



The Arab Gulf States
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The Interventionist Turn in Gulf States' Foreign Policies

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About the Author

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Executive Summary

There is no cohesive foreign policy objective or strategy shared within the Gulf Cooperation Council. In fact, the six Arab states of the Gulf are intervening in international politics, and the Middle East and North Africa region in particular, via a number of mechanisms and on a number of strategic interests, sometimes divergent. This issue paper attempts to identify key trends in Arab Gulf states' interactions with other countries in the region and the international system, as well as the drivers of those policies and interventions. In identifying these broader trends, the paper also highlights discrepancies in foreign policy objectives and approaches among Gulf states. The trends include an increasing willingness to use military force and a consistent interest in amassing military equipment; divergent Gulf state approaches to international institutions and the use of bilateral aid strategies; the domestic promotion of national identity; and an emerging streamlining trend and technocratic emphasis on government service delivery, including a "value for money" approach in aid policy.

Introduction

Over the last decade there has been an invigoration of Gulf state agency in regional politics, from the use of military intervention, to increased bilateral, rather than multilateral, foreign assistance, to an interest in regional leadership that has created an inter-Gulf Cooperation Council rivalry as much as a Middle East and North Africa-wide competition for influence. The perception of U.S. disengagement¹ from the Middle East permeates Gulf states' justifications for their foreign policy choices, specifically the Saudi rationale² for its intervention in Yemen. In Syria, there is a similar rationale from Gulf states that unless they assume a leadership role, including the ability to pose an independent military threat, a power vacuum will further destabilize the region and embolden Iran.

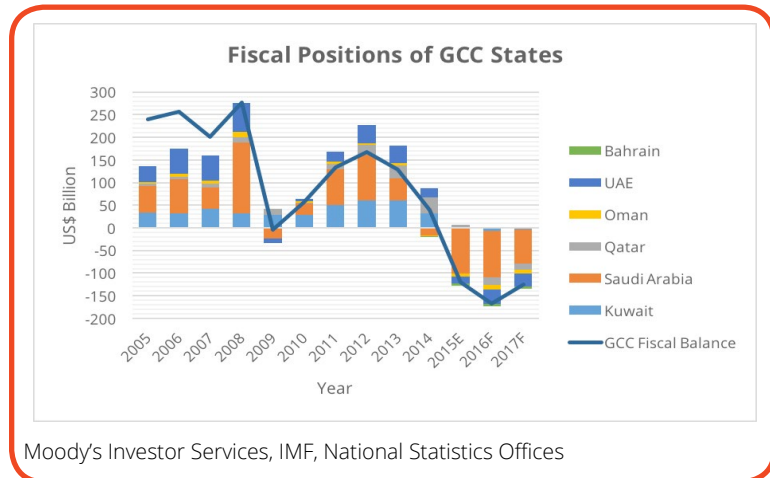
¹ Jeffrey Goldberg, "[The Obama Doctrine](#)," *The Atlantic*, April 2016.

² Prince Turki al-Faisal, "[No, Mr. Obama, We Are Not Free Riders](#)," *Arab News*, March 14, 2016.

GCC Foreign Policy in Regional and Fiscal Context

The Arab Gulf states are engaging a regional political landscape without a clear ideological or security center of Arab politics. The post-Arab Spring disorder has diminished Egypt's traditional claim to that role, while the civil war in Syria has permeated Turkish domestic politics and security, weakening President Recep Tayyip Erdogan's ability to project an alternative model of (participatory) political Islam to the wider region. The environment is providing a sense of legitimization of the particular Arab Gulf model of political economy: authoritarian governance with liberal economies, often dominated by state-related entities that invest in infrastructure and real estate, subsidized with imported labor and cheap energy costs. This is the logic behind a rising, or emerging, Gulf model of political economy, or at least one that Gulf leaders are keen to project. However, this model is being challenged by the prolonged decline in the price of oil, driven by higher supply from non-OPEC producers and a slowdown by Asian consumers, mainly a decrease in Chinese demand for oil. As much as 70 percent of Gulf countries' fiscal revenue derives from oil exports, as prices are down from \$52 per barrel in 2015 (a low from the boom times of over \$100 per barrel in 2013) with forecasts by Moody's and other energy analysts to remain below \$40 per barrel through 2017.³

This drastic decline in revenue, after a decade of hyper economic and population growth, is creating major structural challenges to government outlays in public services, subsidies, and employment. Some analysts describe this period in Gulf domestic politics as a renegotiation of the existing social contract.⁴ At the least, it is a reconsideration of the appropriate role of the state in the economy, including the provision of social welfare to citizens combined with a forward vision of the appropriate economic and social integration of noncitizens.



