Good Governance in the Middle East Oil Monarchies

Edited by Tom Pierre Najem and Martin Hetherington

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The concept of 'good governance' is of increasing importance, as it is used by international organisations to ensure reasonable conformity to high standards in states that participate in the global trading regime and other international activities. This book examines the concept of good governance and how it is applied in the states of the Gulf Co-operation Council. These states are particularly important because of their strategic location and massive oil wealth. Moreover, as monarchies, in most cases without powerful democratic representative bodies, and as Islamic countries, with a different outlook from countries of the West, Western standards of good governance may need to be modified in order for them to be implemented effectively.

Tom Pierre Najem is Associate Professor of International Relations and Head of the Political Science Department at the University of Windsor, Ontario. His research and teaching interests are in international relations and comparative politics with particular focus on international political economy, economic development, and political development (human rights and democratisation). He has written widely on these subjects, and has published two monographs on Lebanese politics.

Martin Hetherington is Researcher in Middle Eastern Studies at the Middle East and North Africa Research Group, Foreign and Commonwealth Office, London.

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Contributors

Tom Pierre Najem is Associate Professor of International Relations and Head of the Political Science Department, University of Windsor, Ontario.

Martin Hetherington is Researcher in Middle Eastern Studies in the Middle East and North Africa Research Group, Foreign and Commonwealth Office, London.

Anoushiravan Ehteshami is Professor of International Relations in the Institute for Middle Eastern and Islamic Studies, University of Durham.

Rodney Wilson is Professor of Economics in the Institute for Middle Eastern and Islamic Studies, University of Durham.

Neil Quilliam is Programme Officer, UNU Leadership Programme, United Nations University, Tokyo.

Naomi Sakr is Lecturer in Communications, University of Westminster, London.

Christiaan Vrolijk is a Research Fellow at The Royal Institute of International Affairs, London.

Preface

In 1999, the Institute for Middle Eastern and Islamic Studies, University of Durham, and MENARG of the Foreign and Commonwealth Office, established a conference series on the Middle East and North Africa. The conference series, which was set up by Professor Anoush Ehteshami, creates a forum for Middle East specialists in academic, business and government circles to exchange views and share ideas on critical issues affecting the region. To date, conferences have dealt with good governance issues, strategic importance of the Red Sea, and relations between the Middle East and Asia.

The book at hand is the first fruit of this joint venture. Given the strategic importance of the Middle East and the Gulf region, we feel that this book is very timely. Other titles, including one focusing on relations between the Middle East and Asia, will follow.

Introduction

Over the past decade, a number of crucially important and strongly related ideas and sets of policies, often referred to collectively under the heading of 'good governance', have become increasingly predominant as a political, economic and social paradigm for the countries of the developing world. In effect, the concept of good governance subsumes a whole range of significant development-oriented complexes of policy, including: political and economic liberalisation generally; the introduction and maintenance of political transparency and accountability; the elimination of corruption; the development of civil society; guarantees of fundamental human rights, especially political rights such as freedom of expression, freedom of assembly and freedom from arbitrary imprisonment; the promotion of international free trade; and the adoption of policies designed to safeguard long-term global interests like education, health and the environment.

The primary purpose of this book is to consider the extent to which various political, economic and social aspects of good governance have been successfully applied, to date, within the context of the countries of the Gulf Cooperation Council (GCC). This is potentially a very significant contribution to existing academic literature for two reasons. First, for reasons that will be treated in the course of Chapter 1, it should be recognised that good governance is closely related to the globalisation process and various crucial academic debates about its validity and implications. Since the September 11 terrorist attacks have raised the profile of the Islamic world, and led to much increased speculation about the compatibility of Western and Islamic societies, a detailed examination of how largely Western-derived concepts of good governance are being applied in Islamic settings is, perhaps, particularly timely. Second, very little has been written on good governance as it relates to the countries of the GCC. As these are undoubtedly among the most significant states in the world, because of their massive oil wealth and strategic location, the dearth of material concerning how they have responded to the increasing predominance of good governance as a development paradigm is particularly noteworthy.

Although the individual contributors have limited the scope of their observations to those aspects of good governance that fall within their respective spheres of expertise, and have, therefore, necessarily drawn specific conclusions in each case, at least two important general themes may be identified. First, with respect to each aspect of development examined by the contributors, there have been significant policy changes in the GCC states which are in line with good governance. However, each of the commentors has also stressed that the extent of the changes are somewhat limited and perhaps subject to suspension or reversal as a result of potential changes in domestic, regional or international circumstances. Second, although good governance is typically seen as being strongly associated with globalisation, to the extent that some observers argue that developments are being driven primarily by international pressures, each of the contributors in this volume has identified domestic factors as being just as significant, or perhaps, even more significant, with respect to the promotion of good governance initiatives in the GCC setting.

Because good governance is a general term that encompasses a very broad range of different political, economic and social ideas and policies, it has proved impossible to consider every important area of development in this book. However, we feel that, at the very least, the different chapters present a fair cross-section of some of the most critical aspects of good governance: political and economic liberalisation; freedom of expression and government accountability; free trade; and international environmental policy.

The book is divided into six chapters. In Chapter 1, Tom Pierre Najem provides the necessary conceptual base for good governance by defining the concept, placing it within a historical and theoretical context, examining how it is being applied generally within developing societies, identifying the different forces and circumstances behind the widespread adoption of good governance policies, and considers briefly some important criticisms which are related to broader academic debates about the validity and implications of the globalisation process.

In Chapter 2, Neil Quilliam sets the scene for the succeeding chapters by detailing the origins and historical development of the GCC. In addition to looking briefly at each of the member states, he considers the significance of the organisation as a whole in both regional and international contexts, and identifies shared priorities and common constraints.

In Chapter 3, Anoushiravan Ehteshami presents a survey of the political liberalisation and participation initiatives undertaken by all of the GCC member states. He considers the underlying reasons for the adoption of these initiatives, looking at both the international and domestic forces that have encouraged them, and examines the processes by which they are being carried forward. He concludes that the initiatives are largely government-driven, and that, although significant reforms have been made, the fluidity of domestic and international circumstances is such that it is difficult to establish what their lasting impact will be.

In Chapter 4, Naomi Sakr looks at the dynamics of press and government relations in the GCC countries in recent years. She observes that there has clearly been considerable extension of press freedom in all of the states, although the degree of change has been more limited in some states than in others. She attributes these reforms primarily to changes in domestic power alignments within the individual states, and also, to some extent, to imperatives relating to rivalries with other regional states. Again, in all cases, it would seem that the changes are highly circumstantial and subject to suspension or reversal.

In Chapter 5, Rodney Wilson considers the extent to which economic policy-making in Saudi Arabia conforms to the ideals of international economic institutions such as the IMF and WTO. Although he demonstrates that Saudi economic policy is becoming more consistent with the free trade principles of such organisations, he argues that it is clear that, due to both political and economic obstacles, progress is very gradual.

And finally, in Chapter 6, Christiaan Vrolijk examines the environmental policies of the GCC states, focusing in particular on their participation in global climate change initiatives. Although he has indicated that good environmental governance policies have been put in place on a range of issues including water conservation and prevention of oil spills, his general conclusion is that the GCC countries, primarily for economic reasons, have contributed little to international climate change initiatives, and, in fact, have been strong opponents of such policies.

1 Good governance

The definition and application of the concept

Tom Pierre Najem

Introduction

The purpose of this chapter is to define the term good governance[1] as it will be used in this volume and to place it within a historical and theoretical context, thereby providing the reader with a broad conceptual base for approaching subsequent chapters. The chapter consists of three sections. In the first section, I will examine the origins of the term good governance, consider how it has come to be applied to a broad range of related ideas and sets of policy, and establish a working definition for the purposes of this study. In the second section, I will consider the historical circumstances surrounding the emergence of good governance as the predominant development paradigm of the last decade, identify the different forces driving the adoption of good governance policies in many states, look at the specific priorities and constraints that are particularly relevant to good governance in the context of the GCC countries, and assess the potential impact of the post-September 11 'war on terrorism' with regard to some aspects of good governance. Finally, in the third section, I will raise a number of important theoretical issues concerning the validity of good governance and consider how it fits into the context of broader academic debates about development and the globalisation process.

