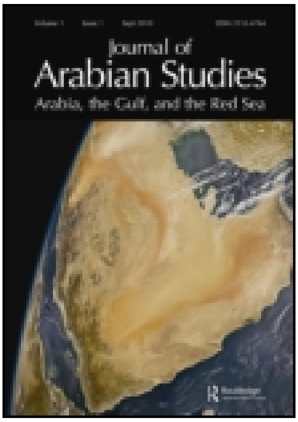

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Repositioning the GCC States in the Changing Global Order

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Repositioning the GCC States in the Changing Global Order

KRISTIAN COATES ULRICHSEN

Abstract: This article examines the Gulf Cooperation Council (GCC) states' changing position within a global order itself in a state of flux following the global financial and economic crisis and a regional order facing the participatory pressures of the Arab Spring. It explores the nature of their engagement in reshaping international institutions and assesses the implications for structures of global governance. The paper investigates the internationalisation of the GCC states through deepening interdependencies with a multiplicity of external actors. Emerging ties of mutual interest revolve around more than just hydrocarbons, and the paper examines the role of food security in these new relationships. Finally, the paper assesses the impact of the Arab Spring on regional security and future trends in the Gulf States' policy making at local, regional and international levels.

Keywords: GCC, Gulf, Arabian Peninsula, Saudi Arabia, Qatar, United Arab Emirates, globalisation, global governance, international relations, political economy, security

1. Introduction

On 2 December 2010 Qatar was awarded the hosting rights to the 2022 FIFA soccer World Cup. This surprise announcement capped the rapid rise of the Gulf Cooperation Council (GCC) states as regional countries with global reach. Their emergence reflected and reinforced an international order in flux amid a weakening of the post-1945 systems of global governance. In particular, the broadening and deepening of political and economic ties between the six Gulf States and Asian partners opened up alternative pathways of global enmeshment.[1] Such diversification of geopolitical and geo-economic interests represents a significant juncture in the internationalisation of the Gulf States as they actively participate in changing the balance of global power. Yet the GCC states also face the contemporaneous emergence of new domestic and regional pressures arising from the Arab Spring. These constitute a diverging set of challenges that suggest that stability in the GCC states is fragile, transient and vulnerable to contestation. This article examines the internationalisation of the GCC states in the context of these two macro-trends, as they both shape the growing international multi-polarity and have to adapt to new internal and regional uncertainties.

This article has four stages of inquiry. It begins by mapping the changing enmeshment of the Gulf States in East-West relations and the broader transformation of global power relations. The following section assesses the implications of these shifts for Gulf trade, financial flows and foreign direct investment. This leads into a section investigating the consequences of these changes for multilateral decision-making and the GCC states' practical engagement in the

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[1] The term 'Gulf States' will be used to refer to the six member-states of the Gulf Cooperation Council: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

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governance of globalisation. The final section examines the impact of global transformations on prospects for Gulf security in light of the Arab Spring and local and international responses. The conclusion argues that the interaction of these diverging trajectories will shape the next phase of the GCC states' engagement with a dynamically changing regional and multi-polar global order.

2. Changing enmeshment in the global order

During the first decade of the twenty-first century the Gulf States emerged as increasingly visible global actors. Using their energy resources and capital accumulation as leverage, the GCC states, led by Qatar, the United Arab Emirates and Saudi Arabia, became more active in global issues. These ranged from reshaping the global financial architecture in the aftermath of the crisis in 2007–8 to greater involvement in South-South networks and debates over the international politics of climate change. They occurred within a broader context in which globalising forces accelerated a shift toward a multi-polar international system with overlapping layers of national, regional and global governance. A new 'global politics' appeared as the concept of political community was reformulated to take into account the intensity and extensity of global interconnections and states' enmeshment within transnational frameworks.[2]

The Gulf States have long been integrated into the global geo-economic system. Their production and export of oil became a motor of Western economic growth in the post-war era. Mutual economic interdependencies bound the oil-producing states into the world economy well before the onset of economic globalisation in the 1970s.[3] The rapid rise in oil prices in the first oil-price boom (1973–82) initially enabled the Gulf countries to project their influence on to the international arena. This largely occurred through generous developmental assistance to predominantly Arab and Islamic recipients. Saudi Arabia also established an infrastructure of international Islamic organisations that enhanced its status in the wider Islamic world-community and spread its influence far beyond the borders of the Kingdom itself.[4]

Importantly, the Gulf States also embarked on large-scale economic diversification programmes in the 1990s and 2000s. These created new integrative linkages with the global economy. The GCC states became world-leading centres of production for a variety of industries ranging from petrochemicals and aluminium to cement and construction products.[5] By 2008, they accounted for 12% of global petrochemical production, and more complex industrial ties developed with emerging and industrialised economies across the world. These included broadening multi-sectoral linkages as well as greater flows of foreign direct investment, technology transfer and integration into global production and supply chains.[6] Major new projects positioned Ras Laffan Industrial City (in Qatar) as one of the world's leading industrial zones and integrated ports shipping liquefied natural gas to long-term partners around the world, and consolidated Saudi Arabia's leadership in global petrochemicals production.[7]

[2] Held and McGrew, "Introduction", in *Governing Globalization: Power, Autonomy and Global Governance*, eds. Held and McGrew (2002), p. 5.

[3] Ehteshami, *Globalization and Geopolitics in the Middle East: Old Games, New Rules* (2007), p. 110.

[4] These included the Muslim World League (1962), the Organisation of the Islamic Conference (1972) and the International Islamic Relief Organisation (1975); Hardy, "Ambivalent Ally: Saudi Arabia and the 'War on Terror'", in *Kingdom without Borders: Saudi Arabia's Political, Religious and Media Frontiers*, ed. Al-Rasheed (2008), p. 101.

[5] Seznec, "Financing Industrialization in the Arab-Persian Gulf", in *Industrialization in the Gulf: A Socioeconomic Revolution*, eds. Seznec and Kirk (2011), p. 30.

[6] Yamada, "Gulf-Asia Relations as 'Post-Rentier' Diversification? The Case of the Petrochemical Industry in Saudi Arabia", *Journal of Arabian Studies* 1 (2011), pp. 101–3.