The economic reform discourse so prevalent now inside the GCC has focused on efficiency, government streamlining, and long-term targets for labor market reform and economic diversification. In Qatar, this streamlining has included explicit statements by the emir, reducing the government's obligation to cover social service expense.⁵ In Saudi Arabia, the transformation plan "Vision 2030," designed by Deputy Crown Prince Mohammed bin Salman⁶

³ "Moody's Cuts Oil Price Estimates," *Financial Times*, January 21, 2016.

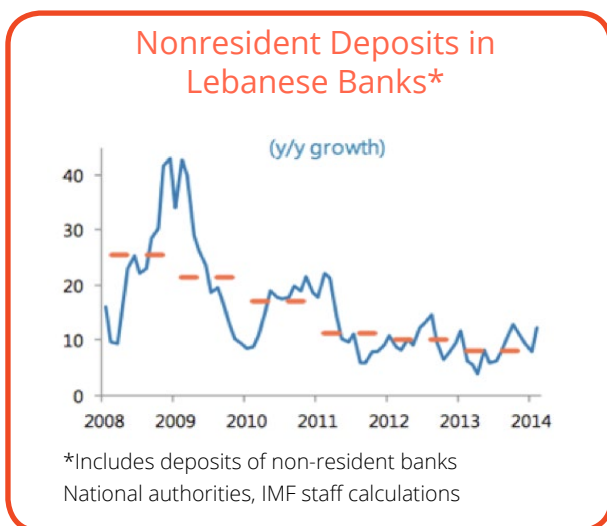
⁴ Sultan Al Qassemi, "The Gulf's New Social Contract," *Middle East Institute*, February 8, 2016.

⁵ Shabin S. Khatri and Peter Kovessy, "Qatar Emir: Government Can No Longer 'Provide for Everything,'" *Doha News*, November 3, 2015.

⁶ "Transcript: Interview with Muhammad bin Salman," *The Economist*, January 6, 2016. Deema Almashabi, Glen Carey, and Riad Hamade, "Saudi Arabia's Deputy Crown Prince Outlines Plans: Transcript," *Bloomberg*, April 4, 2016.

and advisors⁷ has been aggressively promoted as a means to go beyond natural resource wealth while also modernizing labor markets. A series of shake-ups and new appointments in key economic ministries, as well as the restructuring of ministries, continues to unfold.⁸ In the United Arab Emirates, the government has focused on efforts to minimize bureaucracy (a challenge when Gulf public sectors employ the majority of nationals) and increase government accountability, as Vice President of the UAE and Ruler of Dubai Sheikh Mohammed bin Rashid al-Maktoum called for more ministers, not ministries.⁹ In Oman, a reduction in fuel and electricity subsidies has been followed by cuts to public sector employee benefits, perhaps the most radical in the GCC, going directly to the relationship between state and citizen/employee.¹⁰ Likewise in Bahrain, there have been technocratic and creative efforts (some successful, some unsuccessful) to reform labor markets by making labor more mobile within the traditional *kafala* system – in which foreign laborers are dependent upon employers for resident visa sponsorship – as well as initiatives to create incentives for the private sector to employ nationals.¹¹

In light of the fiscal challenges facing the GCC from the decline in oil revenue since late 2014, there will likely be increasing pressure on vulnerable communities inside the Gulf (including low-income nationals and large migrant laborer groups), as well as ripple effects on larger communities in the MENA region that are recipients of remittances or aid packages originating in the Gulf.¹² Many of the most vulnerable states in the region are highly dependent on remittances as a source of gross domestic product, and much of this funding originates in the Gulf. In Syria and Lebanon, the withdrawal, or collapse, of Gulf-based remittances has had immediate implications. Remittance flows from Arab countries, mostly the GCC states, comprised over 40 percent of total remittances to Lebanon in 2014, or \$6.2 billion, roughly 5 percent of GDP, according to Moody's. The International Monetary Fund lists Lebanon among the world's largest recipients of remittances as a share of GDP. Remittance inflows topped \$6.7 billion in 2010, of which at least 60 percent was from oil exporters. In Lebanon, there is already evidence of a downturn as nonresident deposits in the domestic bank sector have diminished considerably since 2011



⁷ Gassan Al-Kibsi, Jonathan Woetzel, Tom Isherwood, Jawad Khan, Jan Mischke, and Hassan Noura, "[Moving Saudi Arabia's Economy Beyond Oil](#)," *McKinsey Global Institute*, December 2015.

