businesses, the awarding of lucrative contracts, and financial reward through membership of multiple corporate boards. *Second*, family lineage and clan history play important roles in both state–business and business–business ties, drawing groups that may otherwise be excluded closer into the social and economic mainstream – and, more significantly, into the orbit of the state. *Third*, family and business relationships, sometimes separately and sometimes in conjunction with one another, serve as nodes of contact and interconnection between the inner reaches of the state and other circles of society from the centre outwards. These three features have made the business community heavily dependent on the state for its continued well-being and growth – especially in periods of economic downturn or slowdown.

Key is the significance of family ties and their juxtaposition with prevailing patterns of interaction both within the private sector and between the private sector and the state. The prominence of family ties in state–business and business–business relationships is evident throughout the Gulf. In Abu Dhabi, for example, much as in Qatar, about a dozen business families have been able to link wide-ranging social, economic and political interests with those of the ruling family, and have therefore been favoured over others. Business and merchant elites also have a strong presence on the boards of most state-owned and state-dominated enterprises, perpetuating close links with the state and fostering mutual interests and trust between the state and business elites, as well as underwriting ruler legitimacy. In the UAE, Qatar and Kuwait in particular, this interdependence of interests between ruling family and business elites has frequently been ratified by marriage alliances. A recent illustration is the high-profile marriage, in 2015, between the emir of Kuwait's grandson and the granddaughter of prominent businessman Jassim al-Khorafi, who was speaker of the parliament from 1999–2011. Such intermarriages with non-royals are much less common in Bahrain, Oman and Saudi Arabia.

The patterns that can be traced in state–business relations in the Gulf are illustrative of the ways in which rentier political economies have evolved in countries where social dynamics have been strengthened in the face of – or indeed because of – the extensive reach of the state and its institutions. Efforts to capture and perpetuate rents have built on and reinforced prevailing social dynamics, one of the most important of which revolves around the extended family. Rentierism has thus helped blur the lines between the state and the private sector, and has encouraged the expansion of the phenomenon of brokerage among privileged locals, who know how to capitalize on their insider knowledge and their access to the innermost circles at which decisions are made.

These factors combine to make the private sector not just a client of the state, but one of its main sources of support. By serving as a critical link between the epicentre of power and successive social strata, the private sector underpins state authority. For its part, by virtue of its intimate and multidimensional ties to the state, the local business community in the GCC has in many ways become an extension of the public sector. At the very least, it has evolved as one of the state's main clients and one of its strongest social allies.

Structural obstacles towards meaningful reforms

For the GCC states since 2011, as elsewhere in the Arab world, demands for social and economic reforms have been at the top of the agenda of critics of the incumbent regimes, with a particular focus on job opportunities and proactive measures to curb rising inequalities and to counter alleged corruption among senior officials. While distribution of state wealth – in the form of free healthcare, free education and public-sector jobs for nationals – has been a key pillar of the system's legitimacy, demands for change among the region's youth have apparently been fuelled by resentment at an elite that they perceive to be busily safeguarding its privileges, together with a growing disparity between the fortunate few, who benefit greatly from economic spin-offs, and the vast majority, who do so much less, if at all. The increasing personal involvement of ruling family members in business is likely to fuel such frustration. This is likely to extend even to Qatar and the UAE, which have thus far been partially shielded by a more comfortable balance of demand against resources, as these regimes, too, begin to attenuate the extent of their welfare states. Open to debate now is the future loyalty of the wider population to a system that, despite its imperfections, was for many years capable of providing a minimum level of economic security to almost all Gulf nationals, but which latterly has moved towards an increasingly self-interested model of rent capture by a small elite.

At a time of political and economic uncertainty, loyalty to the system still is the most rational choice for the business elites, even if their privileges tend to be squeezed. The current close alliance between business elites and ruling powers reflects the former's quest to preserve its interests in the wake of the Arab uprisings. This dynamic confirms that the private sector in the Gulf monarchies cannot be seen as a driver of political reform. Rather, the region's business classes are likely to seek to preserve the political status quo, while utilizing their position as a buttress of the incumbent regimes to push for economic policies that are in line with business interests but that will not necessarily benefit the broader population that is predominantly dependent on the public sector. Offsetting its state dependence would require new sources of rent for the business sector, and, more specifically, new contracts without or with reduced government support. As long as the state controls the flow of oil and gas revenues, it remains the primary awarder of contracts for the infrastructure growth and development through which the business sector thrives.

