

# Future Trends in the Gulf

## Jane Kinninmont

Deputy Head and Senior Research Fellow, Middle East and North Africa Programme, Chatham House

## Khalid Almezaini

Assistant Professor of Gulf Studies, Qatar University

## Elizabeth Dickinson

Journalist, *Deca Stories*

## Chair: Dr Neil Quilliam

Acting Head, Middle East and North Africa Programme, Chatham House

19 February 2015

The views expressed in this document are the sole responsibility of the speaker(s) and participants do not necessarily reflect the view of Chatham House, its staff, associates or Council. Chatham House is independent and owes no allegiance to any government or to any political body. It does not take institutional positions on policy issues. This document is issued on the understanding that if any extract is used, the author(s)/ speaker(s) and Chatham House should be credited, preferably with the date of the publication or details of the event. Where this document refers to or reports statements made by speakers at an event every effort has been made to provide a fair representation of their views and opinions. The published text of speeches and presentations may differ from delivery.

10 St James's Square, London SW1Y 4LE T +44 (0)20 7957 5700 F +44 (0)20 7957 5710  
[www.chathamhouse.org](http://www.chathamhouse.org)

Patron: Her Majesty The Queen Chairman: Stuart Popham QC Director: Dr Robin Niblett Charity Registration Number: 208223

### Dr Neil Quilliam

So good afternoon. I'm Neil Quilliam. I'm the acting head of the Middle East and North Africa Programme here at Chatham House. I'm delighted to welcome you all this afternoon to the launch of our Chatham House Report, Future Trends in the Gulf. You should have one on your chairs or it should be in your hands at the moment. It's a very grand looking report and definitely worth a very good read.

Just a couple of notices before we kick off; our event is going to be on the record. The event will also be live streamed and people can comment via Twitter using #CHEvents. If I could ask you all to put your phones on silent mode, that will help us enormously. We've got about 53 minutes so we don't have a lot of time, so I won't talk too much. I'll sort of cut straight to the chase and get on with our speakers.

We have Jane Kinninmont with us this afternoon who's going to speak for 15 minutes. She will be well known to all of you. She is the deputy head of the Middle East and North Africa Programme here. She's a senior research fellow. She is a prolific author. It seems just about six weeks ago we were launching her Bahrain report and here we are a little bit later launching this major report so her contribution to Middle East policy I think is enormous and will be appreciated by all of you.

To my left we have Elizabeth Dickinson who is based in the Arabian peninsula, is a journalist, writes for the *New York Times*, *Christian Science Monitor* and lots of other, the *Financial Times* and lots of other publications. I wanted just to point out one thing which I think is fabulous about you is that she's the author of the Kindle single *Who Shot Ahmed?* which is a true life murder mystery of a 22 year old videographer so that's really quite interesting.

And then to my extended left is Khalid Almezaini who is assistant professor at Qatar University where he teaches international relations of the Gulf States and security in the Gulf. He and I share part of our history together because we were both at the University of Exeter at very different times. You got your PhD from there, and Khalid's book, *The Politics of Aid: Foreign Aid Programmes of Arab Gulf States* will be coming out soon.

So we've got three really good speakers, very well qualified to be talking on these issues. Jane, without sort of talking too much, I'm going to hand over to you. You've got 15 minutes.

### Jane Kinninmont

Thank you. Thank you for joining us today. This report, Future Trends in the GCC Countries, analyses the dynamics of change in countries that are often seen in the West of being bastions of stability, especially at a time of conflict and state failure in some of the countries around them. The report argues that the six Gulf monarchies are undergoing very profound change when it comes to the structure of their economies, the structure of their populations, the availability of information and education compared to the previous generation and their interconnectedness with the rest of the world through globalization.

These changes also imply changes at the political level, and we've seen, even at a time of plenty over the last decade, rising political mobilization in the Gulf countries, although to very different degrees and in very different ways in different places, but the changes in political mobilization and political expectations have been largely unmatched by changes at the level of formal politics. The report argues that the Gulf countries should seize the opportunity that they have for consensus based political development towards more constitutional forms of monarchy.

Despite the attention that we often pay to the violent minority in the Gulf and in the region as a whole, it is a tiny proportion of the population that supports and sympathizes with groups such as the Islamic State and Al-Qaeda. The Gulf countries have a very positive opportunity that in most cases the mainstream opposition movements are not seeking revolution. They are seeking a more accountable and responsive government and in many cases traditionally marginalized groups are seeking more of a say. It is possible to accommodate some of these demands in a peaceful way.

