
ME101 Lecture 1: Geopolitical Competition in the Middle East | The Gulf States – The Competition for Influence

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Since late last year, there have been a series of developments that sharpened competition between Gulf states but at the same time, sought to reduce tensions across the Middle East. In January 2021, the Al-Ula summit put an end to the debilitating three-and-a-half year economic and diplomatic boycott on Qatar by some of its Gulf neighbours. Saudi Arabia has also signalled an intention to compete with the UAE in various economic fields, challenging the latter's status as the region's premier business hub. Nevertheless, there have also been efforts to tone down rivalries and tensions in the region. Iraq has sponsored meetings between Saudi and Iran in a bid to facilitate conflict resolution talks, while the UAE's national security advisor recently visited both Turkey and Qatar in a show of goodwill between the respective countries. These developments highlight the timeliness of MEI Research Fellow Dr Clemens Chay's discussion of the current landscape in the Gulf region.

Gulf Regionalism: A Supranationalist and Intergovernmentalist Project?

The Gulf Cooperation Council (GCC) was founded in 1981 and comprises six states — Saudi Arabia, Bahrain, Kuwait, Oman, Qatar and the UAE. In academic literature, the concepts of supranationalism and intergovernmentalism have been conceived to describe regional integration in the case of the European Union. Yet, these two concepts, conceived as opposing ends of a spectrum, may also be used to understand relations between the Gulf countries. Supranationalism refers to the degree to which states are willing to concede their sovereignty to regional bodies in making decisions, while intergovernmentalism points to a system in which national interests take precedence over regional interests. Given the flow of contemporary developments, it appears that the Gulf, or the GCC, as a regional project is moving away from supranationalism and towards the intergovernmentalist end of the spectrum – states now heavily prioritise national interests and inter-state co-operation but previously, it was only done on an issue-oriented basis.

The Gulf states do not share uniform perspectives in matters of defence and national security. While the GCC charter did not focus on security co-operation, the Peninsula Shield Force (PSF) — the military arm of the GCC — was nevertheless formed in 1984 and was deployed during the 1990 Gulf War when Iraq invaded Kuwait. More recently, Bahrain requested the deployment of the PSF during the 2011 Arab Spring uprisings for the protection of national facilities. However, the request received a mixed response from the other Gulf states — Oman and Kuwait were hesitant to deploy their own troops in Bahrain and the final force consisted mostly of KSA and Emirati soldiers.

Economic and financial co-operation between Gulf states have progressed enormously over the decades since the GCC's founding, with a common market launched in 2008 followed by a customs union becoming fully operational in 2015. Despite this, attempts at establishing a single currency have not come to fruition, with disagreements between states over the method of implementation. Recent attempts to explore the viability of a common digital currency have been spearheaded by Saudi Arabia, rather than being a region-wide initiative.

A unified legal framework for the introduction of value-added tax in the GCC has also been ratified; yet Kuwait and Qatar are still yet to implement the tax, despite the Covid-19 pandemic-induced collapse of oil prices last year. As such, while there is a strong traction for regional integration on the GCC's economic front, each state continues to move at its own pace in many aspects.

Gulf states have also worked to improve energy synergies within the region. In 2001, the GCC Interconnection Authority was established as a transboundary electricity network, helping to provide a regional foundation for a fully-fledged electricity market. However, the recent OPEC spat between Saudi Arabia and the UAE over oil production quotas nevertheless highlights how the Gulf states are moving in separate directions in a race to secure energy market shares as the world recovers from the pandemic.

Contemporary Developments in the Gulf: Rising Competition

Oil and energy, the traditional sources of much of the Gulf's wealth, have taken a hit since the Covid-19 pandemic last year. While oil prices — now hovering around \$70–73 per barrel — have recovered to an extent, they are still significantly lower than the \$100perbarrel prices of early 2014 and Gulf states are now facing fiscal deficits due to high government spending and a citizenry heavily accustomed to government subsidies and benefits. Such issues have prompted these states to intensify efforts in moving away from the oil economy, not only by looking into alternatives such as renewable energy but also boosting other economic sectors (such as tourism) and reducing reliance on migrant workforces. However, efforts at economic diversification have been uniform across Gulf countries and there continues to be many challenges.

Saudi Arabia's Vision 2030 serves as an illustrative example of both the scale — and perils — of such economic diversification efforts. Spearheaded by KSA Crown Prince Mohamed bin Salman (popularly known as MBS), Vision 2030 incorporates several mega-projects — including a futuristic carless city — intended to attract foreign investment, boost secular and religious tourism, contribute to job creation and increase women's participation in the workforce. The execution of these plans has necessitated a huge centralisation of power, with MBS moving to curb the authority of Saudi Arabia's religious police and promote a moderate brand of Islam to convince the citizenry of the compatibility of these plans with the country's longstanding Wahhabi religious beliefs. However, many of Vision 2030's targets have yet to be met and its megaprojects carry the risk of cost overruns. Saudi Arabia's unemployment rate remains an issue and other metrics such as ease of doing business and global competitiveness leave much to be desired.