⁸ Karen E. Young, "[Saudi's Summer of Anticipation](#)," *Arab Gulf States Institute in Washington*, May 10, 2016.

⁹ "[Sheikh Mohammed bin Rashid Announces Major Government Shake-Up to Prepare UAE for the Future](#)," *The National*, February 8, 2016.

¹⁰ Fahad Al Ghadani, "[Thousands in Oman to Get Their Work Benefits Cut](#)," *Times of Oman*, February 22, 2016.

¹¹ Francois de Bel Air, "[Demography, Migration, and the Labour Market in Bahrain](#)," *Gulf Research Center, Gulf Labour Markets and Migration Project* no. 6 (2015).

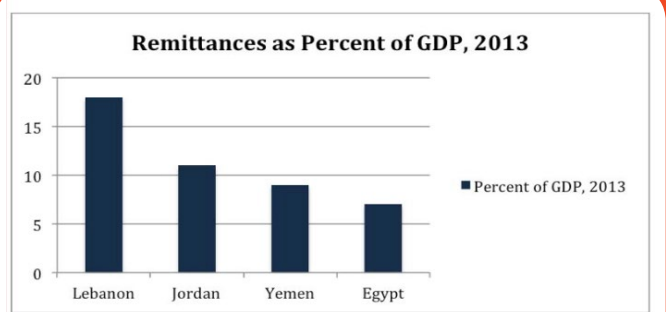
¹² Karen E. Young, "[Refugee Crisis and Economic Migration: Regional Economic Interdependence and the Arab Gulf States](#)," *Arab Gulf States Institute in Washington*, February 2016.

and the Arab Spring. With the withdrawal of Gulf state aid and political backing for Lebanon, the local financial system will surely deteriorate.¹³

Philanthropy in the Gulf has private and public champions, yet increased state scrutiny on civil society organizations and individual donors will dampen grassroots efforts to organize on humanitarian and child rights issues. Furthermore, the empowerment of state institutions as sites of aid collection and dispersion could impede multilateral efforts at post-conflict reconstruction in the region. This is specifically apparent in Saudi plans to use the King Salman Center for Humanitarian Aid as a depot for post-conflict Yemen, while aid delivery to Yemen is continually disrupted by both the forces supporting the Hadi government and the Houthi rebels. Potential areas of conflict, even among allies within the war in Yemen, include disparate visions of post-war reconstruction.¹⁴

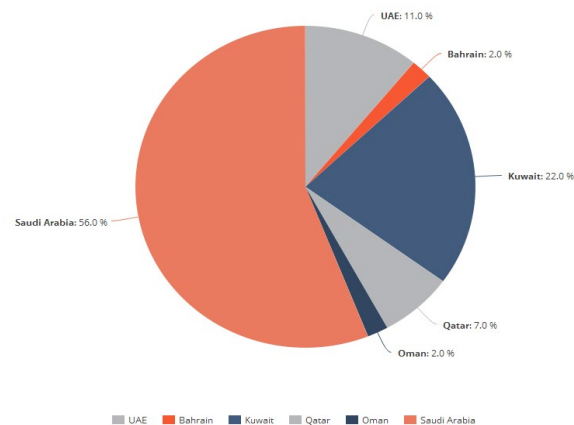
The reliability of bilateral aid from the Gulf to the wider MENA region also will be tested this year, as domestic spending may take priority. The continued decline in oil revenue could potentially have an effect on regional remittance flows and Gulf states' aid policies.