However, I will argue that those opportunities are being squandered, that peaceful moderate oppositionists are all too often being repressed. The report does not take the view that the Gulf countries are extremely vulnerable to successful revolutions and regime change. They have many factors that do support regime security including extensive international backing. However, if we do see more revolutionary movements arising in the years ahead we could see a much more conflictual pattern of politics, societal conflict and sectarian tensions in the years ahead leading to instability in an area that is obviously of vital strategic importance for the rest of the world.

The report goes through chapter by chapter different areas in which the Gulf is changing and it starts by looking at the changes in the Gulf economies. The relations between citizens and states in the Gulf have been shaped by the oil economy that the Gulf states developed in the 20th century, and most of the Gulf states became independent within the last five decades. The nature of the post-independent government and their relationships with their peoples were profoundly affected by the oil boom of the 1970s and the ability of the states to provide largeness to their citizens.

But in the medium to long-term the revenues from energy resources are not sufficient to sustain the current political economic bargain. Despite diversification efforts over recent years, oil still represents the vast majority, 85 to 90 per cent of export revenues and crucially of government budgets in most of the Gulf countries, and in four of the six GCC states hydrocarbons resources will run out within the lifetimes of citizens born today.

Of course, such concerns are being emphasized by the recent fall in the oil price. I note the report was first drafted before that happened and most of the analysis on the economy is looking at a more structural level as prices are always volatile, but even if oil prices recover to 100 dollars a barrel, three of the six GCC countries already need that level of oil price in order to balance their budgets and crucially these breakeven prices are rising every year as population growth adds to the public sector wage and subsidy bills. Public sector wages typically account for 10 per cent of GDP in the Gulf countries except the UAE and Qatar which are very small citizen populations.

The urgency and the timescale of these economic challenges varies from country to country. It's most pronounced in Oman and in Bahrain, the least oil rich of the Gulf countries. Clearly it's no coincidence that those were the countries that saw the greatest unrest at the time of the Arab uprisings but even in the wealthier countries there are very tough choices to be made about the allocation of resources in future, about diversification efforts, about whether the countries seek to pursue private sector opportunities that will provide jobs for nationals which has traditionally been a function of the states or whether they will go with the interest of the business elites in drawing sectors that will largely provide jobs for non-nationals although there's a growing sense of unease amongst some in the Gulf at having the world's highest rates of inward migration.

All of the Gulf countries have extensive strategic economic visions for diversifying their economies away from oil, for developing a wider range of sectors, boosting their trade links with non-traditional partners and seeking to boost education and develop knowledge economies, but there have been two major shortcomings when it comes to these economic policies.

The first crucially is that these long-term strategic plans are unmatched by similar strategic thinking about the political implications of these profound changes in the role of the states, and secondly, because the political risk and political costs haven't been fully factored in, the Gulf countries have tended to put these plans on the back burner or in the drawer at times of threatened potential mass social unrest.

So what we've seen since 2011 is that, in the year of the Arab uprisings, the Gulf countries, despite their stated intentions to generally roll back the role of the state in the economy, made new public spending commitments worth 150 billion dollars or 13 per cent of GDP. While their stated objectives tend to be to promote private sector employment and get nationals from the public sector into the private sector, in 2011 they created tens of thousands of new public sector jobs, many of them being in the security forces. And where elected parliaments exist they have pushed for some populist economic measures because usually this is the only power that they have, but it's something that's not sustainable and the report argues that Gulf governments need to work more with parliaments and with publics to reach a new political economic pact in the years ahead.

Like the rest of the Middle East, the Gulf countries have largely youthful populations. Most of the populations are under 30 and the availability of education and information from all over the world to this generation is radically different than it has ever been for previous generations. The states have always tried to monopolize information, especially the broadcast media. In the 1950s and 1960s they were worried by the spread of pan-Arab radio stations, especially coming from Nasser's Cairo, but today the ability to control the media has completely motored.

Famously Saudis are the highest users of YouTube in the world. Twitter and Kik and other social media platforms, WhatsApp, are used by everybody, and, just to try to put into perspective what a seismic change it is, Saudi citizens couldn't actually access the internet until 1999, and as recently as 10 years ago while broadband was available in the kingdom it was available only through Saudi Telecom which provided it to around one per cent of Saudi households. When camera phones were invented they were initially banned in Saudi Arabia, but today Saudi, like the other Gulf countries, has one of the highest rates of

mobile phone penetration in the world. Everybody is able to access a hugely diverse range of information in their pockets and these sort of traditional attempts to control the flow of ideas are no longer working.

What's particularly important also about the social media is that it's not just about access to information and consumption of ideas but it's an interface which encourages people to be participants, and you see, for instance, it may be very conservative people sometimes that are empowered by social media. Some of the most popular accounts in the regions are religious clerics but they're now interacting with people on a more level platform where people can respond to them, sometimes very rudely, interact with them in a very different way.