Defining good governance

The term good governance, at least as a reference to a more or less specifically defined set of ideas and policies, originated in a 1989 World Bank document entitled *Sub-Saharan Africa: From Crisis to Sustainable Growth*.[2] Within the context of this seminal document, the notion of good governance was strongly associated with the types of structural adjustment policies that the World Bank had been advocating for many years: reduced state intervention in economic decision-making; reduced public sectors and more efficient and transparent public sector administration; freer markets and the elimination of unnecessary public subsidies; and increased integration into the world economy generally.[3]

The argument was that adherence to sound economic development policies (i.e. essentially policies de-emphasising the role of the state) would, in itself, help to promote the appropriate political environment for sustainable economic growth – which, incidentally, would be a more inclusive and accountable environment on the whole than most developing societies had previously experienced. This emphatically did not mean the wholesale adoption of Western institutions and ideals. On the contrary, the document asserted that an important advantage of concentrating the reform agenda on the economic development sphere was that doing so allowed the indigenous elements to design their own political and social mechanisms. This would render good governance a more viable and culturally sensitive alternative to previous development approaches, which had attempted to graft Western models onto arguably incompatible cultural settings. However, the reduced role of the state in the economic life of society would necessarily create important power centres outside the state sphere. The state would then have to come to terms with these new elements, and hence, would almost inevitably become more open and accountable. In short, a considerable degree of political liberalisation, and perhaps even democratisation, would be a beneficial consequence of the recommended structural adjustment.[4]

It must be recognised, however, that since its initial formulation in the 1989 World Bank document, the term good governance has achieved ever-increasing currency in the international development discourse.[5] Furthermore, the concept has been expanded by the World Bank[6] and other international aid donors, non-governmental organisations, academics and Western governments and politicians to encompass a much broader and more generalised range of ideas and policies, to the extent that it is not always clear what, exactly, one means when one is using the term. Essentially, the concept of good governance as it is currently used includes all of the following: economic liberalisation and the creation of market friendly environments; transparency and accountability with respect to both economic and political decision-making; political liberalisation, particularly democratic reforms; rule of law and the elimination of corruption; the promotion of civil society; the introduction of fundamental human rights guarantees, especially with respect to political rights such as freedom of expression, freedom of assembly and freedom from arbitrary imprisonment; and the adoption of policies designed to safeguard long-term global interests like education, health and the environment.[7]

Clearly, there are some problems with grouping so many distinct areas of development and policy orientation together under one heading. To begin with, as the concept has been expanded to include a seemingly ever-increasing number of new ideas and sets of policies, some would contend that it has lost much of its initial distinctiveness as a development paradigm. Whereas the concept originally distinguished itself from the much maligned modernisation paradigm by placing a great deal of stress on the importance of allowing different cultures to develop their own institutions and mechanisms for social reform, the broader construction of good governance is more didactic in the political and cultural spheres, and often seems to amount to little more than a wholesale endorsement of Western ideals, practices and institutions. A second problem is that, because good governance covers such a broad spectrum, different organisations and individuals have come to frame their respective interpretations of the term in divergent and potentially even contradictory ways. In short, the current broad usage of the term often seems to beg the question: 'Good governance for whom and according to whom?'[8]

To cite just one example that demonstrates both of these problems, some Western organisations, such as Amnesty International and Human Rights Watch, have tended to emphasise those aspects of governance that stress guarantees of basic human rights. While these organisations do not necessarily mean to suggest that structural adjustment is a less important aspect of good governance, they do contend that those forms of structural adjustment which impinge on basic human rights to health care, education and other essential services are not compatible with the concept. Conversely, those advocates of good governance who tend to emphasise the primacy of structural adjustment policies and/or the importance of cultural sensitivity might contend that too great an emphasis on introducing largely Western-derived human rights into developing societies is incompatible with the concept.

However, even in the course of recognising these problems, I would contend that the broad definition of good governance has now become so widespread and pervasive that it is impossible, for all practical intents and purposes, to insist on a more specific and rigorous definition. It might be useful to attempt to frame such a definition in a purely theoretical work, but, in a study like this, in which the primary purpose is to analyse the extent of good governance developments and the nature of the processes underlying them, a strict definition is actually somewhat counter-productive. Since the major international sponsors of good governance are themselves taking a broad-based approach to encouraging development, it makes little sense to exclude from one's analysis areas in which there have been significant changes simply because these areas do not happen to fall within a particular organisation's or scholar's specific conception of what good governance is really all about. Clearly, to at least some extent, one must acknowledge that good governance is ultimately about what the major international aid organisations, the major trading blocs, the United Nations and the most influential countries that are promoting it define it as, and about what they are actually doing to encourage developing countries to put it into practice. Therefore, it is crucially important to allow for the examination and assessment of developments in every one of the areas commonly associated with good governance. As a consequence of this priority, the working definition of good governance for this study is based on the broadest reasonable conception of the term.

Good governance in a historical context

The genesis of 'good governance' and 'the end of history'

The corpus of ideas and sets of policies that make up good governance has undeniably been the predominant development paradigm of the last decade, and has had an extraordinary, and arguably unprecedented, impact throughout virtually the whole of the developing world. Many Western scholars and policy-makers have not hesitated to represent good governance as the only truly viable approach to sustainable long-term development and prosperity, and even its most trenchant critics have been unable to propose a practicable alternative paradigm.[9] Furthermore, it must be recognised that the very term 'good governance' is intellectually and ideologically quite provocative, seeming to carry within it the rather grave implication that practices and policies outside the boundaries of the concept constitute inadequate, or even poor, governance. It is impossible to understand the overwhelming predominance of the paradigm, in theory or practice, without reference to the unique historical circumstances that coincided with, and contributed a great deal to, its genesis.

Beginning in the 1950s and extending through much of the 1970s, the developmental paradigm adopted by most of the post-colonial countries of Africa and the Middle East, and by a considerable number of countries in other parts of the Third World, entailed: (1) strong state direction of the development process and control of the means of production (particularly in the industrial sphere) to the extent that private sectors were either underdeveloped or non-existent; and (2) protectionist trade practices, designed to secure national sovereignty by minimising external penetration. However, beginning in the late 1970s, another developmental paradigm stressing economic liberalisation, especially free trade and privatisation, began to be asserted by Western theorists and policy-makers.[10] By the late 1980s, partly in response to criticisms concerning the perceived human costs of economic liberalisation, some advocates of this approach began to articulate potential benefits that it seemed likely to produce in terms of political liberalisation and greater government accountability. In short, it was suggested that economic liberalisation might be the key to establishing the societal preconditions for democratic reforms in many countries. As noted previously, the term 'good governance' originated in a 1989 World Bank document advancing an argument along these lines.[11]

The theoretical linkage of economic liberalisation and structural adjustment with increased democratisation coincided with two extremely significant historical circumstances. The first was the decline and eventual collapse of the Soviet Union, which had long served both as the model and as the most forceful advocate of the heavily statist paradigm. The second was the apparent failure of the statist paradigm in many developing countries, which had come to be plagued during this period by endemic inefficiency and corruption on the part of state bureaucracies, increasing foreign debt exacerbated by world economic conditions and a host of other serious structural problems.[12]

In the ideological and intellectual spheres, the West's victory in the Cold War and the apparent failure of state-led development translated into a considerable amount of triumphalism among the supporters of Western-style liberal democracy and international capitalism. Some scholars, most notably Francis Fukuyama, cited the absence of any conceivable alternative to the globalisation of the world economy and the increasing integration of political systems, and began to assert that the liberal democratic and capitalist form of society can now be recognised as the only truly historically viable and legitimate model for developing societies. In Fukuyama's view, the communist bloc represented the last great threat to the universal adoption of this model, and the removal of this threat signalled 'the end of history'.[13]

Of course, many followed Samuel Huntington's lead in questioning Fukuyama's optimism and proceeded to identify other potential threats to the triumph of Western democracy in the form of a 'clash of civilisations' among Western, Islamic and Confucian cultural blocs. However, at the same time, the vast majority of Western policy-makers unreservedly adopted Fukuyama's contention that the Western liberal democratic and capitalist model represented the best historically achievable form of society. On this basis, they began to push increasingly vigorously for more rapid and more thorough globalisation and for political reforms that would bring the countries of the developing world increasingly in line with Western ideals and standards of mass participation, transparency, rule of law and human rights.[14]

It is probably worth noting, at this point, that it was this transition within the ideological and intellectual spheres that led to the expansion of the concept of good governance from a set of ostensibly culturally sensitive prescriptions for economic and administrative structural adjustment to a broad range of ideas and sets of policies designed, arguably, to reproduce the Western liberal democratic and capitalist form of society almost in its entirety in the context of the developing world. Whether or not the broader formulation is really internally self-consistent and practicable, and whether or not the historical assumptions underpinning it are valid, probably only time will tell.

In any case, irrespective of its ideological and intellectual foundations, it should be recognised that the monopoly of the good governance paradigm is, in practice, largely a function of the current predominance of global capitalism. During the Cold War, it was often possible for developing countries to establish healthy trade relations with, and to attract massive financial aid from, the major world powers simply by adopting the appropriate rightist or leftist political stance. The dissolution of the Soviet Union eliminated the only major financial sponsor for development outside the international capitalist context, and also removed the only compelling reason for Western policy-makers to assign a higher priority to political alignments than to their economic interests. At the same time, the sweeping changes in the geopolitical sphere necessitated a fundamental realignment of trade relations for many states. Furthermore, the massive economic and structural problems confronting many developing countries meant that their respective leaders had no alternative but to seek substantial amounts of Western aid. This state of affairs left the major Western powers in a virtually insurmountable position to dictate terms to the developing world. In keeping with the ideological and intellectual developments outlined previously, the demonstration of a willingness to adopt good governance practices became the basic precondition for financial assistance and increased trade relations.[15]

The application of good governance in practice: 1989–2001

General comments on assessing the progress of good governance reforms

When assessing the extent to which the good governance paradigm has been applied in different settings, it is important to bear some general points in mind. First, it must be recognised that good governance is a multifaceted ideal that is difficult, if not impossible, to fully realise in the context of any society. Even the most developed nations have significant and readily identifiable shortcomings with respect to some aspects of the paradigm. To cite just a few of many possible examples, virtually all of the major industrialised nations have struggled to reconcile the reduction of public sector spending with the provision of essential public welfare, education and health care services, and some leading countries (the United States particularly) have been much criticised in the international community for failing to adopt sound environmental policies.[16]

Another important point is that no universally accepted or particularly well-defined order of development priorities has emerged as the theory and application of good governance has developed. With reference to the theory of good governance originally articulated by the World Bank, it seems clear that economic liberalisation and structural adjustment are supposed to set the stage for social and political changes. However, to at least some extent, it has been necessary to adopt this conceptual model to account for the proposition, supported by many scholars, that at least basic political reforms are required to facilitate and secure economic reforms. For example, one might question how it is possible to ensure that corruption is eliminated and transparency is maintained unless there are reforms to increase the relative strength of the judiciary and public oversight organs such as the press and civil society groups.[17]

In addition to this lack of theoretical acuity about priorities, there has been a tendency, as I have noted previously, for the different groups pushing for the adoption of good governance policies in practice to emphasise the importance of those aspects of the concept that are of particular concern to them. While the World Bank and IMF have continued to lay a primary stress on economic and administrative reforms, the United Nations and many state actors have pointed to the need to encourage parallel development across different sectors of society. Other groups like Amnesty International and Greenpeace have tended to focus on specific areas like human rights and environmental policy.