At the same time, Gulf states are exercising a more muscular economic statecraft in which aid and investment may be withdrawn as punishment, as well as for domestic fiscal priority. For cases like Egypt (and to an increasing degree, Lebanon), any retreat of financial aid to central banks could create extraordinary pressures on local currency, risking devaluation and a loss of savings to poor and middle-class families. The parallel emerging discourse on fiscal austerity and government performance may work to the



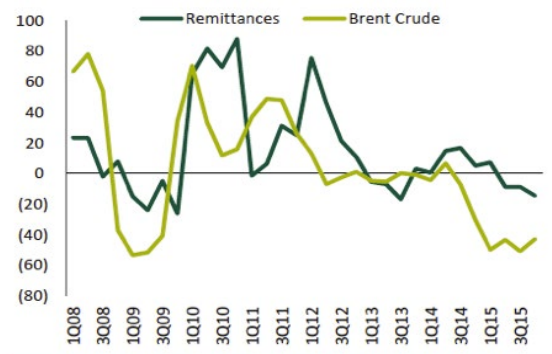
World Bank, "Migration and Development Brief, 24," 2015, pg. 21.

Saudi Arabia Has The Lion's Share of GCC Remittances to Egypt



EFG Hermes, World Bank

Remittances and Oil Prices, 2008-15



EFG Hermes, Central Bank of Egypt

¹³ Karen E. Young, "Gulf Economic Statecraft Hits Lebanon," *Arab Gulf States Institute in Washington*, March 25, 2016.

¹⁴ Kristin Smith Diwan and Fatima Abo Alasrar, "Gulf States Struggle to Achieve Goals in Yemen War," *Arab Gulf States Institute in Washington*, March 10, 2016.

detriment of Gulf aid recipients, as a “value for money” rationale permeates all aid decisions. Short-term balance of payments crises, which tend to eviscerate the working poor, may not be seen as efficient aid targets, in lieu of aid that supports the maintenance of order via policing and military aid transfers.

Drivers of Gulf State Intervention: Local, Regional, and International

Drivers of Gulf state intervention in the wider MENA region exist on at least three dimensions: local, regional, and international.

At the local level, domestic politics are currently preoccupied with reform discourse, but from 2011 through 2014 the regional fallout of the Arab Spring dominated Gulf domestic politics with increased securitization of both private and public life. New anti-terror laws across the Gulf have made critique of the state, ruling families, and any banned political group, including those named as terrorist organizations, a criminal offense.¹⁵ The Gulf model, with all of its challenges in demographic imbalance between citizens and noncitizens, and a state-led development plan, had to compete with a narrative of political liberalization, and the possibility of viable political Islam. The failure of Arab Spring popular revolts, and the subsequent instability in Libya, Egypt, Yemen, and Syria (and even Tunisia with its struggle with domestic terrorism), entrenched a sense of victory and emboldened the Gulf states to market their “order and development” product by way of aid packages and soft power diplomacy in the broader region.

Gulf states are exercising a more muscular economic statecraft in which aid and investment may be withdrawn as punishment, as well as for domestic fiscal priority.

The regional violence and disorder has not always broken down on sectarian lines; neither has it broken down on secular versus Islamist projects for governance. However, Iran and variants of Shia identity politics have been a useful common enemy for the Gulf states. A major concern for Saudi Arabia is the ascendance of Iran, a revolutionary, Islamist state with economic power, military power, and an open door to improved diplomatic relations with the United States through the Joint Comprehensive Plan of Action. Regional rivalry within the GCC, however, has complicated cooperation in security (including the creation of a joint GCC military force and shared defense systems) and the articulation of a common defense strategy.¹⁶ Some analysts question the cohesiveness of the GCC in a time of economic constraint and regional conflict.¹⁷

¹⁵ “Bashing the Wrong People,” *The Economist*, July 12, 2014.

¹⁶ Karen E. Young, “The GCC in 2015: Domestic Security Trumps Regional Integration,” *The Washington Institute for Near East Policy*, December 15, 2014. See also, Karen E. Young, “Ties that Bind or Blind? US-Iranian Rapprochement and Effects on GCC Threat Perception,” *Oxford Gulf and Arabian Peninsula Studies*, Spring 2016. See also, Anthony H. Cordesman, “Moving Towards Unity: Expanding the Role of the GCC in Gulf Security,” *Center for Strategic and International Studies*, December 20, 2012.

¹⁷ Madawi Al-Rasheed, “How United is the GCC?” *Al-Monitor*, April 1, 2016.