[7] Coates Ulrichsen, *Insecure Gulf: The End of Certainty and the Transition to the Post-Oil Era* (2011), pp. 101–3.

In what might be termed the 'global age', when accelerating processes of globalisation in the 1990s and 2000s gave rise to new forms of political economy and the stretching of sovereignty across multiple layers of global governance, the Gulf States became connected to leading conduits of 'global politics'. All of the GCC states, culminating in Saudi Arabia in 2005, acceded to the World Trade Organisation and began to attract significantly greater flows of foreign direct investment. During the second oil-price boom (2002–8), hydrocarbon reserves and capital accumulation positioned the Gulf States as a pivot around which broader shifts in the global balance of power were taking place. Greater economic linkages with Russia, China, India and South and East Asian nations shifted the Gulf States' orientation eastward through deepening energy interdependencies and changes in the direction of non-oil trade flows in petrochemicals, plastics and aluminium with Asian partners.[8]

The Gulf region's share of global oil and natural gas production is projected to rise from 28% (including Iraqi and Iranian output) in 2000 to 33% in 2020.[9] China alone accounted for nearly 40% of the increase in global oil consumption between 2004 and 2007, and is forecast to account for another 40% of the increase in world demand for oil through 2030.[10] In 2009, it surpassed the United States in the volume of oil exports from Saudi Arabia for the first time.[11] This milestone underscored the internationalisation of the Gulf through the rise of new linkages with emerging economies elsewhere. Although already underway, the global economic crisis hastened this process as Asian economies led the world out of recession and recovered market share at the expense of Western competitors. A blunt statement by the Emir of Qatar in March 2009 captured the mood as he said that "China is coming, India is coming, and Russia is on its way, too … I don't know if America and Europe will still be leading".[12]

3. Practical implications of shifting economic ties

These macro-trends determined the contextual parameters for the Gulf States' new global profile. They converged with policy decisions on how to deploy the substantial revenues that accrued after oil prices began to rise in 2002. These developments enhanced the international profile of the GCC states within an international system in flux following the global financial crisis. Gulf-based sovereign wealth funds were important sources of liquidity for Western financial institutions, such as Merrill Lynch, Citigroup and Barclays Bank, during the initial stages of the crisis. During the autumn of 2008, they accounted for no less than one-third of the emergency funding made available by European governments in their initial response to the crisis.[13] They also acquired high-profile stakes in iconic global brands, such as Harrods, Ferrari and Porsche. Furthermore, Abu Dhabi and Qatar began to carve out specialist niches to become world leaders in specific fields, such as renewable energy research and diplomacy mediation respectively, in part through careful leveraging of financial reserves and investment policy making.[14]

The rapid rise of sovereign wealth funds highlighted several of the deeper transitions underway in the global economy. Pre-crisis estimates of their value and potential trajectory were

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[8] Davidson, *The Persian Gulf and Pacific Asia: From Indifference to Interdependence* (2010), pp. 107–8.

[9] Halliday, *The Middle East in International Relations* (2005), p. 264.

[10] Simpfendorfer, *The New Silk Road: How a Rising Arab World is Turning Away From the West and Rediscovering China* (2009), pp. 30–2.

[11] Mouawad, "China's Growth Shifts the Geopolitics of Oil", *New York Times*, 19 March 2010.

[12] Anon., "Emir Warns of Another Iraq if Sudan Sinks into Chaos", *Gulf Times*, 31 March 2009.

[13] Youngs, "Impasse in Euro-Gulf Relations", *FRIDE Working Paper* 80 (2009), p. 1.

[14] Davidson, *Abu Dhabi: Oil and Beyond* (2009), p. 76; Gulbrandsen, *Bridging the Gulf: Qatari Business Diplomacy and Conflict Mediation*, MA dissertation (2010), p. 75.

overestimations that subsequently have been further eroded by losses sustained during the downturn.[15] Nevertheless they do possess significant holdings and have been perceived to be part of the shift in global economic power from west to east and from the market to the state in the allocation of capital.[16] Moreover, the rise of Russian and Chinese funds, in particular, heightened anxieties over the origin of sovereign investment flows. This contributed to wariness in investment-recipient countries, notably the United States, about the (so far unfounded) political motivations driving investment decision-making. The most egregious example of this was the visceral reaction to the 2006 Dubai Ports World's takeover of a ports management contract in the United States. It was followed by statements of concern by high-profile officials in the Bush administrations, including then-Director of National Intelligence John McConnell, who remarked in 2008 that "Concerns about the financial capabilities of Russia, China, and OPEC countries and the potential use of their market access to exert financial leverage to achieve political ends represents a major national security issue."[17]

The Dubai Ports World case caught the Gulf States in the crossfire of a populist xenophobic domestic backlash against perceived geopolitical swings against the United States. The episode coincided with a substantial warming of commercial and financial ties between the GCC states and Asian partners, led by (but not limited to) the burgeoning Saudi-Chinese nexus. Having established diplomatic relations only as recently as 1990, economic linkages initially centred around hydrocarbons, with a Strategic Oil Cooperation agreement in 1999 paving the way for Saudi Arabia to become China's leading oil supplier by 2002. During the 2000s, the volume of investment and trade between all GCC states and China surged through initiatives such as the Kuwait-China Investment Company (KCIC, established in 2005) and the revival of interest in a GCC-China free trade agreement (FTA) in 2009.[18] Also in 2009, a twenty-five year agreement to provide five million tonnes per year of liquefied natural gas (LNG) was reached between Qatargas and the China National Offshore Oil Company (CNOOC) and PetroChina. This created a long-term interdependency reflecting (in the words of CNOOC President Fu Chengyu) the "great complementarities" between the two countries as "China can guarantee a long-term reliable market for Qatar, while Qatar can be a stable supplier for Chinese market".[19]

India also thickened its web of relationships with the Gulf States. Prime Minister Manmohan Singh visited the Gulf in November 2008 and announced that India viewed the region as an intrinsic part of its broader neighbourhood. His visit sealed the *re-emergence* of Indian influence in the Gulf six decades after the decline of the Raj and following an extended period of frigidity between the 1970s and early 1990s.[20] In February 2010, the Riyadh Declaration upgraded the bilateral relationship between India and Saudi Arabia into a Strategic Partnership. This ushered in a "new era based on economic engagement and emerging opportunities" that covered the security, defence, economic and energy arenas. It built upon King Abdullah bin Abdul Aziz Al Saud's successful visit to India in 2006 and was, in part, motivated by a strategic reassessment of Saudi regional ties prompted by the threat to stability emanating from Yemen, Afghanistan and Pakistan.[21]

[15] Seznec, "The Gulf Sovereign Wealth Funds: Myth and Reality", *Middle East Policy* 15 (2008), p. 105.

