



NATO DEFENSE COLLEGE FOUNDATION

GULF STRATEGIC TRENDS

May 2013

Executive Summary

Pushed by the so called “Arab Spring” – which tellingly in the official press in the Gulf is not called “Ar-Rabi’a Al-Arab” (Arab Spring) but labelled often as “Al-Mushkila Al-Arab”, which means literally “Arab troubles” – Gulf States are revising their regional alliances and adjusting to shifts of the regional balance of power. Two poles are in the making, one which has its pivot in Saudi Arabia and is projected beyond the Gulf, the other – more liberal in social and political attitudes and looking inwards – in the UAE.

Saudi Arabia appears relatively stable amid the turmoil of the Middle East but tensions nevertheless still brew below the surface. Still unanswered are calls and pressure for change coming from the youths, which organize themselves also through social media. This trend is widespread and wildly popular in the region.

Social media have a facilitating effect in increasing contacts between Shi’a and Sunni reformists. This is accentuating an internal trend to put reformists together against conservatives which is the first cross-sectarian divide characterising Gulf societies at the moment. On the other hand, a second powerful trend is coming from the regional dimension of the escalating civil war in Syria and from the increasingly armed political struggle in Iraq, which are strong vehicles of sectarianism. At the same time, though, these regional tragedies have had a mitigating effect on internal pressures to change the status quo, raising fears of a similar pattern in the Gulf countries.

These fears are unfortunately reinforced by the increasingly tense and difficult situation in Iraq, where the sectarian divide is becoming a matter of armed more than political confrontation. For this reason there is not any notable and decisive opposition against the intensification of the state’s grip on the web and social media which is debated or carried out in Gulf countries such as Saudi Arabia, Oman, Kuwait, and Bahrein.

Situation Report

Saudi Arabia

Saudi Arabia appears relatively stable amid the turmoil of the Middle East but tensions nevertheless still brew below the surface. Still unanswered are pressures for change coming from the youth, which organize itself also through the social media, particularly in the oil-rich and mainly Shi’a Eastern Province. As a matter of fact demands for a more open society are particularly visible considering internet statistics: on a world average of 24%, Saudis are the very willing to share information about themselves on social networks with a figure of 60%, something really significant for people whose society is organized around a rather extreme public/private divide. These numbers are by far ahead vis-à-vis India with more than 50% of people involved, and far away from the USA (15%) and Italy (27%). The most popular cleric in the kingdom, Salman al-Odah, a reformist figure, has 2.872.866 Twitter followers.

This mine of popular sentiments seemed apparently interesting for the government, which has been accused to have asked Mobily, an arm of the state-owned Middle Eastern telecom giant Etihad Etisalat, to develop software that would allow authorities to bypass social media protections for the users. The Saudi telecom regulator issued a vaguely worded directive in March warning that many web-based communication tools including Whatsapp and Viber “had broken local laws”.

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Many Shi’as recognize that there are parts of the royal family that want to open Saudi society but are hampered by the resistance and the opposition of the Salafi establishment. Notable in this respect has been the 7 April speech given by Prince Muta’ib bin Abdullah on the occasion of the annual Jenadriya Festival and demanding that “religion should not enter politics”.

A second powerful trend in Saudi Arabia is on the other hand coming from the regional dimension of the escalating civil war in Syria and from the increasingly armed political struggle in Iraq, which are strong vehicles of sectarianism also in Saudi Arabia and in the Gulf. At the same time, though, these regional tragedies have had a mitigating effect on internal pressures to change the status quo, raising fears of a similar pattern in the so far quiet and stable Kingdom.

Given the skilful handling of this growing, but still relatively limited discontent, the emerging of real challenges to the establishment is rather unlikely in the next months. The pace of political change can be still counted in years than in months.

The Kingdom has spent a lot of money in subsidies to thwart possible dangerous effect of this Shi’a and juvenile push for more political representation, which derives also from the massive number of scholarships awarded during the last twenty years. In fact the youth came back with higher expectation and newer ideas on how their country should be run and more than could be accommodated by the establishment.