I'm not making a kind of cyber-optimism argument here because, of course, a lot of the information is of poor quality. Often sectarian, ethnic and political tensions are exacerbated by short form anonymous internet debates and in almost every Gulf country there have been young people locked up for things they've said on Twitter, whether they've been political or whether they've been things that have been almost silly or jokes. Insulting the ruler is something that's a criminal offence across the Gulf, and since 2011, while some Gulf officials have sought to engage with the public on Twitter, there have also been a lot of new legislation paths to criminalize mocking or satirizing anything that could be seen to represent the state.

In terms of political mobilization it's a very diverse scene across the Gulf. The protests in Bahrain are well known, those in Oman perhaps less so, but something I think as Western observers we often miss is the important petition movements that have taken place, especially in Saudi Arabia, and also on a smaller scale in the United Arab Emirates. There's a strong local tradition in the Gulf of petitioning rulers with demands of change. A variety of petitions have emerged with support from Islamists and liberals, sometimes working together, seeking more accountable governments, more transparent and independent judiciaries and essentially more checks on the power of ruling family. We don't tend to see much of them in the media but they represent some of the important changes that are taking place under the surface.

For the most part, the response to the political mobilization that we've seen taking place has either been by the governments to solve political problems with economic means, spending more money, sometimes seeking to address serious problems of service delivery, waste and corruption, and secondly the other key response has been repression from trying to legitimize critics and opposition movements as foreign agents or as extremists to pure coercion, imprisoning peaceful activists, lawyers, human rights campaigners and so forth.

There are also always elements of reform. Usually this is the strategy that is used the least but there is a tradition in the Gulf of trying to accommodate demands from new social groups. Often reforms are used as a fig leaf. They're used to a very limited extent and they may be very cosmetic but there are some opportunities that could be built upon.

The report has various recommendations for both Gulf governments and their Western allies when it comes to managing political change and political development and I'll highlight a few of them here. They're detailed of course much more in the report. The Gulf

governments need to accompany their long-term economic diversification schemes with serious plans for long-term political diversification to manage the impact of political shifts in the economic role of the state and to share the burden with parliaments and representatives of the public.

Stronger, more transparent institutions, parliaments, judiciaries and ministries with a greater meritocratic element should be developed to manage the competing interest that always exists in any society but which may face more intense competition as resources shrink. To make such institutions function and to make a reality of the claims that Gulf countries have, traditions of consultation with the public, peaceful opposition activities from calling for a constitutional monarchy or parliamentary elections to simple criticism of government policies should be decriminalized.

Transparency and openness in governance should be accorded a higher priority because the demands for those are clear, and ensuring social, economic and political inclusion should be prioritized as the most important counterweight to the pool of sectarian, ethnic or other forms of transnational identities. We can talk more about this in the discussion.

Ultimately for political reforms to be serious and meaningful, this means that the ruling families would need to prepare their own younger generations to have a different role in which they wield less power over the political system and over 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 and this is perhaps a sensitive subject to touch upon, but if institutional level reforms, legal changes or constitutional changes are to be meaningful, ultimately they would need to be also accompanied by reforms at the level of these deep informal institutions, the ruling establishments.

In terms of the implications for Western governments, the report isn't calling on Westerners to try to force democratic values upon the Gulf. Rather it's arguing that change should and will come largely from within although always in conversation with a larger world. But as an outside observer I can see changes that make it very clear that in the years ahead the Gulf governments will need to negotiate some different arrangements with their citizens, and Western countries need to think hard about the implications that has for their own relations which are mainly with the elites and how they can diversify the base of their relations with the Gulf beyond the existing elite to relate more to public opinion, even though public opinion may be fragmented and difficult to read.

One of the recommendations is that defence cooperation with the Gulf needs to be placed in a wider political context where the issue of citizens' rights is not seen as a 'nice to have' that human rights specialists can deal with but that isn't relative to the serious business of defence and security. Rather, the relations between citizens and states in the Gulf is going to be a fundamental part of the ongoing internal security of these countries.

Economic engagement needs to be oriented more towards education and diversification, the key things that the people in the Gulf need. Countries that are seeking sustainable partnerships and companies who want a long-term presence in the Gulf need to demonstrate their ability to add real value to sectors of clear public benefit, healthcare, education, affordable housing, resource sustainability and cultural industries. These will

have wider public appeal than the traditional focus of defence, finance and energy which create few local jobs.