[16] Behrendt, "Beyond Santiago: Status and Prospects", *Central Banking* 19 (2009), p. 76.

[17] Cohen, "Sovereign Wealth Funds and National Security: The Great Tradeoff", *International Affairs* 85 (2009), p. 720.

[18] Yetiv and Lu, "China, Global Energy and the Middle East", *Middle East Journal* 61 (2007), p. 5; Davidson, *Persian Gulf and Pacific Asia*, pp. 40–51.

[19] Anon., "Qatar, China in 25-Year Gas Deal", *The Peninsula*, 8 March 2009.

[20] Anon., "India Seeks Stronger Economic Ties with Gulf, *Gulf News*, 8 November 2008.

[21] IISS, "Discussion Meeting: 'Political Dynamics of Saudi Arabia and Indo-Saudi Relations'", 21 May 2010.

Russia, too, expanded its political and economic linkages with the Gulf in general, and with fellow gas producer Qatar, and Saudi Arabia, in particular. Then-President Vladimir Putin's visit to the two countries in February 2007 was the first by a Soviet or post-Soviet leader since diplomatic relations were restored following the end of the Cold War. The trip was designed to boost joint investment opportunities and co-operation with fellow energy-producing countries.[22] It constituted part of a wider Russian strategic objective to increase its role in the Middle East and become one of the key actors in any new regional security system that might emerge.[23] On Saudi Arabia's side it reflected an attempt by King Abdullah to strengthen ties with Russia as part of a general diversification to reduce dependence on the United States after 9/11. Russian-Qatari ties also coalesced around co-operation in the Gas Exporting Countries' Forum and bilateral agreements such as one reached in April 2010 to develop Russia's Arctic gas reserves in the Yamal peninsula.[24]

Significantly, Gulf-Asian relations have moved far beyond the hydrocarbons sector, although that clearly remains important. A case in point is the substantial rise in Gulf-China capital investments and joint ventures over the past decade. A mutual upstream-downstream interdependence has formed as the GCC states invest in Chinese oil refining and petrochemical industries and China invests in oil exploration and production in the Gulf States.[25] Similar to KCIC, the Saudi Basic Industries Corporation (SABIC) drew up a strategic 'China plan' intended to create strong supply partnerships and joint ventures that can meet China's rapidly growing demand.[26] Region-wide, the GCC as a trading bloc became more globalised and integrated during the second oil-price boom in terms of level of capital outflows and inflows. Dubai, in particular, developed into a regional financial centre (against stiff competition from Qatar and Bahrain) covering the wide area between the European and East Asian exchanges.[27] Ideationally, too, Dubai, Bahrain and Kuwait all looked toward, and applied, elements of the 'East Asian model' in their development plans during this period (2002–8), expressing close interest in Singapore's proactive leadership and combination of state guidance with private initiative.[28]

The internationalisation of the Gulf, therefore, constituted a macro-trend as relationships multiplied and became more varied geographically and in scope. An emerging food-energy security nexus demonstrates these interdependencies at work. Food security became an important priority for GCC states as escalating commodity prices fuelled inflationary pressures and economic discontent in 2007–8. India's temporary halting of food exports to alleviate its own domestic shortages underscored the fragility of reliance on imported foodstuffs.[29] Officials also acknowledged that previous attempts to attain food security by promoting agricultural productivity paradoxically worsened the problem. Policies were neither successful in increasing food self-sufficiency nor sustainable in the careful managing of scarce water resources. Agriculture accounted for a mere 6.5% of GDP but nearly 60% of total water usage in Saudi Arabia in

[22] Yasmann, "Putin Uses Persian Gulf Trip To Boost Russian Role In Arab World", Radio Free Europe/ Radio Liberty, 13 February 2007.

[23] Smith, "Russia and the Persian Gulf: The Deepening of Moscow's Middle East Policy", *Conflict of Studies and Research Centre Paper* 07/25 (2007), p. 5.

[24] Hoyos, "Three Themes Emerge from Algeria's Gas Exporters' Meeting", *Financial Times*, 19 April 2010.

[25] Ghafouri, "China's Policy in the Persian Gulf", *Middle East Policy* 16 (2009), p. 89.

[26] Yetiv and Lu, "China, Global Energy", pp. 207–8.

[27] Chatham House, "The Gulf as a Global Financial Centre: Growing Opportunities and International Influence", *Chatham House Report* (2008), p. 40.

[28] Hvidt, "The Dubai Model: An Outline of Key Development-Process Elements in Dubai", *International Journal of Middle East Studies* 41 (2009), p. 399.

[29] Lippman, "Saudi Arabia's Quest for 'Food Security'", *Middle East Policy* 17 (2010), p. 91.

2000. This far outstripped industrial and domestic usage and represented an unsustainable utilisation of resources in one of the most arid regions in the world.[30]

As a more nuanced concept of *resource security* (rather than considering *food* or *water* security in isolation) developed, so too did linkages between individual Gulf States and food-producing states predominantly in Africa and South- and Southeast Asia. Officials in Saudi Arabia unveiled investment plans in wheat and rice stocks to meet internal market demand through targeted land acquisitions in Pakistan, Sudan and Thailand.[31] In addition, the state-owned Saudi Industrial Development Fund began to grant financing facilities to firms exploring agricultural investments abroad. In February 2009, the Hail Agricultural Development Company announced a two-year investment of $45.3 million to develop 9,000 hectares of farmland in Sudan. Meanwhile the Saudi Star Agricultural Development Company began cultivating rice and other crops on 1.2 million acres in Ethiopia.[32]