While there may be a *prima facie* logic in assuming that increasing the contribution of the private sector to growth will make it more autonomous, this remains purely theoretical and does not take account of the specific structure and practices of the business sector in the Gulf. At least as far as the state's relationship with the business community is concerned, existing patterns of close ties, clientelism and the business sector's dependence on the state are unlikely to undergo significant changes, even if the state has fewer resources to distribute.

The growing involvement of royals in business may be considered as a ruler's response to the problem of how to control his own expanding family.

Even the impact of a new generation of independent young entrepreneurs remains hypothetical. When, in the GCC monarchies, new business actors are not simply created in the interests of an incumbent regime – i.e. through royal patronage – policies promoting entrepreneurship and innovation have tended to function as another vehicle for state patronage. Crystal Ennis, with reference to Oman and Qatar, has noted: 'Managed in a certain way, [the promotion of entrepreneurship] can prove to have a minimal political cost and still maintain the appearance of addressing major socio-economic problems … If the promotion of entrepreneurship is accomplishing anything, it is slightly extending the boundaries of rent circulation by allowing newer actors to become recipients';[10] in the end, the status quo is perpetuated.

The growing involvement of royals in business may be considered as a ruler's response to the problem of how to control his own expanding family. More and more individuals and branches of each ruling family understand that their chances of accessing the throne, or even of attaining senior political positions, are vanishingly small. In this context, a 'safety valve' may be to incite family members to choose money over political ambition – a bargain comparable to the one that prevailed between rulers and merchants after oil was discovered. However, this strategy may well revive internal tensions within the ruling families themselves, since the economic weight of an individual or a branch of the family is likely also to increase their political weight. Economic assets are political resources that royals involved in business will be tempted to use in order to secure power and influence within the family.

It is also important to consider the conflict between political and economic interests at the highest levels in the Gulf monarchies. Each of the ruling families will increasingly be required to manage competing priorities between the national general interests that they are supposed to promote – through implementing measures to address local youth unemployment, or by means of nationalization policies for jobs in the private sector, etc. – and the particular stakes that some of ruling family members now defend as business actors. This will have an impact on the direction taken through economic policies, since, for example, labour market reforms favouring nationals are usually at odds with policies enhancing incentives for businesses, or those favouring deregulation and privatization. Furthermore it may also fuel divisions between the royals interested in power politics and those motivated by more entrepreneurial interests.

[10] Ennis, C. (2015), 'Between Trend and Necessity: Top-Down Entrepreneurship Promotion in Oman and Qatar', *The Muslim World*, 105 (1), pp. 116 and 129.

Conclusions

Since 2014 GCC governments have each responded to lower world oil prices by means of a similar sets of measures announced with great fanfare, including: promotion of private-sector growth through enhanced incentives for businesses and foreign direct investment; reductions in state subsidies and government spending; implementation of labour market reforms, including some tentative amendments to the sponsorship system; privatization of some state-owned enterprises, health and education services and other government facilities (such as electricity, transport and water provision); and increased taxation, beginning with the introduction of value-added tax (VAT). While some of these strategies stand out for their comprehensiveness – as in the case of Saudi Arabia's Vision 2030 – more often such adjustments are arguably a case of déjà vu.[11] Diversification has been the stated economic policy of all the Gulf monarchies since at least the 1970s. Furthermore, earlier such plans (Bahrain's Economic Vision 2030, Abu Dhabi's Economic Vision 2030 and Qatar National Vision 2030, all launched in 2008, and Kuwait Vision 2035, inaugurated in 2010), usually inspired by the same source,[12] have either not been fully implemented, as some of the political and social costs have been regarded as too problematic, or have resulted in increased inequalities and concentration of wealth in the hands of a few, thus further stoking popular frustration – as observed in Bahrain and Oman in 2011 (and more generally across the Middle East). In the current context, there is no reason why similar measures – i.e. the privatization of education and health services, and the introduction of regressive taxes disproportionately impacting the poorer sectors of society (in the form of VAT) – would not be expected to produce similar social and economic impacts.