Counter-terrorism cooperation will probably be an increasingly important part of relations in the coming years with the Islamic State unlikely to be disappearing any time soon, but also in this regard it's really essential for Western policy-makers to listen to local public opinion. Gulf populations in general want more weight to be given to protecting people in their region, especially Iraqis, Syrians and Palestinians, from state violence and refugee-hood as well as terrorist groups. When looking at Gulf security, Westerners also need to think about the need for Gulf citizens to feel secure from their own governments, for instance by insuring that the police are held accountable and ending lengthy detention without trial.

Finally, the Gulf does need to be placed in the context of relations with the wider Middle East. Currently many of the traditional powers in the Middle East are in internal disarray and the Gulf countries are some of the older and more familiar friends for British and American policy-makers in particular, but it is worth recalling that the citizens of the Gulf states comprise less than ten per cent of the Arab world populations and strategy towards these countries need to form part of a wider strategy towards what is increasingly a politically diverse region.

Thank you very much. I look forward to discussing this with you.

### Dr Neil Quilliam

Thank you very much Jane. You've obviously summarized the key messages in the report and I should say that the report is a culmination of a three year project that you've been leading so it's very dense and very rich in content. Before I turn to Elizabeth and Khalid with a question or to get their feedback I'd actually like to put a question to you, and that would be, you know, you talk about significant political change coming in the Gulf. Why now? Older hands in the audience might have said, 'Well, we've heard these sort of clarion calls maybe in the 1950s and 1960s and 1970s.' What's changed to actually make us believe that this change is coming now?

### Jane Kinninmont

The Gulf has been undergoing a variety of periods of change so the regimes have been resilient but they have not been static. The model of monarchy has changed. The Gulf countries took advantage quite successfully of the British imperial presence in the Gulf to solidify their rule at that time. At the time of independence some of them went through very different strategies.

It's very important to be aware that the most powerful parliaments the Gulf has ever had were introduced after the withdrawal of Britain from the Gulf in Kuwait and in Bahrain. The oil boom allowed them to change their direction again. The parliament in Bahrain, for instance, was abolished and they became much more focused on the economic bargain, so the report isn't arguing that it is the end of the road for the Gulf monarchies but that this is another time that the game is changing, that they need to adapt.

Traditionally they've been good at adapting but there might be a risk that at a time that they are very, very wealthy and they're being courted by allies and people who want their investment from all round the world that they might be at a risk of some complacency about the need to negotiate without one's populations.

### Dr Neil Quilliam

Okay, great. Thank you. Elizabeth, if we could turn to you. If I could give you five minutes just to get your comments on Jane's main points there.

### Elizabeth Dickinson

Thank you there. Thanks again for having me. It's such an honour to speak on this really incredible and important report. I think I would just raise two points from the report that I found particularly striking to me as a journalist working in the region. I think, at least in my own industry and I think more broadly when we think about the Gulf, it's very easy to break the Middle East into sort of two sections. There's the part that's on fire and there's the part that's putting out the fire.

I think the point that I really appreciated from the report was talking about how the Gulf fits into the context of the Middle East because this is something that I've seen over and over again and I think it's a very underappreciated, important and changing dynamic within the Gulf countries. Just the extent of their relationship with the rest of the Middle East, the extent of their influence and frankly the extent to which the events in the wider Middle East ripple back and have impacts on the Gulf states themselves.

So we see this, you know, today. We cannot talk about, for example, the situation in Egypt without talking about the support that Egypt's received from the Gulf states. We cannot talk about the crisis in Syria without talking about the very real political influence that states like Qatar, Saudi Arabia and the UAE have. We cannot talk about the crisis in Libya without talking about the UAE and Qatar. These are very real situations that I think really make it clear just how interconnected these regions are.

I think, from my perspective being based in the Gulf, one of the most striking things to me is just how much the Arab uprisings and the events of the last four years really have shook to the core the way that I think the people in the Gulf are thinking about their own position. Many of these sort of paradigms and ideas, as Jane said, about sort of the way that the monarchies function, they have been shifted and turned upside down. That doesn't mean that the monarchies are out but I think, like she said, I would echo that there really is a change in the way that people are thinking about what their government should be and how their relationship to the government should be. So, again, I would just emphasize that the Gulf region, while apparently much more stable than many other situations in the Middle East, is certainly also undergoing a very wide and very interconnected change.

I think the other point that really strikes a chord with me, and maybe it's because I'm also a younger person in the region, is the generational gap, the generational change within the Gulf is really something that's very striking. If you look at a country like the UAE where I live, you have grandparents that sit down with their grandchildren. The



grandparents, maybe they were living in a country that had only a few paved roads they were working on or something manually. The children are growing up with domestic servants, with iPhones, with access to anything in the world and this generational divide is having, I think, a very interesting impact on the way that society itself conceives of the way forward. This is such rapid change and the social dynamic is very much still sort of catching up with the extent of economic development.