Qatar matched Saudi Arabia's Food Security Initiative by launching the Qatar National Food Security Programme in 2008. Also that year, the Qatar Investment Authority launched the Hassad Food Company to secure food supplies through agricultural investments and strategic partnerships abroad. It embarked on a wide range of initiatives, including plans to produce rice in India, Pakistan, the Philippines and Vietnam, sugar, poultry and poultry feed products in Brazil, wheat and rice on 100,000 hectares in Sudan (where the UAE also has acquired 400,000 hectares of farmland), as well as farming and livestock ventures in Turkey and Australia.[33] For its part, the UAE examined the possibility of acquiring farmland in Pakistan, Egypt and Yemen, and undertook strategic purchases of land in Sudan, Tanzania, Mozambique and Ethiopia.[34]

These initiatives are reshaping the international relations of the GCC states, especially with newer partners in Africa and Asia. An inter-regional realignment is occurring around the Gulf States' interest in food security and African and Asian food-producing states' energy security requirements. This 'oil-for-food' axis dominated the inaugural joint meeting in Bahrain of foreign ministers from the GCC and Association of Southeast Asian Nations (ASEAN) states in 2009. Thai Foreign Affairs Minister Kasit Piromya observed that "There are huge economic and investment opportunities that promise substantial dividends for the blocs … The deep changes sweeping the world economies have set aside old certainties and prompted us to seek partnerships with greater political and economic blocs".[35] Meanwhile, ASEAN Secretary-General Suring Pitsuan pointedly told his hosts that "You have what we don't have, and we have plenty of what you don't have, so we need each other". The substantive discussions at the summit then concentrated on moves to construct a trade bloc based on food and oil that would meet the energy and food security needs of both groups of states.[36]

This section and the preceding one have highlighted how the changing geo-economic balance of power has impacted (and repositioned) the role of the GCC states in the global economy. The internationalisation of the Gulf States has occurred within the context of the emergence of

[30] Raouf, "Water Issues in the Gulf: Time for Action", *Policy Brief* 22 (2009), p. 4.

[31] Anon., "Saudi Setting Up Fund to Buy Agriculture Land Abroad", *Gulf Times*, 26 August 2008.

[32] Lippman, "Saudi Arabia's Quest", p. 92.

[33] US Embassy, Doha, "Qatari Food Company Adapts Investment Strategy to Concerns of Partner Countries", cable, 3 September 2009; Anon., "Outsourcing's Third Wave", *The Economist*, 21 May 2009; Anon., "14,000 Tonnes of Rice from India, Pakistan by Aug", *The Peninsula*, 23 March 2011; Mashiah, "Food Crisis in the Mideast", *Khaleej Times*, 10 September 2011.

[34] Interview in Dubai, October 2009.

[35] Anon., "Bahrain Seeks Stronger GCC-Asean Trade Ties", *Gulf Daily News*, 29 June 2009.

[36] McCartan, "Farmers forgotten in Oil-for-Food Deals", *The Peninsula*, 1 July 2009.

growing multi-polarity with multiple centres of political and economic gravity. It also injected significant changes into notions of 'global governance' as powerful new actors have become embedded in the global system of power, politics and policy making. The next section examines the GCC states' participation in shaping practical measures relating to the governance of globalisation. It also contextualises developments within other (non-Western-centric) perspectives on global engagement as new coalitions of emerging economies evolve.

4. Reforming multilateral governance and international institutions

The global financial and economic crisis hit the GCC states in late 2008. Initial hopes that it might bypass the Gulf proved misplaced as oil prices plunged, project financing dried up and the real estate speculative bubble burst.[37] Individual Gulf States felt the impact in different ways. In Dubai, the crisis exposed the fragility of its economic diversification based on the real estate industry, high-end tourist development and the financial sector, underpinned by conglomerates such as Dubai World and Dubai Holding relying on continuous foreign direct investment and access to cheap international credit.[38] Kuwaiti financial institutions were exposed to a combination of weakening domestic property markets, local equity markets and the tightening of international credit. In January 2009, its biggest investment bank (Global Investment House) defaulted on the majority of its debt after failing to repay maturing loans.[39] Later, in May, Investment Dar defaulted on a $100 million sukuk issue. These followed the emergency rescuing of Gulf Bank after it lost $1.05 billion in (unauthorised) derivatives trading and experienced a run on deposits in December 2008.[40] Saudi Arabia was hit by a financial scandal involving two of its largest family-run conglomerates (Saad Group and Ahmad Hamad Algosaibi and Brothers) in May 2009. The dispute over some $20 billion of 'lost loans' involved more than eighty domestic, regional and international banks, including Citigroup and BNP Paribas, as well as the Supreme Court of New York State, the Cayman Islands and the High Court in London.[41]

The international dimensions of the Saad-Algosaibi dispute showed the extent of modern entities' enmeshment in the evolving layers of global governance. These are transforming the spatial reach of social relations and transactions and generating new supra- and subnational networks of interaction and power.[42] Their more intrusive requirements of compliance had stimulated measures to reformulate the regional business culture and state-business relations during the 2000s boom. These included efforts to deepen transparency and accountability by unbundling the political and economic stakeholders intertwined in 'traditional' merchant family conglomerates.[43] Policy makers' emphasis on corporate governance reflected their awareness of the need to address the challenges posed by opaque networks of familial alliances. However, the lack of transparency or disclosure of information about the Saad-Algosaibi case demonstrated the enduring tenacity of obstacles to overcoming older methods of conducting business on the basis of personal connections.[44]

[37] Anon., "Gulf's Oil Wealth to Help Cushion Impact of Likely Global Recession', *Gulf Times*, 17 October 2008.

[38] Davidson, "Dubai and Abu Dhabi: Implosion and Opportunity", *Open Democracy*, 4 December 2009.

[39] Anon., "Kuwait's Global Investment House Defaults on Most Debt", *Kuwait Times*, 9 January 2009.

[40] Anon., "Kuwait's Gulf Bank Reports US $1.05 Billion Loss", *Arab Times*, 3 December 2008.

[41] Anon., "The Algosaibi and Saad Groups: The Fallout from a Falling Out", *The Economist*, 9 July 2009; Larson, "Saad Group Unit Sues Founder Al Sanea in London Court", *Bloomberg*, 2 September 2011.

[42] Held and McGrew, "Introduction", in *Governing Globalization*, p. 2.

[43] Peterson, "Rulers, Merchants and Shayks in Gulf Politics: The Function of Family Networks", in *The Gulf Family: Kinship Policies and Modernity*, ed. Alsharekh (2007), pp. 29–30.