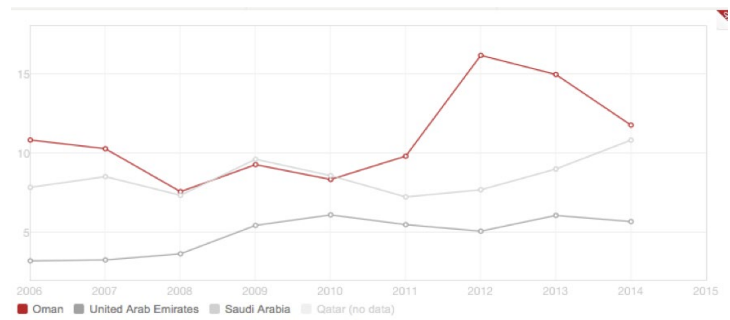
Between 2000 and 2014, massive export revenue from oil and gas allowed the Gulf states to increase military spending,¹⁸ create competing models of financial free zones and modern Gulf cities, and (for some) comfortably transition between generations of rule. Most of all, it was a period of national identity construction and differentiation for most of the Gulf states. Even as fiscal budgets tighten, procurement trends suggest that GCC military spending is taking priority, as it has in the past. During the global financial crisis in 2009 the economic downturn did not deter military expenditure.

The decade plus of high oil prices, especially from 2003-14, was a confidence-building period in the Gulf. Oman, which continues to spend heavily on military procurement, used the last decade to promote its identity as diplomatic envoy of the region. It allowed Qatar to strategize a role as regional political benefactor for

Islamist movements. It enabled the UAE to carve out a secular political identity in opposition to the Saudi model, with the financial resources to bolster its international standing institutionally and to project soft power. Kuwait used the time to amass a comfortable reserve position that has kept parliamentary politics alive, if somewhat dysfunctional. The era allowed Bahrain to experience a real reform movement, as middle-class citizens had the opportunity to see how economic growth can also open a space for political activism. In Bahrain, the activism chapter is closed and austerity may only heighten the state's anxiety and securitization. For Saudi Arabia, the boom decade has given way to a day of reckoning and experimental economic reform.

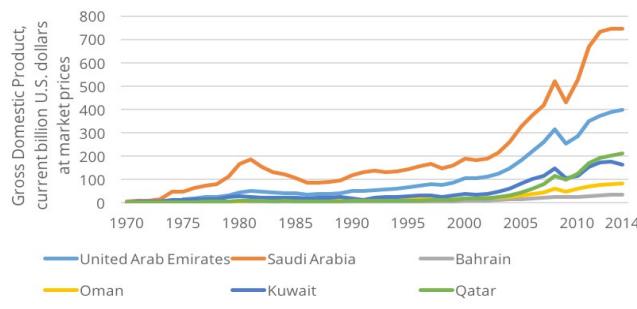
At the international level, the most compelling shift in Gulf states' foreign policy has occurred in the changed nature of U.S. military and diplomatic engagement in the region since the Arab Spring. While the United States has not pivoted away from the Middle East toward Asia, there is a growing perception of a shift since the United States is not playing a leading role in the cessation of violence in Syria, in finding solutions to the massive refugee crisis bedeviling Europe, or in the stabilization of Egypt, Libya, or even Tunisia. The United States wants partners, and the Gulf states, at first in shock, have realized that they can take on these crises if they wish. The United States has taken a transactional view of Middle East politics, one in

Military Expenditure as a Percentage of GDP (Oman, Saudi Arabia, UAE)



World Bank Economic Indicators; SIPRI data

GDP growth across the GCC states (1970-2014)



World Bank Economic Indicators; SIPRI data

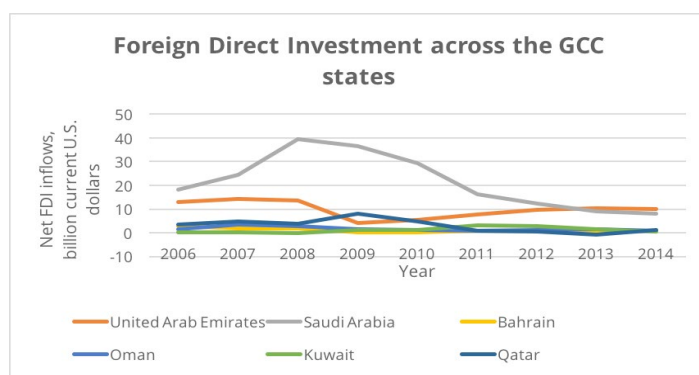
¹⁸ "Saudi, Qatar and UAE Defence Budgets Not Shrinking Despite Oil Price Drop," *IHS Jane's 360*, June 2, 2015.

which arms sales are a proxy for military intervention, and, perhaps more strategically, is gambling on economic liberalization and trade as a more effective mediator of regional conflict. This is a policy of cautious engagement. However, U.S. military capacity in the region remains very strong, including multiple bases in Bahrain, Qatar, and the UAE, among others.