As a result of these considerations, it is very difficult to formulate a general assessment of the progress a particular country is making towards the adoption of the good governance paradigm as a whole. One must instead examine the progress that is being made in specific areas and try to understand how these developments, taken together, contribute to the progressive adoption of more and better good governance practices in the long term.

For similar reasons, it is also quite difficult to present a general overview of the impact that the promotion of good governance over the past decade has had with respect to delivering real prospects for secure prosperity and truly open and accountable government for the countries of the developing world. Even if one is prepared to accept the highly questionable proposition that the good governance paradigm will bring forth all of the projected benefits if it is put into practice to a sufficient degree, it is by no means clear that the states of the developing world will ever choose, or could ever be persuaded, to adopt it to this extent. It is certainly true that a great many developing countries have already put at least some aspects of good governance into practice, but the extent of the respective states' commitments to truly substantive reforms, especially political reforms, is just as certainly questionable in many cases.[18]

From a practical standpoint, it must be generally assumed that strong state structures have an overwhelmingly compelling vested interest in maintaining their dominant position in society. The central precept of good governance, that the state needs to relinquish its control of the economic sphere and, ultimately, to become more open and accountable with respect to political decision-making, is obviously directly contrary to that priority. As I have suggested previously, it is highly probable that many states have adopted good governance, to the limited extent that they have, only because they have been forced to do so by the prevailing economic and geopolitical circumstances of the last decade.[19]

The forces driving good governance and the responses of state actors

In order to understand the prospects for further and more substantive changes, it is crucially important to identify and assess the relative strengths of the different forces that have been pushing states to acquiesce to reforms. Moreover, one must examine the nature of the reform emphasis that these forces have defined and consider how states have actually responded in practice. Within this context, it is possible to identify six major sources of either external or internal pressure that have confronted the regimes of most developing countries over the past decade: (1) international aid donors; (2) international trade; (3) issue-based international NGOs; (4) transmission of values; (5) crisis of legitimacy; and (6) emergent social forces. I will now proceed to examine each of these in turn.

1 INTERNATIONAL AID DONORS

One external factor that has been particularly significant for countries with chronic economic and structural problems is the pressure that the World Bank, the IMF and virtually all other major international aid donors have brought to bear by establishing a more or less well-defined set of good governance reforms as a precondition for financial assistance. Thus far, the primary emphasis from most donors has been on economic liberalisation and structural adjustment, including: debt reduction; privatisation of inefficient public sector industries; reform of inefficient and corrupt bureaucratic institutions; the elimination of protectionist trade practices; the reduction of public subsidies and spending commitments; and the introduction of greater transparency with respect to economic decision-making. The different aid agencies have tended to attach fairly specific conditions and/or recommendations concerning each of these areas to loans and financial aid packages, giving the recipient states relatively little room for manoeuvre.[20]

A secondary emphasis, which seemed to be increasing in strength over the course of the 1990s, was on supporting the kind of political reforms that might contribute to and/or help to secure the economic liberalisation process. This aspect of aid agency support for good governance generally did not entail the same kind of targeted pressure for specific reforms as part of financial packages, but rather involved recipient states committing themselves to certain political reforms in principle and showing at least some compliance in practice. While greater democratisation and major institutional reform was identified as a long-term aim, the actual focus tended to be on fairly limited measures such as the introduction of basic human rights guarantees and the promotion of civil society.

Obviously, many state actors in the developing world have had little option but to fall into line with the expectations of their international creditors, particularly with respect to economic reforms. Nevertheless, in practice, the prescribed economic liberalisation and structural adjustment has often been thwarted by seemingly intractable problems. Privatisation has more often than not been impracticable since private sector elements, on the whole, have shown little interest in taking over the inefficient and loss-making public sector industries that it would be most beneficial to liquidate. Recommended reductions in some public subsidies have had to be abandoned in the face of massive popular opposition. It seems that no amount of external financial pressure is able to generate the internal political will needed to tackle ingrained corruption and institute substantive bureaucratic reforms. And, of course, chronic debt continues to be such a major preoccupation with respect to public sector resource allocation in many countries that capital realised from structural reforms is often used to stave off immediate fiscal crises rather than being used to establish the infrastructure needed to promote long-term growth and prosperity.[21]

Ironically, a number of developing countries have more progress to show with respect to improvements in human rights and the growth of civil society. However, it would almost certainly be incorrect to conclude from this that existing regimes are more seriously committed to reform in these areas or that substantive reforms of this kind are easier to put in place. On the contrary, the prime motivation for these reforms generally seems to be based on the advantages that accrue to a given regime in both the international and domestic arenas due to the perception that it is progressive and committed to further reforms.[22] Meanwhile, the actual reforms implemented thus far in most countries have tended to be superficial, very selective and easily reversible.[23]

2 INTERNATIONAL TRADE

The second external factor, which has been just as significant or even more significant for many states, is that good governance reforms have also been set up in many cases as a precondition for international trade integration. For example, major trading blocs such as NAFTA and the EU, and collective decision-making bodies such as the WTO, have repeatedly expressed that a commitment to good governance is a requirement for increased trade relations and greater participation in the process of defining international trade policies. Again, the primary emphasis is on specific changes in the economic sphere, particularly free market reforms such as the elimination of protectionist policies and the introduction of greater transparency, with a strong secondary emphasis on a commitment to human rights and other basic political reforms.[24]

In this area, perhaps more than in any other, the Western nations advocating good governance have laid themselves open to criticism on the basis of setting up self-serving double standards. The continuing growth and prosperity of the major world economies is, to a considerable extent, dependent on opening new markets in the developing world for their goods and services. Therefore, they logically have nearly as much to gain from greater trade integration as the less developed economies, and one may question the legitimacy of the overwhelming control they exercise in terms of defining the conditions of the integration process. Furthermore, it is not difficult to cite examples of instances in which the major blocs have maintained tariff barriers and targeted subsidies for their own producers while, at the same time, imposing greater standards of openness on potential trading partners. And, of course, it often seems that the Western economic powers are prepared to overlook the significance of human rights abuses, detrimental environmental policies, etc., if the potential benefits of trade are great enough. While some countries are excluded for perceived abuses, others with possibly even more questionable records (most notably the People's Republic of China) are granted most favoured nation trade status by virtually every major economic power, are permitted membership in the WTO, and so on.

Irrespective of this criticism, however, it is undeniable that the linkage of trade integration with good governance has produced a significant reform orientation in the many developing countries desperate to solidify and expand their trade links in the increasingly interdependent global system. In effect, though, these reforms have generally been characterised by the same kinds of problems and limitations that have applied to the reforms encouraged by the major aid donors.

3 ISSUE-BASED INTERNATIONAL NGOS

A third external source of pressure for adopting good governance policies has been supplied by major international NGOs looking to advance specific reform agendas. Some of the most significant examples include Amnesty International, Human Rights Watch, Greenpeace, and a number of committees and organisations affiliated with the UN. Obviously, these groups have not been able to exert anything like the kind of direct influence that the major aid donors and trade blocs have been able to apply. However, they have succeeded in generating a lot of activity indirectly by bringing abuses in their specific areas of interest to the attention of the international community. Furthermore, their effectiveness in the promotion of the good governance agenda has been increased by the fact that, unlike the major sponsors of broad-spectrum economic adjustment, they have been able to concentrate their efforts on strictly defined problem areas.[25]

The regimes in many developing countries have attempted to cultivate good relations with the most influential issue-based NGOs by initiating at least some reform activity in their respective spheres of interest.[26] While the NGOs, for their part, have tended to greet such developments by expressing cautious optimism and pointing out (sometimes quite vigorously) the need for more substantial reforms, respective states have tended to demonstrate that there are limits with respect to how far they are prepared to go simply to placate idealistic foreign activists.

4 TRANSMISSION OF VALUES

The fourth and final external factor is the transmission of Western cultural values into the developing world that has inevitably followed both in the wake of greater economic integration, and more importantly, of the late twentieth-century revolution in electronic communications. This factor is obviously somewhat different from the previous three, in that it does not derive from active and purposive pressure by Western actors to bring about specific good governance reforms. It is comparatively passive and incidental. Nonetheless, the development of satellite communications and the internet, the increasing spread of the English language and other Western European languages, the distribution of Western television programmes, films, mass media and literature, etc., has almost undeniably had a significant, albeit unquantifiable, impact on popular values and expectations across the developing world.

This pressure has led some existing state elites to adopt more pro-Western ideological orientations, while other states have attempted to minimise the impact by restricting communications and imposing tighter media controls.