[44] Reuters, "Saudi Group in $10bn Lawsuit vs Saad Chief", *Emirates Business 24/7*, 17 July 2009.

Yet the GCC states emerged from the crisis in relatively better condition than many of their counterparts in the industrialised Western economies. After weathering the initial shock, regional financial institutions proved more resilient than many had expected. Central banks and sovereign wealth funds (led by the Kuwait Investment Authority and the Qatar Investment Authority) eased the pressure on local banks by investing up to $350 billion in 2008–9.[45] Oil prices rebounded from lows of $30 per barrel in early 2009 to again exceed $100 per barrel in 2011, although the resulting gains to Gulf economies were offset by inexorably rising budget break-even requirements.[46] Qatar and the UAE (and Saudi Arabia to a lesser extent) still remained regional and even global leaders in aviation, shipping and logistics.[47] This left policy makers in a stronger position to re-tap into global trade flows and shifting geo-economic trajectories once the immediate crisis had passed.

Saudi Arabia received international praise for its role in stabilising world oil markets in late 2008 and early 2009. It also used its seat at the G20 and the board of the International Monetary Fund to call for changes to the international financial architecture. During the autumn of 2008, Saudi and other Gulf State policy makers expressed their irritation at assumptions that they would unquestioningly contribute to IMF rescue packages. In November, Saudi Finance Minister Ibrahim Al Assaf rebuffed visiting British Prime Minister Gordon Brown's suggestion that the Kingdom and other oil-rich nations increase their contributions to the IMF. Dismissing rumours that "we were coming here to pay the bill", Al Assaf stated that "We are not going to pay more or less than others. We have been playing our role responsibly and we will continue to play our role, but we are not going to finance the institutions just because we have large reserves".[48] One week later, the Governor of the UAE Central Bank, Nasser Al Suwaidi, offered a blunter perspective that outlined Gulf States' interests and motivations: "If they [GCC states] are given more voice then they will provide money maybe … They will not be providing funds without extra voice and extra recognition".[49]

In the run-up to the second meeting of the G20 in London in April 2009 the contours of a loose new alignment of emerging economies converged around calls to redress a representational imbalance in the international financial architecture. Chinese president Hu Jintao visited Saudi Arabia in February 2009 and pledged to work with the GCC "with a view to reforming the global financial institutions".[50] Shortly thereafter, Saudi Finance Minister Al Assaf made it clear that the Kingdom advocated an increase in the shares and voting powers in international financial institutions.[51] In parallel, moves toward emerging coalitions of "middle powers" took a step forward in June 2009 with the creation of the BRIC Forum in Yekaterinburg in Russia. This new annual summit of the four leading emerging economies (which subsequently met in Brasilia in 2010 and Sanya in China — with South African participation — in 2011) created a platform intended to counter-balance perceived US leadership in the global system.[52] Ahead of the third G20 meeting in Pittsburgh in September 2009, Al Assaf joined with the BRIC's in

[45] Raghu, "Future Direction of the GCC Financial Sector — A Specific Look at Banking and Asset Management", in *GCC Financial Markets*, ed. Woertz (2011), pp. 25–6.

[46] The Institute of International Finance estimates the break-even price for Saudi Arabia has risen from $20 to $80 since 2000 and projects it will reach $110 by 2015 [Hertog, "The Costs of Counter-Revolution in the GCC", *Foreign Policy*, 31 May 2011].

[47] Anon., "Rulers of the New Silk Road", *The Economist*, 3 June 2010.

[48] Reuters, "No More Cash for IMF – Assaf", *The Saudi Gazette*, 17 November 2008.

[49] Reuters, "Gulf Central Bankers Wary of Oil, Property Declines", *Gulf Times*, 22 November 2008.

[50] Khan, "China to Boost Relations with GCC: President Hu", *Arab News*, 12 February 2009.

[51] Anon., "Govt to Set Up Loan Companies", *Saudi Gazette*, 15 March 2009.

[52] Anon., "BRIC's Get Down to Business in Yekaterinburg", *Russia Today*, 15 June 2009.

supporting a proposal to increase emerging economies' representation in the IMF that would more accurately reflect their weight in the global economy.[53]

Qatar's Prime Minister (and Minister of Foreign Affairs) Sheikh Hamad bin Jassim bin Jabr Al Thani went further by suggesting that the international system be 'redefined.' Sheikh Hamad called for profound changes to its organisational framework in recognition of the emergence of a multi-polar order in which the West no longer was the sole or even major player.[54] His intervention was significant as it represented one of the most detailed statements of the objectives that guided GCC states' policy makers in seeking to leverage their influence in changing global institutions and the relative weight accorded within them. Furthermore, his observation that international relations should be based on the rule of law at the global as well as domestic level foreshadowed Qatar's role in organising Arab support (and critical political cover) for the United Nations Security Council's imposition of a No-Fly Zone over Libya in March 2011 and the subsequent military campaign that toppled the Gaddafi regime.[55]

It is, none the less, important to distinguish between statements in support of reforming the international system and the lack of affiliation to the concept of global governance itself. Policy makers in the GCC states are more receptive toward practical measures relating to the governance of globalisation than to normative concepts of global governance. Attitudes toward globalisation also diverge, with economic globalisation being (at times grudgingly) embraced, while its political and cultural dimensions have been fiercely resisted.[56] This is consistent with complicated and nuanced positions toward globalisation and global governance in primarily post-colonial settings elsewhere. Discourse in both China and India, for example, is deeply sceptical of global governance as an intrusion into sovereignty and coloured by experiences of foreign intervention and colonial control.[57] With this in mind, Robert Keohane has, alternatively, suggested that an effective form of *governance of globalisation* is more likely to occur through inter-state co-operation and transnational networks.[58]

There is, additionally, low awareness of the concept of "global governance" in the Gulf States.[59] In December 2008 the Dean of the Dubai School of Government, Tarik Yousef, acknowledged that the region lacked "a body of literature — knowledge, stories, cases, practices — that has been documented, distilled, and disseminated, and that deals with various aspects of governance in the Arab world".[60] Regional institutions, such as the Dubai School of Government and the Hawkamah Institute for Corporate Governance, focus instead on *good governance* and *corporate governance*. While these and other initiatives are raising and deepening regional debates about governance issues, other critical dimensions of the (Western-centric) concept of global governance remain absent. These include issues relating to the dilution and sharing of

[53] Anon., "Saudi Says IMF Reforms Should Not Be at Its Expense", *The Peninsula*, 5 September 2009.