I would say most particularly of interest to me is how governments will tackle the challenge of the youth bulge and finding not just jobs for the many young people who will be entering the job market in the Gulf but jobs that will be meaningful. This is a population that's increasingly educated and has high demands for what they will be doing with their own lives, so it's not just you can throw someone in the public sector any more, give them a nice salary and they're going to be happy. This is a generation that, like I think this generation across the world actually wants to contribute and build, and this is a message that I think hasn't really been taken up yet in the Gulf.

I don't see really a solution to this issue, a way to direct the energy of this young generation into something that's very constructive. Unfortunately I think that that has one of the negative side effects, that groups like ISIS can actually prey on this, on this boredom, on this sort of lack of direction and this is sort of one of the negative consequences of this and I think something that really needs serious thought.

### Dr Neil Quilliam

Right. Thank you very much Elizabeth. Khalid, is there anything in Jane's talk or in the report that you take issue with, that you'd like to sort of push back on?

### Khalid Almezaini

Oh, well, thanks very much first of all for having me here with you. I enjoyed reading actually the report. I agree with a lot of it but at the same time actually I have some issues regarding the changes in the state/society relationship in the Gulf, but I will start first with the generation gap that Elizabeth mentioned, and this then brings me to the case of state formation which is actually the core of this analysis of this report.

The changes that are taking place within all the GCC countries are part of their state formation process. What we have witnessed in the past five years or six years in particular is a clear indication that those states are remaining in the state formation process and without putting this within the framework of state formation one would find it very difficult. State branding, for example, and so on are clear indications that those states are still remaining in a formation process. Because of that we see this weak relationship between state and society in the Gulf, in government and we do not see a bottom up, you know, approach to understand the changes that are taking place in the Gulf.

And what Jane has discussed regarding the political reform and the changes that are taking place since 2011 are due to many different factors but for me the most important one is the lack of political culture. I agree with you that there will be change, that the GCC countries, most of them will face gradual political reform and also economic reform. However, the question that we have to ask first: is there a political culture? In this

generation gap that you talked, Elizabeth, that because there is a generation that still know little about constitution. What is a constitution? Or, for example, if we talk about a federal state like the UAE, if you ask the people 'what is a federal state?'

So people have little understanding or have a limited political culture that allows them to engage at different level with the state when it comes to political reform changes. That is what you're talking about political mobilization, there will be no revolution, maybe in the Gulf, but there will be gradual reform. And I agree with you that this reform will happen but will have a very, very slow pace.

And I want to stress the fact that not all the GCC countries are the same when it comes to political reform. Some countries, maybe like Kuwait or Bahrain, have a little bit more political culture, are politically matured more than UAE or Oman or Saudi Arabia when it comes to our understanding, to modern understanding of state and political changes.

And one of the interesting things that struck me actually in this report is that the more I study the Gulf the more I realize that there a lot of differences between these countries. I always disagreed when it comes to, okay, we have to, when we examine this region we have to say GCC. I think there are great differences emerging between these countries, and in particular if we divide them into two or three groups, you have UAE and Qatar. They have maybe some similarities, Oman and Saudi Arabia because of the geographic size, and then we have Bahrain and Kuwait because of the similarities, that they are more politically immature to some extent. So I think we have also to bear in mind that when we examine the region we have to make the differences and I think you made some very generalization which might not be fair for some of the GCC countries, you know, when it comes to political change.

In Kuwait, for example, we see that the society has been very active since the 1960s and they have contributed significantly to the development of this political system unlike other states. We cannot compare it to United Arab Emirates or Qatar or Saudi Arabia, and one main issue just to bring up on this is the international ally that you have, allies and the GCC.

I think one of the main determinants of the foreign policies of UK and the US in particular toward the Middle East is their relation with the Gulf countries. UK and US for so many years have been relying on their strong relations with the GCC countries and nowadays is a clear example that UK, for example, having a military base in Bahrain, indicates clearly that without the GCC country they will not be able to serve or to meet the objectives of their foreign policy in the Middle East, and also this applies to the US and the US, they need some bases. They need support for their commitment toward the region and the Gulf is the only stable place in the Middle East which helps them and facilitates the commitment and relations with the Middle East.

## Dr Neil Quilliam

Great, thank you very much indeed. What I'll do now is turn the floor to questions. We've got about 20 minutes just to sort of grill Jane as best as we can and to also put questions to my colleagues here.