Both strategies are somewhat problematic. The former approach not only alienates traditionalist social elements that, in many countries, remain quite strong, but also poses problems with respect to elements that favour greater Westernisation. Even in the long term, few developing countries will be able to offer realistic prospects for the kind of Western living standards that exposure to Western media output has led many people to expect. On the other hand, the more restrictive approach is deeply unpopular with progressive social elements, and also stands in more direct contradiction to the standards of liberalisation and free expression that potential Western aid donors and trade partners are actively pushing for. Furthermore, states attempting to impose very strict limits on the influx of foreign ideas, to the extent of cutting their intelligentsia off from major networks of international intellectual exchange and reducing the numbers of students educated in the world's leading institutions, also run the risk of falling substantially behind in the technological sphere and becoming progressively less competitive economically as a result.

5 CRISIS OF LEGITIMACY

An important internal factor that has contributed greatly to the widespread adoption of good governance policies is the increasing crisis of legitimacy that has confronted many regimes in the developing world over the past decade. The chronic poverty and other social problems that have resulted largely due to world economic conditions, rapid population growth and the essential failure of the state-led development paradigm have caused many people in developing countries to question the traditional bases of regime legitimacy in their societies and to begin pushing for government based on alternative societal paradigms. Existing regimes have had to reorient or reinvent themselves accordingly, generally with reference to both externally and internally derived ideological poles. The external pole consists of Western values generally and the good governance paradigm particularly, while the internal pole tends to be grounded in a reassertion or reformulation of fundamental religious, cultural or nationalistic values. The contrast of ideological alternatives has been particularly apparent in the Islamic world, where regimes have been hard pressed to accommodate popular pressure for more accountable and representative government along Western lines on the one extreme, and greater adherence to Islamic law and tradition on the other.

The adoption of good governance reforms has helped existing regimes to respond to their respective crises of legitimacy in at least four ways. First, introducing reforms has allowed regimes to bolster their legitimacy by distinguishing themselves from past abuses and oppressive policies and by presenting to the public at least the possibility that future, and perhaps more substantive, reforms are possible within the existing system. Second, the concentration of public attention on particular aspects of reform, especially carefully managed political reforms such as the selective introduction of human rights guarantees, has sometimes served as a useful distraction from, or compensation for, intractable problems in other areas, perhaps most especially in the economic sphere. Third, reforms which allow for greater freedom of expression, some freedom of assembly and demonstration, etc., have helped some regimes to ease tendencies towards more dramatic and damaging forms of opposition. And finally, taking the initiative with respect to introducing and pushing through reforms actually allows regimes to exert a considerable amount of control over the nature and scope of the reform process, thus allowing them to influence developments in vital areas, co-opt potential opposition elements and consolidate their dominant position in society generally.[27]

6 EMERGENT SOCIAL FORCES

A final factor which has placed many existing regimes in the developing world under significant pressure to implement good governance reforms is the gradual emergence of indigenous civil society elements. This process is probably, to at least some extent, a natural consequence of increasing development and more widespread education as a whole, but it has probably also been strongly encouraged by all five of the previous factors. The last decade particularly has seen the evolution in many countries of a wide range of organisations, associations and citizens' groups pushing for many kinds of specific social and political change, and for greater freedom and greater participation in decision-making generally.

Although these groups have almost certainly provided some stimulus for reform, many regimes have responded to this kind of pressure by adopting fairly successful multifaceted defensive strategies. One approach has involved engaging civil society elements in dialogue with a view to settling potential differences. This has sometimes led to compromise arrangements whereby emergent groups may extract some concessions from the regime but are effectively co-opted in the process. A second approach, which is often very effective and which is favoured by many regimes, is the creation, by the state, of ostensibly autonomous or semi-autonomous groups that work to counter the influence of more opposition-oriented groups in the civil society sphere. Finally, while reform legislation guaranteeing freer expression, right to assembly and other freedoms has theoretically made it much more difficult for them to do so, many regimes have not hesitated to use their police and other coercive mechanisms to actively suppress groups that exceed the strictly limited boundaries of dissent which they are prepared to tolerate.[28]

Good governance and the GCC: 1989–2001

Obviously, the primary purpose of this book is to consider the extent to which different aspects of the good governance paradigm have been adopted in the countries of the GCC and to analyse the processes underlying the reforms that have been put in place. Therefore, the best way to understand how each of the different factors identified in the last section have contributed to developments in the GCC is to refer to the detailed research that will be presented in subsequent chapters. However, it will be useful at this point to briefly consider some general priorities and constraints that apply to all of the GCC countries and which have helped to determine the relative significance of the respective influences promoting good governance reforms over the past decade.

To begin with, it should be recognised that the GCC countries, due to their substantial oil revenues, have not generally been subject to the kinds of chronic fiscal crises and other structural problems that have plagued most other countries in the developing world. For this reason, the impact that the World Bank, the IMF and other international aid donors have had in terms of pressuring the GCC regimes to adopt good governance reforms has been extremely limited.

This is not to say that there has been no effective external pressure for reforms. On the contrary, all of the GCC countries are heavily dependent on international trade and have been working very hard to consolidate and improve their existing trade links. One consequence of this is that they have had to be somewhat responsive to Western pressure to adopt at least those aspects of the good governance agenda that are commonly linked with trade integration, namely the elimination of protectionism and the introduction of greater transparency.[29]

The GCC regimes have also had to take at least some account of the other major external factors, such as issue-based NGOs and transmission of values, but I would argue that both of these have been less significant in the Gulf than they have in many other parts of the developing world. The countries' relatively strong economic position has given them some immunity from the NGOs, since these mainly rely on exerting pressure through aid donors, and the transmission of values has been moderated in many cases by the generally conservative social orientations of the societies and the respective regimes' ability to maintain tight media controls.

The major internal impetus for reforms has been supplied by a crisis of legitimacy that originates primarily from economic problems associated with rapid population growth, economic mismanagement and world economic conditions such as the fluctuation of oil prices. The regimes have responded to increasing public dissatisfaction partly by instituting reforms to eliminate corruption and to allow for wider participation in decision-making and freer expression of ideas in the media. However, it should be noted that the regimes have also been obliged to respond to indigenous pressures for a strong reassertion of traditional Islamic values. The two strands of policy are not necessarily compatible and it is not yet clear whether a workable synthesis is possible, or which tendency will ultimately prevail if a choice must be made between the two.

A final observation that might be made about the GCC generally is that, particularly with respect to the first few points raised in this section, it is quite different than most of the other settings that scholars have previously included in research about good governance. The focus of the existing literature is on the extremely significant role that the major Western aid donors have played in the practical application of the good governance paradigm, and, as I observed above, this role has been very limited in the GCC setting. Consequently, this study affords a good opportunity to examine the potential significance of the other factors, particularly the external influence of international trade and the internal pressure associated with the crisis of legitimacy.

Good governance and the war on terrorism

Obviously, when one is attempting to place good governance in a historical context, it must be recognised that the September 11 terrorist attacks on the United States and the ensuing international 'war on terrorism' are particularly significant developments, especially with reference to Islamic societies. It is probably too early to tell if these events will initiate a fundamental paradigm shift in relation to the theory and practice of international development, but the early indications are that the Western powers are beginning to rethink the implications of their increasing emphasis over the last decade on the importance of political liberalisation and the growth of civil society.

The general orientation of Western foreign policy at present seems to be on taking all possible measures to curtail international terrorism, especially terrorism as an expression of Islamic extremism. With respect to the developing countries of the Islamic world, this means that, for the foreseeable future, the West will be broadly supportive of a reassertion of state power where such is useful for suppressing potential terrorist elements. As the primary opposition elements in most Islamic societies tend to subscribe to fairly extreme interpretations of Islam, they can at least be identified as suspect elements even if they are not actually working to promote significant terrorist activity. Therefore, at least from a hypothetical perspective, they are all legitimate targets. It seems likely that existing regimes will seize on this point as a justification for taking strong measures to secure their own positions. This may result in the substantial reversal of much of the progress that was made in the 1989–2001 period, and one must question whether any kind of substantial political liberalisation, even the growth of more moderate Islamic, and for that matter non-Islamic, civil society elements, can be expected in such circumstances.

Good governance in a theoretical context

Good governance: a new development paradigm?

As I observed briefly in the first section of this chapter, the evolution of the concept of good governance from a fairly specific set of economic and structural adjustment prescriptions into a broad range of different ideas and sets of policies arguably had the effect of stripping away much of its distinctiveness as a development paradigm, particularly in comparison to the modernisation paradigm developed by Seymour Martin Lipset and other theorists in the 1960s.[30] Many critics of good governance have suggested that, apart from insubstantial ideological rhetoric about the long-term benefits of the world economy and the importance of cultural sensitivity, there is actually very little difference between the two paradigms. If this line of argument is valid, then good governance is vulnerable to much of the criticism formerly directed at the modernisation paradigm, and one must question if it really adds anything new to existing theories of development.

The fundamental contention of the initial modernisation theory was that there was a strong correlation between modernisation, in terms of quantitative factors like GNP, per-capita income, urbanisation, literacy, etc., and the development of democratic institutions and modes of behaviour in a society. The practical emphasis of the modernisation paradigm, therefore, ostensibly involved encouraging economic and social development along Western lines in order to establish a functional base in developing societies for Western-style democratic institutions. However, while the theory clearly defined a need for *conditions* in a society to evolve over time, its account of *institutional* change was more ambiguous. It was generally assumed that putting functional Western institutional models in place as soon as possible would be preferable to the evolution of indigenous institutions, not only because it would be more efficient than the historical process of trial and error that accompanied the evolution of democratic institutions in the West, but also, and perhaps even more importantly, because it would provide tried and tested safeguards that would enable developing countries to avoid some of the catastrophic mistakes and reversions to extreme tyranny that plagued many Western countries' early experiments with democracy.