[54] Hussein, "Qatari PM Stresses Rule of Law to Face Challenges," *Gulf Times*, 31 May 2009.

[55] GSN, "Libya Conflict Shows Global Reach of Emerging Polities Qatar and Turkey", *Gulf States Newsletter* 903 (24 June 2011), p. 16.

[56] Lynch, "Globalization and Arab Security", in *Globalization and National Security*, ed. Kirshner (2006), p. 188.

[57] Chan, Lee, and Chan, "Rethinking Global Governance: A China Model in the Making?", *Contemporary Politics* 14 (2008), p. 7; Schaffer, "The United States, India and Global Governance: Can They Work Together?", *The Washington Quarterly* 32 (2009) p. 72.

[58] Keohane, "Governance in a Partially Globalized World", in *Governing Globalization*, ed. Held and McGrew (2002), p. 325.

[59] Interviews in Bahrain, Kuwait, Qatar, Abu Dhabi and Dubai, October 2009; interview in Kuwait, March 2010; interview in Qatar, December 2010.

[60] Khouri, "Governance Newsmaker Interview with Tarik M. Yousef", *Governance Newsmaker* 2.5 (2008).

state sovereignty and engagement with domestic and global civil society, and reinforce the division between *globalisation* and *global governance* in much of the non-Western world.[61]

Nevertheless, as the first part of this section made clear, scepticism toward theoretical or normative concepts of global governance has not distanced the GCC states from participating in the rebalancing global order. Instead, they emerged as powerful global players during the second oil-price boom. This propelled the Gulf States into the global arena largely on their own terms, following state-centric visions of inter-state co-operation, to project their interests globally in order to bolster their domestic and regional position, consistent with Nonneman's theory of 'omnibalancing' foreign policy making.[62] Policy makers have actively participated in practical measures relating to the governance of globalisation, in part by creating coalitions of convenience with other major emerging economies which share an interest in reshaping frameworks of global engagement. In addition to the international financial architecture described above, similar patterns are observable in new structures of energy governance (such as the Gas Exporting Countries' Forum based in Qatar and the International Renewable Energy Agency headquartered in Abu Dhabi), as well as more nuanced positions toward the international politics of climate change. These have significant implications for the continuing evolution of international institutions in a polycentric environment with multiple centres of influence and policy objectives.[63]

The present is thus a moment of opportunity for the GCC states as they position themselves within the broader global rebalancing. Qatar's successful bid to host the 2022 World Cup captivated world-wide attention and visibly delineated the shifts in international power and influence. Yet, almost immediately a new set of pressures emerged to challenge local security and regional stability. Although triggered by a seemingly random act in Tunisia in December 2010 (a mere fifteen days after Qatar's global breakthrough), the participatory demands of the Arab Spring tapped into deep feelings of anger and frustration in Arab societies. While its initial effects were most far-reaching in North Africa, they did not bypass the GCC states, which also demonstrated a vulnerability to the fusion of political pressure and socio-economic discontent. Furthermore, the unrest highlighted the "seamier side" of their recent development, which has largely left untouched the underlying challenges posed by eventual resource depletion and the sensitive political transition toward post-oil structures of domestic governance.

5. The Arab Spring and Gulf security in transition

During 2011 a wave of popular protests and intensifying opposition to authoritarian governance began to sweep the Middle East and North Africa. What developed into the Arab Spring led to the rapid fall of longstanding presidential regimes in Tunisia, Egypt and Libya, and posed an existential challenge to leaderships in Yemen, Syria and Bahrain. Popular anger at economic stagnation and political repression intersected with a disenchanted youthful population wired together as never before. Its size and contagious overspill distinguished the civil uprisings from other expressions of discontent.[64] They also revealed the narrow social base of support underpinning longstanding authoritarian rulers, and their reliance on the use of coercion or the threat of

[61] Halliday, "Global Governance: Prospects and Problems", in *The Global Transformations Reader: An Introduction to the Globalization Debate*, ed. Held and McGrew (2003), p. 495.

[62] Nonneman, "Determinants and Patterns of Saudi Foreign Policy: 'Omnibalancing' and 'Relative Autonomy' in Multiple Environments", in *Saudi Arabia in the Balance: Political Economy, Society, Foreign Affairs*, ed. Aarts and Nonneman (2005), p. 337.

[63] Coates Ulrichsen, "Rebalancing Global Governance: Gulf States' Perceptions on the Governance of Globalisation", *Global Policy* 2 (2011), p. 65.

[64] Coates Ulrichsen, Held, and Brahimi, "The Arab 1989?", *Open Democracy*, 11 February 2011.

force. The popular mobilisation did not spare the GCC states, although the nature and depth of protest varied widely within the Arabian Peninsula. Thus, Kuwait, Qatar and parts of the UAE were relatively less affected by the instability than Bahrain, Oman and the Eastern Province of Saudi Arabia.

The civil uprisings shook the political economy of authoritarian state structures across the Arab world. Mohamed Bouazizi's act of self-immolation tapped into powerful feelings of helplessness among youthful populations lacking sufficient opportunities for employment or advancement. Additionally, it widened an intergenerational gap between rising demands and the perceived failure of gerontocratic regimes to manage or meet expectations. The spread of the unrest to Bahrain and (to a lesser degree) Oman indicated that mounting discontent affected the GCC states as well as the less resource-rich states of North Africa.[65] Notably, the Gulf States share many of the same conditions — bulging young populations, high youth unemployment and imbalanced labour markets, and authoritarian regimes' reluctance to open up to meaningful political reform — that characterised the protests in Egypt and Tunisia. An example is unemployment among Saudi nationals between the ages of twenty to twenty-four, which was a reported 38.4% in 2008, with the figure rising to 72% for women alone.[66]