As Gulf states incorporate diversification agendas into their respective national visions, there are bound to be clashes and heightened inter-regional competition. While the UAE is often cited as the region's premier business hub, KSA has recently sought to challenge this status. The kingdom asserted this year that it would not sign contracts with companies that do not establish their headquarters in Riyadh. Saudi Arabia has also announced the creation of a new national airline, while its news media channels (including Al-Arabiya) are reported to be in the process of relocating their operations from Dubai to Riyadh. At the same time, Saudi Arabia's neighbours will not rest on their laurels and work hard to retain their comparative advantage. The UAE has established its Expo 2020 to be held later the year, while Qatar is set to host the World Cup in 2022. These megaprojects, involving huge infrastructural developments in transportation and logistics, will have to compete for international investors and funds.

The Gulf has also seen several prominent leadership changes over the last two years. The deaths of Oman's Sultan Qaboos bin Said and Kuwait's Emir Sabah Al-Ahmad Al-Sabah last year means that the region has lost two prominent personalities who played pivotal roles in terms of conflict mediation and shuttle diplomacy for the region. Last year also saw the appointment of Crown Prince Salman bin Hamad Al Khalifa as prime minister of Bahrain, following the death of his uncle Prince Khalifa bin Salman. In the last two years, there have been attempts at re-injecting vitality in the government agencies, both through the appointment of fresh faces and streamlining of government agencies.

This period has also seen key geopolitical developments. The GCC summit held this year in the Saudi Arabian city of Al-Ula marked the end of a three-and-a-half year blockade on Qatar by a Saudi-led coalition of Gulf states. Yet, the end of the blockade has not necessarily sparked more cohesive regional integration but instead, Gulf inter-state relations have continued to proceed mainly on a bilateral basis. Qatar has also emerged stronger from the blockade, hastening developments in its port industries and food security. The Abraham Accords saw the UAE, Bahrain, Sudan and Morocco normalising relations with Israel. This official formalisation of relations was, in fact, preceded by years of unofficial communications between Israel and the Gulf countries.

The geopolitical landscape in the Middle East also features the active involvement of the global powers. The US withdrawal from Afghanistan and Iraq has caused complications and sparked concerns by its Gulf allies about a reduced American role in the region. China has courted the Gulf through its Belt and Road Initiative, with the UAE — which has signed a deal to be a regional production hub for Sinopharm’s Covid-19 vaccines — emerging as one of its key partners. These developments draw questions about how the Gulf states are repositioning themselves to draw the attention of external powers, whether for investments or other areas of co-operation.

Highlights of the Question & Answer Session

Q: While the region is endowed with plentiful energy resources, how is the Gulf managing other resources such as water and food? How have Gulf states been able to avoid Dutch’s disease in managing its energy resources?

A: While the oil and gas resources are abundant in the region, water security has been a longstanding issue which Gulf initiatives have only been moderately successful in alleviating. The Gulf states are currently especially focused on food security. Qatar, incentivised by the urgency of the blockade years, has strengthened its food security through various means including scouting for alternative food sources and hastening technological developments. The UAE has also established a new accredited system for food, while Bahrain has recently concluded a nationwide forum bringing different stakeholders together to discuss ways to improve food security in the kingdom.

It is difficult to say if the Gulf has truly been able to avoid Dutch’s disease. The onset of Covid-19 pandemic and the subsequent collapse of oil prices last year highlighted the problem of an inflated public sector, leading many Gulf states to streamline their governments in a bid to reduce fiscal deficits. The health crisis, which triggered an expat exodus, also foregrounded Gulf labour policies and prompted questions about the extent to which Gulf states should rely on foreign workers. However, given the number of megaprojects on the horizon, Gulf countries have little choice but to continue hiring migrant workers for the foreseeable future. These challenges have persisted despite or because of the region’s reliance on its abundant energy reserves.

Q: What lessons, for example, could the GCC learn from other bodies such as ASEAN? Given that both regions have a diverse makeup of labour, how have Gulf countries such as the UAE and Bahrain been able to avoid tensions between the local citizenry and the foreign worker population?

A: Firstly, it is important to acknowledge that the Gulf and Southeast Asia have very different regional compositions and political asymmetries. That being said, ASEAN, which favours a policy of non-interference, is often seen to be functioning effectively as an intergovernmentalist organisation given its success in encouraging constructive dialogue between member states as well as with external powers through platforms such as the ASEAN Regional Forum and the ASEAN Infrastructure Fund. In this sense, the GCC would do well if it learns from ASEAN in building its capacity to facilitate communication between Gulf heads of state to discuss regional issues as a whole.

On the topic of labour tensions, it is true that the Gulf states have had some success in avoiding local-migrant tensions, as compared to countries like Thailand, Malaysia and Singapore where there have at times been some degree of anti-foreigner sentiment. Nevertheless, it is important to note that both regions have different systems of labour management. The kafala system used in Gulf countries has put in place an implicit hierarchy, as in-country employers are directly responsible for workers’ visas and legal status. This de-incentivises workers from formally raising their concerns, meaning that tensions are less visible. This problem has been brought to

the public eye mainly through NGOs, which have attempted to alleviate some of the pressures faced by migrant workers including late payment of salaries and poor working conditions.