The modernisation theory, at least in its initial formulation, has certainly been somewhat discredited historically by the fact that substantive democratisation clearly has not occurred in many developing countries that have actually achieved the levels of modernisation with respect to many, if not most, of the factors that it suggested would produce a concurrent process of democratisation. While advocates of the theory have advanced a number of different explanations for this, critics have questioned its fundamental validity on at least two significant theoretical grounds.

First, as early as the 1970s, Andre Gunder Frank, Fernando Henrique Cardoso and other theorists, who came to be known collectively as the dependency school, argued that the modernisation paradigm was the product of an elementary misconception concerning the true nature of the relationship between the developed and developing worlds.[31] While the modernisation theorists held that the developed world was assisting the developing world to evolve towards greater economic prosperity and more democratic forms of government by encouraging countries to adopt Western economic practices and political institutions, these theorists, essentially working on the basis of Marxist assumptions about the global expansion of the capitalist mode of production, argued that the interference of the developed world in the affairs of the developing world actually amounted in practice to little more than the spread of capitalism. And even worse, that this process was being conducted in such a way that the developing world would be placed in a perpetually dependent position in relation to the more advanced capitalist interests entrenched in Western societies. According to dependency theory, the best way to avoid enduring penetration by, and the loss of all effective social power to, exogenous capitalist interests, was to boycott the international capitalist economy to the greatest possible extent and to stubbornly defend indigenous control of domestically based means of production.

The second criticism is directed not at the economic assumptions of modernisation theory, but rather at its cultural assumptions. According to cultural critics, modernisation theory fails to account for the possibility that Western-derived values and institutions might be fundamentally incompatible with non-Western cultures. Moreover, it appears to assume that values and institutional approaches grounded in non-Western cultures are inherently inferior and could not possibly produce anything to equal or exceed existing Western standards. Critics have contended that, from a more objective philosophical standpoint, these assumptions constitute an indefensible fusion of means and ends. Assisted modernisation is valid only to the extent that it provides developing societies with more advanced means to pursue ends (i.e. values and ultimate goals) that they define for themselves. Hence, economic assistance and many forms of intellectual exchange are welcome. However, if Western participation in development is carried to the extent that the promotion of Western ends becomes *the* end in itself, this represents a form of cultural imperialism that is not only likely to be unworkable in practice but also morally wrong.

In the following two parts of this section, I will consider briefly the extent to which the good governance paradigm might be similar to the modernisation paradigm in the sense of being susceptible to criticism on these economic and cultural grounds, and I will look at some of the potential implications of a high level of similarity. Although the good governance paradigm is very similar to the modernisation paradigm in many essential respects and can be criticised on similar grounds, I would also contend that the existing criticisms are hardly definitive and that, for the time being at least, there seems to be no workable alternative paradigm that offers better prospects for the people of the developing world.

Good governance and the globalisation process

It is hardly surprising that many dependency theorists and scholars working in the broader Marxist context have dismissed the concept of good governance as merely an updated version of modernisation theory, a new type of ideological sugar-coating for the economic exploitation of the developed world that they see as the main aim of the globalisation process. Even from a less pejorative theoretical perspective, it is difficult to deny that there is a strong synergistic relationship between good governance and economic globalisation, a point underscored by the fact that the concept of good governance originated with the World Bank, one of the strongest advocates of the globalisation process.

As I have observed previously, the economic pressure exerted by various Western actors is perhaps the main force driving the states of the developing world to adopt good governance policies, and the primary emphasis of this pressure has been on economic reforms that would undoubtedly tend to lay developing economies open to exploitation by the major economic powers. While the advocates of globalisation argue passionately that the economic reforms will eventually lead to sustainable growth and prosperity for developing nations as well as benefiting the stronger economies, the concept of good governance has provided an additional justification for the process by suggesting that the economic reforms will also set the stage for political and social reforms that will significantly increase quality of life for populations across the developing world. Hence, the pressure for greater globalisation is perceived as making good governance possible, while good governance is perceived as making greater globalisation worthwhile for the people of the developing world.

Many critics of good governance have questioned the central assumption that weakening the power of the state in the economic sphere will necessarily lead to greater political liberalisation and democratisation. Some have pointed to the possibility, or even probability, that emergent bourgeois elements will ally themselves with existing political elites so long as these work to protect and advance bourgeois interests. Others have argued that the penetration by exogenous economic influences will be so overwhelming as to neutralise the potential influence of indigenous elements in any case.

Advocates of good governance might answer this criticism by contending that, particularly as the application of good governance has developed in practice, the theoretical emphasis on economic development has become balanced by a greater appreciation of the importance of political and social changes. As I have noted several times in the course of this chapter, many good governance theorists have argued that at least basic political and social reforms are needed to facilitate and secure economic changes. The major sponsors of good governance have accordingly placed greater emphasis on such reforms, and many countries have introduced basic human rights guarantees and permitted the growth of civil society elements as a result of this. In short, good governance, as it is now conceived, is not just a by-product of the economic globalisation process. Good governance no longer means simply that economic changes will pave the way for political liberalisation, but rather that economic change and political liberalisation go hand in hand to a great extent.

However, even allowing for this change of emphasis, I would suggest that one must be cautious in assessing the nature of the relationship between good governance and globalisation. For one thing, Western economic pressure is still the main force pushing developing states to adopt good governance reforms, and it will almost certainly continue to be so for the foreseeable future. Furthermore, a real tension exists between the economic priorities of globalisation and the stated political and social aims of good governance. Political change in a society, if it is too rapid or too violent, can disrupt the stability of a society to the extent that it is difficult, if not impossible, to have favourable economic relations with that society for a considerable period of time. Therefore, it would be more accurate to say that economic globalisation and political liberalisation go hand in hand only if the political liberalisation can be carefully managed to ensure enough stability in a society that profitable economic interaction is possible. Global powers may be sincerely committed to democratisation and improvements with respect to human rights on humanitarian and ideological grounds, but their principal economic interests dictate that these changes must take place in the context of gradual social evolution rather than rapid and disruptive revolution.

Whether or not it will be possible for the West to oversee this kind of orderly transition to democratisation while, at the same time, reaping the benefits of economic globalisation remains to be seen. One must conclude that the real test of the West's commitment to substantive political liberalisation and social change in the developing world is to be found in the nature of their response if continuing historical developments favour greater democratisation and social equity on the one hand, but potentially jeopardise their economic interests on the other.

Another point that perhaps needs to be stressed here is that even the most strident critics of good governance and the globalisation process have been unable to propose a workable alternative for carrying development forward in societies where the need for external financial assistance and the economic stimulus associated with increased trade is clearly very great. It may or may not be true that economic globalisation will ultimately benefit the capitalist interests of the developed world to a greater extent than it does the peoples of the developing world. For the time being, the salient fact seems to be that it represents the possibility of producing some benefits in societies where conditions could hardly be much worse than they already are.

Good governance and Islam

The other great criticism of the good governance paradigm is that it constitutes just one more addition to a long line of ideological rationales for Western cultural imperialism. As I have noted several times in the course of the chapter, one of the paradigm's supposed strengths, initially, was its cultural sensitivity, as expressed in the idea that a concentration on reforms in the economic sphere would leave different societies free to develop their own institutions and mechanisms for social change. However, as good governance has become more and more strongly associated with calls for the introduction of Western-derived political and social institutions and practices, and perhaps Western-derived human rights particularly, the concept has undoubtedly become more vulnerable to criticism on cultural grounds.

Even bearing this in mind, I would suggest that the paradigm's cultural assumptions cannot necessarily be regarded as a fatal flaw unless it can be demonstrated that there is an unresolvable incompatibility between its liberal democratic orientation and the cultural circumstances of the societies it is being applied to. If some of the underlying assumptions and some of the specific values are treated as negotiable by both the developed and the developing societies, there seems to be at least a possibility that a workable cultural synthesis is achievable. Although it may be true that there are cultural factors leading many developing societies towards forms of government that do not embrace all the assumptions of Western liberal democracy, it is also undeniably the case that there are increasingly strong indigenous currents across the whole of the developing world in favour of reforms that do embrace many aspects of it. Within the context of this study, which looks at societies in which Islam is a prevalent cultural force, it is particularly important to consider the question of whether or not good governance and Islam are really all that incompatible, either theoretically or in practice.

Islam, like most other developed religious systems, is complex and subject to a wide variety of interpretations in different circumstances and settings. Generally speaking, there is no all-embracing consensus among Islamic religious thinkers and leaders about many key questions of identity and practice, and in this context it should be noted that there is no real consensus within the Islamic discourse about whether or not, or to what extent, Islam is compatible with the sort of Western liberal democracy that good governance is arguably designed to promote. The debate about this issue is sweeping and complex, and hinges on fundamental questions about how Islam relates to, or more precisely, should relate to, sovereignty, legitimacy and authority in society. Obviously, it is impossible for me to examine these matters in much detail in the context of this chapter. However, although it entails the risk of presenting a considerably oversimplified picture, I do feel that it is important to examine them briefly.[32]

Within the Islamic discourse there is a more or less generally accepted conception of a legitimate political order. God (*Allah*) is recognised as the absolute sovereign and the proper function of the state is to provide and maintain an environment wherein people live according to the divine will. Consequently, the state is generally seen as being integral to, and inseparable from, the broader religious context. The emphasis tends to be directed towards community welfare, with the highest good being seen as the realisation of the Islamic normative ideal – a social order that conforms to God's will as completely as that of the original Muslim community founded by Muhammad in the seventh century AD.