Given this track record, there are reasons to take a circumspect approach towards the recent reform plans, especially in the context of the fundamentally competing demands of the Gulf monarchies' business elites – including royals – and ordinary people who would rather see businesses taxed than personal incomes. In particular, the structural rivalry between the business elites and the wider population means that it is increasingly difficult for the government to promote and justify large-scale austerity measures, for the sake of sustainable development, while merchant and royal elites preserve their own privileges and a secured flow of rents. True, mounting internal pressures and increased contestation of the established order has been a source of growing anxiety among the region's ruling families, particularly since 2011. However, rather than rulers seizing the opportunity to promote a new social contract that would offer a more equitable distribution of wealth from natural resources and a more participatory decision-making process, the experience of the past decade points in the direction of a deepening concentration of wealth and power, and the evidence would suggest that no scenario of inclusive reform is on the horizon.[13] Indeed, if the Gulf monarchies do pursue the top-down, neo-liberal reforms that have been announced, these are likely to foster tensions related to the definition of the new social contract. They could provoke renewed frustrations among the people most affected and herald considerable medium-term turmoil, albeit to different degrees in the six monarchies.

[11] Kinninmont, J. (2016), 'Saudi Arabia Faces its Future in Vision 2030 Reform Plan', Chatham House Expert Comment, 29 April 2016, https://www.chathamhouse.org/expert/comment/saudi-arabia-faces-its-future-vision-2030-reform-plan#.
[12] Saif, S. (2016), 'When Consultants Reign', *Jacobin*, 9 May 2016, https://www.jacobinmag.com/2016/05/saudi-arabia-aramco-salman-mckinsey-privatization/.
[13] Kinninmont, J. (2015), *Future Trends in the Gulf,* Chatham House Report, London: Royal Institute of International Affairs, https://www.chathamhouse.org/sites/files/chathamhouse/field/field_document/20150218FutureTrendsGCCKinninmont.pdf.

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About the authors

Mehran Kamrava is professor and director of the Center for International and Regional Studies at Georgetown University's School of Foreign Service in Qatar. He is the author of a number of journal articles and books, including *The Impossibility of Palestine: History, Geography, and the Road Ahead* (2016); *Qatar: Small State, Big Politics* (2015); *The Modern Middle East: A Political History since the First World War* (3rd edition, 2013); and *Iran's Intellectual Revolution* (2008). His edited books include *Fragile Politics: Weak States in the Greater Middle East* (2016); and *Beyond the Arab Spring: The Evolving Ruling Bargain in the Middle East* (2015).

Gerd Nonneman is professor of international relations and Gulf studies at Georgetown University's School of Foreign Service in Qatar, where he served as dean in 2011–16. Prior to this, he was professor of international relations and Middle East politics and Al-Qasimi professor of Gulf Studies at the University of Exeter; he has also directed the Institute of Arab and Islamic Studies and the Centre for Gulf Studies at Exeter. He has published widely on the political economy and international relations of the Gulf and wider Middle East, including (with Paul Aarts) *Saudi Arabia in the Balance* (2005; 2nd edition in Arabic, 2012) and (with Ginny Hill) *Yemen, Saudi Arabia and the Gulf States: Elite Politics, Street Protests and Regional Diplomacy* (Chatham House, 2011).

Anastasia Nosova is studying for a PhD in political science at the London School of Economics (LSE), and is affiliated with the LSE Kuwait Programme. She holds a master's degree in Gulf Studies from the University of Exeter, and a bachelor's degree in Asian and African Studies from St Petersburg State University, Russia. Her main research interest is the dynamics of political participation of the business sector in Kuwait.

Marc Valeri is senior lecturer in the political economy of the Middle East and director of the Centre for Gulf Studies at the University of Exeter. He is the author of *Oman: Politics and Society in the Qaboos State* (2009) and co-editor of *Business Politics in the Middle East* (2013).

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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

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