Globalising pressures also played a significant role in creating an enabling environment for the expression and overspill of popular frustration. The appearance of a form of "global politics" (described earlier) occurred alongside the revolution in information and communication technologies (ICT). This created new forms of private, public and increasingly virtual spaces in which to mobilise, organise and channel societal demands.[67] Political bloggers were active during the parliamentary elections in Bahrain in 2006 and Kuwait in 2008 and 2009, while online youth networks were important organisers of the "Orange movement" that secured important changes to the electoral process in Kuwait in 2006.[68] Social networking sites, such as Facebook and Twitter, and encrypted communications technologies, such as Skype and Blackberry Messenger, emerged as forums for debate, co-ordination and unregulated exchanges. In addition, *Al Jazeera's* coverage of the Egyptian uprising spread transformative images of largely peaceful demonstrations defying political suppression and refusing to submit to the security regimes that had kept authoritarian leaders in power. This was immediately evident in Bahrain, where cafes that usually showed Lebanese music videos instead aired non-stop footage from the enormous demonstrations in Cairo's Tahrir Square.[69]

These new forms of media and communication had the greatest impact on a youthful generation who are highly technology-savvy. Their synthesis eroded the system of controls and filters constructed by ministries of information and official government media outlets. Significantly, they constituted social as well as technological phenomena as powerful agents of social change and political empowerment.[70] The social dimension of the Arab Spring has transformed notions of entitlement and demands for social justice, public accountability and political

[65] GSN, "Resources in the Gulf Will Define the Region's Future Policy Options and Relationships", *Gulf States Newsletter* 900 (13 May 2011), p. 1.

[66] Baldwin-Edwards, "Labour Immigration and Labour Markets in the GCC Countries: National Patterns and Trends", *Kuwait Programme on Development, Governance and Globalization in the Gulf States* 15 (2011), p. 20.

[67] Murphy, "ICT and the Gulf Arab States: A Force for Democracy?", in *Reform in the Middle East Oil Monarchies*, ed. Ehteshami and Wright (2008), p. 183.

[68] Herb, "Kuwait: The Obstacle of Parliamentary Politics", in *Political Liberalization in the Persian Gulf*, ed. Teitelbaum (2009), p. 153.

[69] Interviews with Bahraini activists in London, March and June 2011.

[70] Chia, "Social Media's Role in Revolt: A Technological or Social Phenomenon? – Analysis", *Eurasia Review News & Analysis*, 22 March 2011.

freedoms. Yet official responses in the GCC states combined governmental hand-outs with crude attempts to censor and harass oppositional activists. Pre-emptive domestic responses encompassed ‘gifts’ of money (Kuwait and Bahrain), the creation of additional jobs in already-saturated public sectors (Bahrain, Saudi Arabia and Oman), sizeable wage increases (Saudi Arabia) and social welfare redistribution (UAE). Even Qatar, with its fortuitous combination of substantial revenues and a small national population, prescriptively announced a record-breaking 2011–12 budget, while Saudi Arabia’s $130 billion package of spending measures announced at short notice in welfare decrees in February and March 2011 represented a sum larger than any national budget up until 2007.[71]

The great difficulty facing regimes is that technocratic solutions no longer suffice to meet (or extinguish) demands from populations wired together as never before. They also lock government spending into incrementally higher levels and create hostages to fortune should oil prices ever fall substantially.[72] Moreover, short-term largesse both masks and perpetuates the longer-term challenges of moving from comparative to competitive advantage and polities in which the state is no longer the primary provider. Domestic stability has been linked closely to the possession of substantial reserves of hydrocarbons that enabled ruling elites to co-opt opposition and spread wealth, but they will not last forever. Moreover, governments in the Gulf are uneasily aware that significant numbers of relatively less well-off nationals and pockets of relative hardship exist, particularly in Saudi Arabia, Bahrain and Oman, but also in the poorer northern emirates of the UAE.[73] In this regard, stability is more fragile and transient than regimes would care to acknowledge, and the violent tensions in Bahrain and (to a lesser extent) Oman are indicators of the troubled transition to an eventual post-oil era that lies ahead.

In addition to these very considerable domestic challenges, Gulf States’ reactions to the Arab Spring demonstrated how intertwined were local, regional and global considerations in framing the policy response. The GCC intervention into Bahrain in March 2011 preceded by one week the international community-led intervention into Libya. The two developments revealed how an ostensibly similar principle — in this case, of intervention — can mean very different things in contrasting contexts to actors with diverging motivations and objectives. In Bahrain, 1,000 Saudi Arabian troops and 500 police from the United Arab Emirates crossed the King Fahd Causeway at the invitation of the ruling Al Khalifa family on 14 March. This “GCC force” ostensibly was intended to protect critical facilities, such as oil and gas installations and Bahrain’s Financial Harbour, from the ongoing unrest. However, it signalled that Saudi Arabia was simply not willing to permit the pro-democracy campaign in Bahrain to endanger the position of the ruling family.[74]

Just days later after the move into Bahrain, the United Nations Security Council adopted Resolution 1973, authorising measures to protect the civilian population in Libya from the Gaddafi regime’s onslaught against Benghazi and its eastern territory. While largely Western (and subsequently NATO-) led, Qatar played an instrumental role in rallying Arab support for the adoption of the No-Fly Zone at the UN. It also despatched Mirage fighter jets to participate in its military enforcement in a powerfully symbolic act. Moreover, Qatar was one of the first states to recognise (and finance) the opposition Transitional National Council in Benghazi, and Qatar Petroleum provided them with vital gasoline, diesel and other refined fuels, as well as direct military assistance

[71] Hertog, “The Costs of Counter-Revolution in the GCC”.
[72] Ibid.
[73] GSN, “Abu Dhabi Turns Attention to Potential Ticking Time-Bomb in the Northern Emirates”, *Gulf States Newsletter* 906 (5 August 2011), p. 3.
[74] Jones, “Bahrain, Kingdom of Silence”, *Arab Reform Bulletin*, 4 May 2011.

and supplies.[75] This high-profile role was consistent with Qatar's carving out a global profile in the strategic niches of diplomatic mediation and conflict resolution in recent years.[76]