However, concerning the specifics of exactly what the role of the state entails, how the normative ideal can best be realised in the modern world, and what Muslims should be doing in the political sphere to contribute to the creation of a truly Islamic social order, the Islamic discourse becomes fragmented into a considerable number of distinct and largely irreconcilable viewpoints. Critical questions include: What are the truly essential elements of Islamic practice? Can a state be seen as truly legitimate in the absence of the full implementation of Islamic law (*shariah*)? Does the *shariah* need to be added to or reinterpreted in order to serve as the basis of a modern society? Are the traditional religious scholars (*ulama*) the only ones qualified to interpret the divine will for society and what role should they play in the political sphere? Is theocracy built into Islam, or can there be such a thing as an Islamic democracy? The list of questions goes on and on, and there are a whole range of answers to each one. Whether or not a given answer is a legitimately Islamic one depends upon which authority one consults.

On the one extreme, there are scholars who contend that only a state which fully implements the *shariah* is acceptable, that all states which fail to do so are un-Islamic and that these states must be boycotted, and eventually, overthrown by pious Muslims. On the other extreme are scholars who take the view that even very flawed states have legitimacy and should not be overthrown unless the practice of the most essential aspects of the Islamic faith are threatened. Because there really is no consensus, no truly authoritative and fully defined vision of an Islamic state, individual Muslims have to determine their own position with respect to the range of views expressed in the Islamic discourse. To a great extent, they must form their own conclusions about the appropriacy of the political orders in their respective societies.

Obviously, some of the fundamental characteristics of Western-style liberal democracy are fairly sharply at odds with the ideal Islamic conception of a legitimate political order. The liberal democratic political order is based on popular rather than divine sovereignty and there is a *de facto*, and in most cases also a *de jure*, separation between religion and the public sphere. Religious matters are generally confined to the private sphere, and belief and practice are subject to individual preferences. This reflects a general emphasis on the liberty and rights of the individual as opposed to the welfare of the community at large.

However, as a number of Western scholars such as John L. Esposito, Olivier Roy and Fred Halliday have noted, the prevailing political order in much of the Islamic world is, in some very important respects, not much closer to the Islamic ideal than Western liberal democracies are.[33] And, indeed, this has been the case for a very great part of Islamic history. Although there have always been elements who have responded to this reality by calling for the overthrow of the political order and some kind of restoration of a truly Islamic state, the historical tendency within what might arguably be regarded as the Islamic ‘mainstream’ has been the effective acceptance of the political status quo, however flawed it might be, with one critical condition: that the state continues to provide a secure environment in which Muslims are able to practise the faith and live righteously. This never amounted to an acceptance of a separation of church and state in principle, but in practice it did mean that the state often occupied a somewhat autonomous position in relation to matters of faith. The fundamental reasoning underpinning this, admittedly massive, compromise is the recognition that basic political and social stability is a necessary prerequisite for the communal practice of Islam.

If Islam can legitimately be seen as functionally compatible with secular authoritarian regimes, even if this is widely recognised as being a necessary evil from a more idealistic standpoint, then one may naturally question why Islam should not be functionally compatible with Western-style liberal democratic regimes. Certainly, the liberal democratic framework allows for, and actually ostensibly guarantees, that Muslims are free to practise their religion, probably with even fewer constraints than they are likely to encounter in authoritarian settings. At least on the broad theoretical level, it seems that there is no essential incompatibility between the ultimate aims of the good governance paradigm and Islamic culture as it presently exists.

On the practical level, however, there are some important points of conflict, especially in those areas where the encouragement of good governance has developed to the extent of becoming a wholesale endorsement of Western values and standards. As a demonstration of this, I would cite just a few examples of particularly emotive complexes of issues where the Western and Islamic cultural mainstreams have very divergent assumptions: women's rights and the basic conception of the role of women in society;[34] personal liberty and freedom of expression, to the extent that these encompass practices which openly demean fundamental religious and social values and undermine public morality; and fundamental distinctions between the civil and religious spheres in the areas of marriage and family law, education, etc. If the Western sponsors of good governance wish to defend themselves against the charge of cultural imperialism, they obviously must begin by becoming more sensitive to Muslim convictions in these areas. Furthermore, it seems likely that both the West and the Islamic world would benefit from the establishment of a clearer theoretical and practical distinction between those aspects of the current good governance agenda that are truly essential and those that are merely derived from Western cultural preferences.

A further, and far more troubling, contradiction between the practice of good governance and the Islamic cultural context results from the current prevalence of extreme anti-Western, anti-capitalist and anti-democratic interpretations of Islam among the most significant opposition elements in many Islamic societies. It should be observed that the movements based on such precepts tend to be at least as culturally imperialistic in their ultimate aspirations as the Western elements they demonise. In short, while they argue that the West is using economic pressure and other means to impose its values and institutions on their societies, they do not hold, as a rule, that this is invalid because it is wrong to impose values on a society. On the contrary, according to their extreme reading of Islam, it is perfectly acceptable to impose values. The point is that the values imposed must be Islamic values. Their stated aim is not merely to reverse Western influence so as to reassert Islam in their own societies, but ultimately to spread Islam, as they interpret it, to every country in the world.

In any case, if the political liberalisation emanating from the implementation of the good governance paradigm effectively serves only to open the political process to these kinds of extremist Islamic elements, the policy threatens not only vital Western economic interests but also vital security interests and obviously becomes largely self-defeating from the Western point of view. Broadly speaking, there are two schools of thought about the implications of Islamic extremism in relation to the question of how the West should proceed with the encouragement of good governance reforms.

The first school of thought holds that political liberalisation and civil society should be even more vigorously encouraged in order to provide the political space in developing societies for the growth of moderate opposition elements. The rationale underlying this is the largely untested assumption that the extremist movements have only been able to attract mass support because the governments of many Islamic societies have been so oppressive and so closed that the masses have no viable alternative opposition which they can support in order to address their grievances.

The second school of thought holds that the only way to promote security in the long term is to provide strong support for existing pro-Western regimes, and to focus on eliminating extremist elements and hostile regimes that support them. While the advocates of this approach strenuously object to suggestions that this entails a fully realised clash of civilisations between the West and the Islamic world, it is difficult to understand how the circumstances it is likely to create can do anything but exacerbate the popular tensions and anti-Western feelings that already permeate so many Islamic societies.

As I have already observed, the indications, at present, are that the second school of thought has become dominant with respect to defining the foreign policies of most of the major global actors. As the post-September 11 war on terrorism almost certainly entails a significant reassertion of state power as a bulwark against Islamic extremism, this policy orientation potentially represents a significant reduction of Western support for development of the political and social aspects of good governance in many societies.

Conclusion

My aim in this chapter was to define the term ‘good governance’ as it will be used in this volume and to place it within a historical and theoretical context, in order to provide the reader with a necessary conceptual base for approaching subsequent chapters. Each of the three main sections was devoted to examining key issues relating to the definition of the concept and its application in practice over the course of the last decade.

In the first section, which was concerned with defining good governance, I examined the origins of the term and considered how the concept evolved from a set of fairly specific policy recommendations for economic reform and structural adjustment to a broad range of related ideas and sets of policy, incorporating all of the following: economic liberalisation and the creation of market friendly environments; transparency and accountability with respect to both economic and political decision-making; political liberalisation, particularly democratic reforms; rule of law and the elimination of corruption; the promotion of civil society; the introduction of fundamental human rights guarantees, especially with respect to political rights such as freedom of expression, freedom of assembly and freedom from arbitrary imprisonment; and the adoption of policies designed to safeguard long-term global interests like education, health and the environment. Although I observed that there are some problems with the broad formulation of the good governance concept, I concluded that the pervasive usage of this wide-ranging definition, particularly by the most important international elements pushing for the adoption of good governance reforms, necessitated that the working definition for the purposes of this study should be as broad as reasonably possible.

In the second section, which was concerned with placing good governance in a historical context, I began by considering the dramatic geopolitical events surrounding the emergence of good governance as the predominant development paradigm of the last decade, most significantly the dissolution of the Soviet Union and the widespread failure of the heavily statist development paradigm that had previously been dominant in much of the developing world for decades. I then proceeded to identify the different forces driving the adoption of good governance policies in many states. These included six major sources of either external or internal pressure that have confronted the regimes of most developing countries over the past decade: (1) international aid donors; (2) international trade; (3) issue-based international NGOs; (4) transmission of values; (5) crisis of legitimacy; and (6) emergent social forces. After considering these factors in detail, I identified international trade and the crisis of legitimacy as being particularly relevant factors to with respect to the adoption of good governance reforms in the context of the GCC countries, and observed that the prevalence of these two factors, as opposed to the influence of international aid donors, distinguishes the region from much of the rest of the developing world. I concluded the section by suggesting that the post-September 11th war on terrorism might lead to a significant reduction in emphasis on the political liberalisation aspect of good governance, and possibly even a substantial reversal of the reforms implemented in this area during the 1990s.