Unfortunately subsidies are mainly funded by oil revenues and Saudi Arabia is consuming 25% of the petroleum it produces and is the fifth largest consumer in the world: in a couple of decades it could become a net importer. Currently less than 1% of its population works in this industry; more than 80% of the national workforce is instead employed in the public sector, making more difficult to address these imbalances, which require a subsidy reform and an urgent action regarding the unresolved plight of migrant workers in the Kingdom.

Iraq

A string of car bombs exploded mostly in Shi'a areas across Iraq killing many people the 20th of May, in one of the country's deadliest weeks since 2006-2007, and making May deadliest month in five years. Hopes for a political breakthrough faded as Prime Minister Nouri al-Maliki and parliamentary speaker Osama al-Nujaifi blamed each other for mounting violence.

In another rift within the ruling elite, a letter from the prosecutor general to the Presidency of the Iraqi Parliament asked them to replace Iraq's current president Jalal Talabani due to his prolonged absence for health reasons (12/5/2013), a request which is likely to destabilise further the political framework given the legal uncertainty in the Iraqi Constitution surrounding the replacement of the President.

The government's crackdown on Sunni protesters continued to spur a re-emerging insurgency with retaliatory attacks, leaving the country again teetering on the brink of civil conflict. The month before, April, was already the deadliest month in Iraq since 2008, with more than 700 people killed, ignited by the raid on the Sunni anti-government protest camp near the northern town of Hawija, with a toll of 50 dead.

On the other hand the process of forming coalitions and new local governments after local elections held the 20th of April is beginning now. During 2009 this process lasted three months. Effects on Iraqi political dynamics are likely to be deep, on the national and local levels, including where local elections were postponed (Sunni governorates of Anbar and Nineveh), and where Al-Maliki has promised to hold elections the 20th of June.

The fact is that Iraq's sectarian divisions are now increasingly part and parcel of a regional sectarian power struggle that is fought in Syria but has ramification all across the Levant. These tensions are coupled with the other underlying problems and divides: between forces in favour of re-centralisation and those defending a new de-centralisation.

Despite this spate of bombings it seems that the actual recipe for the stabilisation followed so far, i.e. a new strong man in Baghdad favouring a more stable Iraq, is still considered validated by facts and consensus, both at internal and international level.

Kuwait

The 18th of May Shi'ite and Sunni MPs got into a fist fight in the Parliament during a heated discussion over Guantanamo's Arab prisoners, escalating sectarian tension in the Emirate. As a matter of fact Washington refuses to release two Kuwaiti detainees, which a Shi'ite MP labelled as "Al-Qa'eda militants" causing uproar amid Sunni parliamentarians. Shi'ites are roughly one third of native Kuwaitis, and have nine MPs in the 50-seat Parliament and 2 ministers in the 16-member Cabinet.

Tensions soared when last year Kuwait joined a contingent of Gulf Cooperation Council (GCC) troops sent to Bahrein to quell Shi'ite-led protests and successively after the alleged

uncovering of a pro-Iranian spy ring. In a move likely to reduce political tensions, a Kuwaiti appeal court has overturned a 5 year sentence inflicted on a prominent opposition figure, Musallam al-Barraq, charged with undermining the ruler's authority, and whose arrest caused numerous street protests.

Oman

Pushed by the so called "Arab Spring" – which tellingly in the official press in the Gulf is not called "Ar-Rabi'a Al-Arab (Arab Spring) but labelled often as "Al-Mushkila Al-Arab", which means literally "Arab troubles" – Gulf States are revising their regional alliances and adjusting to shifts of the regional balance of power.

Oman is therefore slowly moving away from the cumbersome regional power of Saudi Arabia and going towards the UAE model of society. Signs of this tectonic shift are the news reported by a Saudi online newspaper Al Watan (The Nation) that Oman tabled an innovative proposal at the GCC meeting of police traffic department heads: women should not wear face veils while driving.

Moreover, starting from the 1st of May, Oman aligned weekend days with the other GCC countries, exception made for Saudi Arabia, adopting a Friday-Saturday weekend vis-à-vis the existing Thursday-Friday arrangement.

In the same decree Sultan Qaboos, the longest serving ruler in the Arab world, ordered private companies to give their employees the same number of religious holidays as civil servants, in an effort to make non-state jobs more attractive.

Oman is also bidding to attract more business travellers to the country in the stiff competition with the UAE to host big business conventions. Oman has a hosting capacity of just 12.500 rooms but expects to add another 3.000 in the next year to meet a growing demand.