The difficulty facing the Gulf States and Qatar, in particular, is one of squaring the ostensibly-divergent choices to support the authoritarian status quo in one instance while materially and financially assisting the opposition to dictatorship in another. Qatar did not send personnel to Bahrain yet its membership of the GCC leaves it open to accusations of double standards and guilt by association. The UAE, which did send police to Bahrain, was also active in the initial stages of the Libya campaign. Abu Dhabi hosted a meeting of the International Contact Group on Libya in June 2011 to discuss the transition to a democratic post-Gaddafi Libya, while Kuwait pledged $180 million in funding to the Transitional National Council.[77] Yet, in parallel to these moves (which included qualified support for a change of leadership in Yemen and Syria), the GCC positioned itself as a counter-revolutionary bulwark to the Arab Spring where it threatened to clash with their regional interests. This was led by Saudi Arabia and the surprise announcement in May 2011 of possible expansion to include the two remaining Arab monarchies of Jordan and Morocco. It also included a domestic clampdown of political discussion and oppositional activism in the UAE.[78]

These measures threaten to significantly undermine the GCC states' 'global branding' initiatives, at least in the short-term. Much of the Gulf States' 'strategic visions' revolved around their self-portrayal as secure places to do business in an otherwise unstable region, yet they remain vulnerable to external perceptions that stability is a façade resting on unsteady foundations. Outbreaks of civil resistance and repressive responses provide succour to sceptics of their global rise, with reactions to the Bahraini crackdown a case in point. In the short term, immense damage was done to Bahrain's international credibility with the cancellation of flagship events, such as the Formula One Grand Prix and the Volvo Golf Champions tournament, as well as keynote international conferences, such as the Bahrain Global Forum and the Manama Security Dialogue.[79] More long term, the "Business-Friendly Bahrain" image (and slogan) that formed the cornerstone of Bahrain's Economic Vision 2030 have been shredded, with international firms relocating to Qatar and Dubai and reassessing proposals to open regional hubs in Bahrain.[80]

These were significant blows that will reverberate across the region, not least by undermining the Gulf States' aggressive self-branding as tourist- and investment-friendly destinations. Qatar and Abu Dhabi pioneered the strategy of attracting world-class sporting events and establishing themselves on the lucrative MICE (meetings, incentives, conferences, exhibitions) tourism and trade fairs circuit. In Abu Dhabi, the domestic crackdown immediately had implications for prestigious international institutions with branches there. Both the Guggenheim and New York University faced sustained criticism in the form of an artists' boycott of the Guggenheim Abu Dhabi over poor treatment of labourers, and academics' and students' protests from the parent campus of NYU at the detention of an Emirati academic linked to the Abu Dhabi branch of the Sorbonne (which remained resolutely and embarrassingly silent after his arrest).[81]

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[75] GSN, "Libya Conflict", p. 16.

[76] Gulbrandsen, *Bridging the Gulf*, pp. 27–8.

[77] Anon., "Libya Contact Group Meets in Abu Dhabi", *Al Jazeera English*, 9 June 2011.

[78] Kinninmont, "The Maybe Greater GCC", *Foreign Policy*, 16 May 2011.

[79] Williams, "Formula One: Grand Prix Grandees Steer Past Bahrain's Bloodstained Realities", *The Guardian*, 8 June 2011.

[80] Anon., "Bahrain's Simmering Unrest Deters Foreign Investors", *Arabian Business*, 26 September 2011.

[81] Ross, "Middle East: Rights, Freedom and Offshore Academics", *University World News* 169 (1 May 2011).

Globalising flows represent a challenge to the GCC states as well as an opportunity. They enable the Gulf States to maximise their leverage in rebalancing global geo-economic power but also inject new political and social pressures into the domestic and regional landscape. Powerful forces of communication and interconnectedness are giving voice to the new ‘global politics’ as citizens across the Arab world mobilise in support of economic and social justice and political accountability and participation. Thus, the Gulf States find themselves caught between two paradoxical trajectories; able to project their influence and shape changing global institutions and structures, while susceptible to domestic contestation arising from the interlinking of local discontent with regional and international pressures for reform.

6. Conclusion

The global emergence of the Gulf States and the new challenges posed by the Arab Spring, therefore, constitute two diverging trends for the contemporary Gulf. On the one hand is the broader shifts in geo-economic power and the rebalancing of the global order toward multiple centres of political and economic influence, while on the other is the new sense of vulnerability that stability may be more elusive than previously imagined. By virtue of their geographical location between Europe and Asia and possession of the world’s largest hydrocarbon (and financial) reserves, the Gulf States have emerged as a pivot around which this change is occurring. This has created new interdependencies with other emerging economies which, crucially, have transcended the hydrocarbons-based trade and begun to develop into coalitions of convenience around select issues relating to the governance of globalisation. Notably, this states-based notion of international order differs substantively from more normative notions of ‘global governance’ but is closer to post-colonial and non-Western discourse elsewhere.

Significant issues remain unresolved. Among them is the question of whether future Gulf leverage will be projected on a bilateral basis by individual states, inter-regionally through the GCC, or globally through greater participation in the new institutional architecture. Indeed, continued emphasis on state sovereignty and preference for bilateral policy making is arguably incompatible with regional consensus-building and collaborative initiatives designed to maximise Gulf (as opposed to Saudi or Qatari or Emirati) influence. This increases the risk that GCC states will end up with overlapping regional financial/logistical/aviation/transportation hubs in an environment already well known for its intense competition. It also suggests that the internationalisation of the Gulf will continue to be based around bilateral economic and strategic partnerships, especially of the kind seen recently with food-producing nations in Asia and Africa. This is consistent with the Gulf States’ record of engaging globally on their own terms so far as possible, working to maximise their leverage within existing and new institutions of (state-centric) international governance.

The interaction of these two diverging trends will shape the dynamics of the Gulf States’ political economy and international relations in the years and decades ahead. The Arab Spring has injected urgency into the looming transition from oil-dependent economies toward competitive post-oil economic (and political) structures. New domestic priorities may temper some (but not all) of the Gulf States’ global positioning that appeared to reach its apotheosis in December 2010. Nevertheless, the shifts in geo-economic power do present the Gulf States with opportunities to increase their leveraging influence in a global order in flux and to create or thicken mutual interdependencies with a multiplicity of partners. This is already leading to new interregional realignments and portends a future in which the Gulf States’ traditional political and security alignment with the United States and Western powers will coexist alongside economic (and possibly ideational) reorientation toward a variety of new partners in Asia, Africa and even Latin America.

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