Finally, in the third section, which was concerned with placing good governance in a theoretical context, I began by considering the contention advanced by many critics of good governance that it constitutes little more than a reformulation of the much maligned modernisation paradigm. I proceeded to consider the extent to which the good governance paradigm might be similar to the modernisation paradigm in the sense of being susceptible to criticism on the basis of its fundamental economic and cultural assumptions, and looked at some of the potential implications of a high level of similarity. Although I suggested that the good governance paradigm is very similar to the modernisation paradigm in many essential respects and can be criticised on similar grounds, I would also contend that the existing criticisms are hardly definitive and that, for the time being at least, there seems to be no workable alternative paradigm that offers better prospects for the people of the developing world.

Notes

1 As the subsequent pages will demonstrate, there is no single agreed definition of the term. In fact, the term is used to encompass a wide range of issues dealing with governance.
2 World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth* (Washington: World Bank, 1989).
3 Ibid.
4 Ibid.
5 Development agencies (as well as their critics) have an extensive body of literature on good governance available on the Web.
6 World Bank, *Governance and Development* (Washington: World Bank, 1992); World Bank, *Governance: The World Bank Experience* (Washington: World Bank, 1993); World Bank, *The World Bank and Participation* (Washington: World Bank, 1994).
7 United Nations Development Programme, *Public Sector Management, Governance and Sustainable Human Development* (New York: UNDP, 1995); International Monetary Fund, 'IMF Adopts Guidelines Regarding Governance Issues' (Washington, DC: International Monetary Fund, 1997); British Council, 'British Council, Good Governance, Law and Governance Briefing', *Issue 4* (London: British Council, 1997); Overseas Development Administration, 'Good Government', *Technical Note*, no. 10 (London: ODA, 1993).
8 For a detailed discussion of these points, see Rita Abrahamsen, *Disciplining Democracy: Development Discourse and Good Governance in Africa* (London: Zed Books, 2000), chapter 3.
9 Even though this may indeed be the case, a comprehensive and clearly defined body of academic literature dealing with the concept of good governance has not yet been established.
10 For a brief overview of the subject, see Stephan Haggard, *Pathways from the Periphery: The Politics of the Growth in the Newly Industrializing Countries* (London: Cornell University Press, 1990).
11 For a broad overview of development theory, see P.W. Preston, *Development Theory: An Introduction* (Oxford: Blackwell Publishers, 1996).
12 Ibid., chapters 15 and 16.
13 Francis Fukuyama, 'The End of History?' *The National Interest* 16, no. 16 (1989), pp. 3–18.

14 Samuel Huntington, 'The Clash of Civilizations', *Foreign Affairs* 72 (Summer, 1993), pp. 22–49.

15 For the role of international aid agencies, see O. Stokke (ed.) *Aid and Political Conditionality* (London: Frank Cass, 1996) and H. Mosely, *Aid and Power: The World Bank and Policy Based Lending* (London: Routledge, 1995).

16 For example, George W. Bush's environmental policy has been much criticised worldwide.

17 For three good studies which deal with these issues with respect to the Middle Eastern and North African context, see Hassan Hakimian and Ziba Moshaver (eds), *The State and Global Change: The Political Economy of Transition in the Middle East and North Africa* (Richmond, Surrey: Curzon, 2001); Eberhard Kienle, *A Grand Delusion: Democracy and Economic Reform in Egypt* (London: I.B. Tauris, 2001); Clement Henry and Robert Springborg, *Globalization and the Politics of Development in the Middle East* (Cambridge: Cambridge University Press, 2001).

18 For a detailed discussion of this, see Hakimian and Moshaver (eds), *The State and Global Change*, Kienle, *A Grand Delusion*, and Henry and Springborg, *Globalization and the Politics of Development in the Middle East*.

19 As well, see the arguments put forth in Emma Murphy, *Economic and Political Change in Tunisia: From Bourguiba to Ben Ali* (London: Macmillan Press, 1999).

20 O. Stokke (ed.) *Aid and Political Conditionality*; H. Mosely, *Aid and Power: The World Bank and Policy Based Lending*.

21 For an examination of these and other issues related to the outcomes of economic liberalisation and privatisation policies, see the five articles in Emma Murphy (ed.) 'Special Issue on The State and the Private Sector in North Africa', *Mediterranean Politics* 6, no. 2 (Summer, 2001). As well, Charles Tripp, 'States, Elites and the Management of Change' and Roger Owen, 'The Middle Eastern State: Repositioning not Retreat?' both in Hassan Hakimian and Ziba Moshaver (eds) *The State and Global Change*, chapters 9 and 10.

22 For a detailed examination of this point, see Tom Pierre Najem, 'Human Rights Development in Morocco: A New Era?' *Mediterranean Journal of Human Rights* 4 (Double Issue, 2000), 87–104; Tom Pierre Najem, 'Human Rights, Political Expediency and the War on Terrorism: Implications for Morocco' *Mediterranean Journal of Human Rights* 5 (December 2001).

23 For a discussion of international Human Rights discourse, see David Forsythe, *The Internationalization of Human Rights* (Lexington, Mass: Lexington Books, 1991); Kurt Mills, *Human Rights in the Emerging Global Order: A New Sovereignty?* (Basingstoke: Macmillan, 1998).

24 See Rodney Wilson's chapter in this volume.

25 For a look at the role (and effectiveness) of NGOs with respect to a host of international issues, including environment and human rights, see articles in volume 77 no. 1 (January 2001) and no. 2 (April 2001) of the prestigious journal *International Affairs*.

26 This is particularly true with respect to international human rights organisations, such as Amnesty International. See Tom Pierre Najem, 'Human Rights Development in Morocco: A New Era?' and Tom Pierre Najem, 'Human Rights, Political Expediency and the War on Terrorism: Implications for Morocco'.

27 See Najem, 'Human Rights Development in Morocco' and 'Human Rights, Political Expediency and the War on Terrorism' for how this process has evolved with respect to the Moroccan case.

28 Both sets of strategies have been widely employed in the MENA region – the latter increasingly as the former strategy fails to effectively co-opt (and quiet) oppositional forces. This pattern is particularly true in Tunisia, Egypt and, increasingly, Morocco. For an examination of this phenomena in the GCC, see Anoushiravan Ehteshami's article in this volume, as well as the chapter by Naomi Sakr.
29 See Rodney Wilson's chapter in this volume.
30 For an overview of 'modernisation theory', see P.W. Preston, *Development Theory: An Introduction*, especially chapter 9.
31 Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America* (New York: Monthly Review Press, 1967); Fernando Henrique Cardosa and Enzo Faleto, *Dependency and Development in Latin America* (Berkeley: University of California Press, 1973); also see work by Peter Evans, Gary Gereffi and Guillermo O'Donnell.
32 An extensive body of literature exists on this subject matter. See Fred Halliday, *Islam and the Myth of Confrontation: Religion and Politics in the Middle East* (London: I.B. Tauris, 1996); Fred Halliday, *Nation and Religion in the Middle East* (London: Saqi, 2000); Olivier Roy, *The Failure of Political Islam* (Cambridge, Mass.: Harvard University Press, 1994); John Esposito, *Islam and Politics* (Syracuse, NY: Syracuse University Press, 1984); John Esposito and John O. Voll, *Islam and Democracy* (New York: Oxford University Press, 1996); John Esposito (ed.), *Voices of Resurgent Islam* (New York: Oxford University Press, 1983); John Esposito, *Islam: The Straight Path* (New York: Oxford University Press, 1988).
33 See the texts cited in Note 32.
34 For a treatment of women's issues, see Nadje Al-Ali, *Secularism, Gender and the State in the Middle East: The Egyptian Woman's Movement* (Cambridge: Cambridge University Press, 2000); Mai Yamani, *Changed Identities: The Challenge of the New Generation in Saudi Arabia* (London: Royal Institute of International Affairs, 2000); Lawyers Committee for Human Rights, *Islam and Equality: Debating the Future of Women and Minority Rights in the Middle East and North Africa* (New York: Lawyers Committee for Human Rights, 1999); Fatma M. Gocek and Shiva Balaghi (eds) *Reconstructing Gender in the Middle East: Tradition, Identity, and Power* (New York: Columbia University Press, 1994); Lila Abu-Lughod (ed.) *Remaking Women: Feminism and Modernity in the Middle East* (Princeton: Princeton University Press, 1998).

2 The states of the Gulf Co-operation Council

Neil Quilliam

Introduction

This chapter has been designed to familiarise the reader with the 'dynamics of change' taking place within the six GCC states. Both Najem (Chapter 1) and Ehteshami (Chapter 3) allude to the various forces that have compelled the GCC leadership to steer their states towards gradual reform. The fall-out from the 11 September attacks upon state–society relations in the GCC states has yet to fully realised. As Najem notes, state-led reform, once an anathema to 'reform architects', does provide an element of solace and comfort to GCC leaders and the supporters of the US alliance against terrorism. The critical question for this study is whether the reforms implemented to date can be undone, if necessary. Or has the reform process reached a no-turning point, as Ehteshami hints in his introduction. Alternatively, the subsequent drop in the price of oil could diminish the political leverage of the ruling families and act as a fillip to political reform. The reform process in the GCC states, as suggested by Najem and Ehteshami, is sensitive to a more complex range of variables than most regions of the world, and the impact of the war against terrorism has not been lost on decision-makers, analysts and terrorists.