Oman received the visit by the Secretary of State John Kerry on its way to Amman for talks on Syria (21/5/2013). Oman is signing a contract of an estimated 2,1 \$ billion for armaments produced by the US company Raytheon.

UAE

The 18th of May migrant workers went on strike to achieve wage increased in a rare labour protest in the UAE, where trade unions are outlawed. Workers of Arabtec, the company which is building also the world's tallest building known as Burj Khalifa, started the protests in Abu Dhabi, followed afterwards by workers of the company in Dubai. These tensions in the labour relations mirror the wider problem of severe social and economic imbalances between migrants and citizens.

Nevertheless the UAE seem to have acquired again economic appeal and momentum after the economic downturn – mainly in the property market – of the last years. Abraaj Group, the Dubai-based private equity firm with \$7.5 billion in assets, is targeting acquisitions in North Africa. With European investors retreating from the region, Dubai is one of the GCC countries which has the will and the means to invest in this region, which sees a surging population boosting a bigger demand for products from health care to food and banking.

Abraaj plans to raise as much as \$250 million for a second North Africa fund after fully investing its first. Majid Al Futtaim Holding LLC, a Dubai-based owner and operator of malls and hypermarkets, is buying the Metro supermarket chain in Egypt and is also building a mall outside Cairo, even as political turmoil traps the Egyptian economy in its worst slowdown in two decades.

Qatar

Qatar is one of the GCC countries to take advantage of the retreat by European competitors in the MENA (Middle East North Africa) region. Qatar Telecom QSC and Emirates Telecommunications Corp. are bidding for Vivendi SA's stake in Maroc Telecom SA, while Qatar National Bank bought Paris-based Societe Generale SA's majority stake in its Egyptian unit.

Qatar Telecom has secured about \$12 billion to finance the Maroc Telecom bid. Internally, though, Qatar is backing new Internet codes that strengthen controls over new sites and their online content, following an increasingly widespread pattern in the Gulf States. The draft law is now being examined by an advisory council for final approval.

Bahrein

On 15 May a Bahreini court jailed for a year six people accused of insulting on Twitter King Hamad bin Issa al Khalifa. Two days after Bahreini security forces raided the house of a top Shi'ite cleric, Ayatollah Isa Qassem, and as a reaction the Shi'ite opposition al-Wifaq announced its withdrawal from the National Dialogue for two weeks. Facing this political impasse, al-Wifaq called for intensified protests ahead of the polls scheduled for next year. Effects of the Syrian civil war on the Gulf region and its politics – especially as far as the sectarian divide is concerned - can be seen in the ban on contacts between Bahreini political groups and Lebanese Hizb'Allah (27th of May).

In the always fragile political and social situation sometimes problem may arise also from friends such as the US Embassy. The 5th of May the Bahreini cabinet has approved a parliamentary proposal to stop “interference” by the US envoy Thomas Krajewski in the kingdom's affairs.

Nevertheless now the Cabinet includes the Crown Prince, who is considered a reformer and a friend of Washington, signalling a possible rapprochement between the two wings of

the Bahraini government so far divided between hawks and doves vis-à-vis the popular movement of protest originated from the Arab Spring.

Regional Trends

The balance of power of the Gulf region is destabilized by two different factors of external pressure: Iran and the Syrian game.

But whereas the Iranian factor pushes GCC countries together – at least their rulers and governments if not the people –, the other coming from the side political effects of the “great game” played internally, regionally and globally in Syria breaks apart countries and people, dividing them along social and sectarian lines (which coincide with the Gulf Shi’ite minorities).

Since the Syrian opposition to Assad is a loosely organized conglomerate of warring groups and parties, each GCC country tends to choose its own pick. Two are the predominant approaches. One is led by Saudi Arabia, which supports both secular rebel factions and Salafi groups, but excluding Muslim Brotherhood’s parties and factions. The other is adopted by Qatar: it is less discriminating, includes the Muslim Brotherhood and is less interested in military results on the ground and more on the political fruits which might come internationally. This difference in approach, choices of partners and strategic goals has had the effect of weakening the rebellion against Assad and increasing the contradictions inside each Gulf country.