While U.S. sanctions remain in place, the rapprochement with Iran through the Joint Comprehensive Plan of Action

acknowledges the power of economic integration over isolation in a region divided. The U.S. strategy is a long-term gamble made by one president, and there remain important limitations on Iran through U.S. Treasury sanctions in the international financial system.¹⁹ The Treasury Department continues to wield a power of dissuasion against financial intermediation among major international banks and corporates in Iran, as the complications with remaining U.S. sanctions leave many wary to risk exposure. Some GCC states are individually aiming for MENA regional dominance, via financial centers, military strength and alliances, and bilateral aid targets.²⁰ These efforts have been most evident by the emerging pillars of Saudi Arabia and the UAE.

Another important international trend has been the militarization of humanitarian aid delivery.²¹ This global practice is now entrenched even into the Responsibility to Protect doctrine, most recently practiced in Libya, in which a no-fly zone defines the borders and possibilities of aid delivery. Future humanitarian efforts in conflict and post-conflict situations in the region will likely be heavily militarized, possibly with a variety of new coalitions (with or without a U.N. mandate). This will "Balkanize" conflict zones, dividing areas under separate control and potentially impede, or at least create inequities, in aid delivery and post-conflict reconstruction. Gulf states are not inventing this practice, but rather adopting a practice entrenched in international norms and using it to their advantage. Therefore, in the international realm, an atmosphere that is permissive of militarization in conflict aid delivery may encourage certain kinds of foreign policy choices.



World Bank Economic Indicators; SIPRI data

¹⁹ For a view that sees Iranian corruption as the key impediment to financial integration post-sanctions, see Patrick Clawson, "[Iran Locks Itself out of the International Financial System While Blaming Washington](#)," *The Washington Institute for Near East Policy*, April 5, 2016. See also, Karen E. Young, "[Exuberance in Europe; Restraint in America: Iran Sanctions Realities](#)," *Arab Gulf States Institute in Washington*, February 9, 2016.

²⁰ Kristian Coates Ulrichsen, *The Gulf States in the International Political Economy* (London: Palgrave Macmillan, 2016).

²¹ For an articulation of this trend from pre-Arab Spring, see Michael Young, "[Development at Gunpoint](#)," *Foreign Affairs*, December 2010. The literature on the militarization of humanitarian aid delivery includes: Alice Hills "Hearts and Minds or Search and Destroy? Controlling Civilians in Urban Operations," *Small Wars & Insurgencies*, 13, no. 1: 1 (2002). See also Mark Duffield, "Governing the Borderlands: Decoding the Power of Aid," *Disasters*, 25, no. 4 (2001): 308, and Mark Duffield, *Development, Security and Unending War: Governing the World of Peoples*, (Cambridge: Polity Press, 2007).

Identifying Trends in Gulf States' Foreign Policy

The previous section identified drivers of Gulf states' international aid and foreign policy, through their resource wealth boom cycles and attempts at positioning themselves in regional and international politics. Four trends have emerged as a result of these drivers.

Trend 1: Willingness to engage militarily in regional conflicts

The root causes of increased military engagement by Gulf states include the shifting threat perception of an emboldened Iran, particularly after the Iraq War and 2003 U.S. invasion, which strengthened Shia factions in Iraq. In addition, the amassing of financial resources over the course of a commodity boom decade from 2003-14 has enabled the purchase of advanced weaponry. As Gulf states have begun to see themselves more as regional leaders, the number of threats, both ideational and military, have risen. Iran has increasingly been at the center of Gulf threat perception, as regional hegemon, and as a counter political model with a revolutionary and religious raison d'être.

Some GCC states are individually aiming for MENA regional dominance, via financial centers, military strength and alliances, and bilateral aid targets.

Destabilization of Arab regimes has been both threat and opportunity for Arab Gulf states, as they see an entry point for their model of authoritarian governance coupled with investment opportunity. There is important variation among the GCC states in this regard. Though Qatar and Oman are large purchasers of arms and military equipment, and even host military bases of larger powers such as the United States and Britain, they show little appetite for regional military engagement, especially unilaterally. Bahrain and Kuwait are mainly focused on domestic security. The UAE and Saudi Arabia are aggressive arms purchasers and are willing to use their weapons for regional security. Their joint war in Yemen is seen domestically by leaders as a nation building project (for themselves, not Yemen), and as a training exercise for a larger regional security role.

Trend 2: Interest in international diplomacy or prestige as regional powers

The motivations for a more robust and engaged diplomatic presence of Gulf states and their rulers on the international stage are complex. A process of generational change in leadership has been underway since the mid-1990s across the Gulf states. The members of this second generation of post-oil wealth rulers have competed with each other to establish new urban geographies, complete with financial centers and infrastructure that has been an engine of domestic economic growth. State building has been in government institutions, from ministries to public service delivery systems that create and sustain new national identity projects. Branding and differentiation between Gulf state identities has led to greater interest in international institutions, including hosting international agencies as well as social and sport organizations. This expansion has had some cultural and sociological backlash, alienating some nationals and disrupting existing social and legal norms on human rights issues.

Trend 3: Foreign policy decision making remains closely guarded, but there is a trend toward technocratic governance, and an interest in government service delivery and performance.

In Saudi Arabia, King Salman has begun to share authority on foreign policy and military engagement with Mohammed bin Salman. Though the Yemen intervention remains unresolved, in domestic politics, particularly around economic issues, there is a new and potentially groundbreaking interest in government accountability. The use of government-funded surveys is particularly interesting, as first efforts at public opinion on government performance. Mohammed bin Salman has deftly used media, especially outlets like *The Economist* and *Bloomberg* to target a Western financial audience as well as *Al Arabiya*, to release interviews to a domestic audience explaining his rationale for economic reforms.²² These interventions are a drastic departure from traditional modes of state-citizen and state-market interactions in Saudi society.²³

In the UAE, a massive reorganization of ministries and government entities, including new appointments in security, defense, and the national oil company, are consolidating control under Crown Prince Mohammed bin Zayed, but also leading to discussions on government provision of service and accountability, specifically to citizens on a basis of inclusion. Notably, the new head of the Abu Dhabi National Oil Company (ADNOC), Sultan Al Jaber, formerly had the Egypt aid (and investment) portfolio.

In Oman, concerns are more about succession, and the ability to reduce subsidies and create jobs for nationals at the same time. Oman has the least diversification in decision making, at a moment when it is perhaps most needed.

Qatar has been engaged in a number of efforts to streamline budgets (predating the oil slump) and improve government performance and service delivery with the new emir, since summer 2014.²⁴

Kuwait and Bahrain are perhaps behind the curve on this trend, though Bahrain has undertaken the most extensive reform efforts in the labor market, as well as reductions of subsidies. So, the logic of reform and improved performance is there, but the public discourse and engagement is lacking.

²² Deema Almashabi, Glen Carey, and Riad Hamade, "[Saudi Arabia's Deputy Crown Prince Outlines Plans: Transcript](#)," *Bloomberg*, April 4, 2016. See also "[Transcript: Interview with Muhammad bin Salman](#)," *The Economist*, January 6, 2016.

²³ Karen E. Young, "[Understanding Vision 2030: Anticipating Economic Change in Saudi Arabia](#)," *Arab Gulf States Institute in Washington*, April 28, 2016.

²⁴ Kristian Coates Ulrichsen, "[Qatar: Reshuffling Toward Austerity](#)," *Arab Gulf States Institute in Washington*, February 9, 2016.

Conclusion

A rising Gulf is an outcome of a particular political economy model that was supercharged by resource wealth in the first decade of the 21st century. The international system this model has encountered has been flexible enough to allow interventions, both military and financial. The reshaping of international institutions and norms of foreign aid continue, with Gulf states filling voids where formerly international financial institutions and aid agencies might have held more sway. Even the perception of a U.S. pivot away from the Gulf, in executive attention or the dedication of foreign policy resources, will have important consequences in further encouraging Gulf intervention in the region, as a matter of opportunity and in efforts to further Gulf domestic security agendas.