However, it is not my intention to evaluate the fall-out mentioned above, but to provide an information foundation for the remainder of this book. I have chosen to highlight the principal political reforms undertaken by the GCC states over the past decade or so as a means of sharpening the focus of the 'good governance' debate. As Najem argues, the good governance debate has been coloured and discoloured by analysts and practitioners since its inception, and its close association with 'cultural imperialism' has given it an unsavoury aftertaste. I do not wish to add to this discussion, but I have chosen to focus upon the political reform elements of good governance rather than macroeconomic indicators. Put simply, the fiscal crises of the rentier economies coupled with crises of legitimacy have compelled the GCC leadership to address the reality of demographic trends and the distance it places between ruler and the ruled.

By reviewing the political developments taking place in the GCC states, I have not sought to analyse the processes taking place, but simply to reflect the ‘hard facts’. The former has been left to following chapters. Henceforth, I wish to freeze-frame each state within the good governance lens with a reflection upon their political context, political opposition, political reform, foreign policy and demography. I would like to contextualise Ehteshami’s optimism for the enduring quality of the political and economic reforms taking place within the GCC states before subscribing whole-heartedly to his argument.

The GCC

The six Gulf states, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates (UAE), decided to establish the Gulf Co-operation Council (GCC) in May 1981, and the decision was ratified by the heads of those states in Abu Dhabi on 26 May 1981. This move was considered to be a response to the historic, geographic, economic, cultural, political and strategic realities of the Gulf. The GCC was principally designed to protect the stability, security and progress of the region.[1] The ‘Working Paper for Joint Gulf Action’ stated the following:

> The GCC shall attempt to provide the peoples of the region with real and continuous growth, while at the same time it shall strive to protect peace, security and progress. The basic issue is how to transform the oil-generated wealth into comprehensive and steady growth for the welfare of the people of the region.[2]

The process through which the states of the GCC passed to reach this agreement has been extensively covered elsewhere. I do not wish to dwell upon this process or simply repeat the history of the GCC’s formation. It is my intention, therefore, to offer a brief overview of the six Gulf states that constitute the GCC, with a particular reference to the ‘sensitivities’ of good governance. I have sought to portray the states in a most economical sense, focusing on context, reforms, foreign relations and demography. In doing so, I aim to sensitise the reader to the mixed bag of ‘good governance’ issues pertinent to the Gulf states. I simply aim to provide an entrée for the following chapters, which are dedicated to the specifics of good governance.

The GCC was formed against the backdrop of the Iranian revolution and the Soviet invasion of Afghanistan. It represented a moment when the leaders of the region’s monarchies recognised their mutual vulnerabilities and realised the comfort offered by their mutual interests. The forging of the GCC, therefore, was catalysed by the heat of regional turmoil and the uncertainty of Iranian and Iraqi ambitions. The extent to which the interplay of economic, social and security factors propelled the states to enjoin the GCC generated some debate during the 1980s, but I do not wish to contemplate these underlying reasons either. Quite simply, the six states of the GCC share a complementarity of vulnerabilities and interests. For instance, they are mostly resource-rich (excluding Bahrain) and population-poor. They are governed by established monarchies, but are subject to challenges both democratic and non-democratic. They are Western-oriented in security matters, and Eastern-oriented in issues of governance and legitimacy. This final dichotomy, of course, is not so clear, and it allows us to peer into the world of Gulf governance through the lens of good governance.

It is striking how the political systems in each state are similar in nature. However, the forces that are pushing for change within each system are quite different. Each state has been governed by stable ruling families, although some successions have been brought about by palace coups. The modernisation process, nonetheless, has served to embolden a growing business elite, which has come to enjoy a substantial share in the national economy. And in some cases, this has led to demands for greater political participation in addition to the accumulation of wealth and privileges.

The legitimacy of the ruling families has more often than not been based upon their ability to bestow favours, both economic and social, upon key members in society. The foundation of legitimacy has also been built upon the Islamic credentials of the ruling family and their adherence to Islamic law. In both cases, the essence of legitimacy has been seen to waver in the past ten years, as the financial and religious monopolies held by the families have diminished in real terms. This alone has placed a major challenge before the governments of the GCC states; how can the ruling families sustain their custodianship of their people without the financial or religious endowment of the immediate past?

Piecemeal economic and political reforms have been introduced, to varying degrees, within the GCC states over the past ten years, as a means of meeting the challenge mentioned above. The smaller states have opted for slightly more radical changes to accommodate the new economic and political environment we might call globalisation. Qatar, for example, has tried to reposition and redefine itself within the Gulf. More significantly, Bahrain became a constitutional monarchy on 14 February 2002 and formally adopted a National Charter. Saudi Arabia, on the other hand, introduced the Basic Law in 1992 as a way of satisfying the liberal and Islamist elements within Saudi society.

Although the states of the GCC do differ in physical size, resource allocation, population and strategic relevance, they are united in their trepidation from their larger neighbours, Iraq and Iran. Moreover, each state is challenged by a common set of factors, and they can be summarised as the following: the principle of succession; dependency upon single crop economies (excepting Bahrain); poverty-induced calls for reforms; Islamist calls for reforms; middle-class calls for reforms; high birth rates; dependency upon expatriate labour; dependency upon external powers for security; and a fluctuating oil price.

A brief synopsis of each state will provide us with a platform from which we can examine the issues of good governance more fully in the forthcoming chapters.

Bahrain

Political context

Since the eighteenth century, Bahrain has been governed by one ruling family, the Al-Khalifa, which traces its roots back to Kuwait. Bahrain gained its strategic prominence during the nineteenth century, when it was designated as the British Empire's political headquarters in the Gulf. British rule ended in August 1971 when Bahrain was granted formal independence.[3]

After the withdrawal of the British, the late Sheikh Isa took the title of emir upon himself, and Sheikh Khalifa, his brother, was appointed prime minister. Subsequently, a Constituent Assembly was created in 1971; twenty-two members from a chamber of thirty were elected exclusively by male voters. The following constitution, drafted in June 1973, made provision for the establishment of political parties and independent trade unions. Elections to the National Assembly were conducted in December 1973, whereupon thirty members of the forty-four-seat assembly were elected by male franchise.[4]

This smooth transition, and apparent empowerment of the male constituency, however, was disrupted when the government dragged its heels over trade union legislation. The industrial unrest threatened the integrity of the oil industry and presented the government with its first domestic challenge. The mechanisms for managing state–society relations were pushed aside, as the government resorted to coercion. Moreover, in October 1974, the government introduced a state security law that enabled the security forces to suppress subversive activities. This precipitated a confrontation between the government and the assembly, which culminated in the dissolution of the assembly on 26 August 1975. Furthermore, articles in the constitution relating to civil liberties and the assembly's re-election were suspended.[5]

This state of affairs lasted until December 1992, whereupon Sheikh Isa announced the establishment of a new, thirty-member, government-appointed Consultative Council (Majlis al-Shura). The Majlis al-Shura had been designed to consider and contemplate the merits of legislation already passed by the government, and this fell short of the demands of the opposition. The opposition demanded the restoration of the National Assembly, the reinstatement of the constitution, repeal of the state security law and the pardoning of all political prisoners and exiles.

This second stand-off culminated in a series of anti-government protests in December 1994. Sheikh Salman, a popular Shi‘a cleric, condemned the government’s actions and urged the opposition to sign a petition demanding the restoration of the National Assembly. Despite familiar characterisations of Shi‘a unrest in Bahrain, it was estimated that at least 25,000 signatures were gathered, from both Shi‘a and Sunni communities. The government resisted popular demands and, instead, arrested all Shi‘a leaders who had sponsored the petition, including Sheikh Abdel-Amir al-Jamri, a member of the dissolved National Assembly. Sheikh Salman was arrested and then deported. Additionally, the government dismissed a number of Sunni leaders, who had signed the petition, from government jobs.[6]

During August 1995, a series of ‘backdoor’ discussions took place between the detained leaders and Ian Henderson, the security chief. A modus vivendi was arrived at, where the government agreed to release opposition leaders and most detainees in return for quelling the demonstrations. Sheikh al-Jamri and other detainees were released in phases throughout the autumn of 1995. Nevertheless, the government did not release all the remaining detainees; thus Sheikh al-Jamri and five of his associates began a ten-day hunger strike in late October.

The government responded by re-arresting Sheikh al-Jamri, which resulted in a series of small bomb attacks throughout the following months. In an attempt to resolve the crisis, Sheikh Isa increased the membership of the Consultative Council from thirty to forty. Once again, the government had failed to meet the basic demands of the opposition. Amidst this political turmoil, Sheikh Hamad, the crown prince, sought to reach a negotiated settlement with members of the Bahrain Freedom Movement (BFM), which was based in London. This initiative was shelved in November 1997, as eight members of the BFM were sentenced to five to fifteen years imprisonment. Meanwhile, the government suppressed all public manifestations of dissent with a series of crackdowns in 1998.[7]

The glimpses of good governance, which had been present during the first years of Bahrain’s independence, rescinded into the background, as the government sought to rule by authority rather than consultation. The succession of Sheikh Hamad bin Isa Al-Khalifa, who succeeded his father, in March 1999 upon the latter’s death, has heralded a new era in Bahrain’s political and social development.

Political opposition

From the above account, one can see that the opposition to the current regime emerged in the mid-1970s. Its political leadership is commonly referred to as the BFM, and this acts as an umbrella group for numerous elements of the opposition. The BFM, however, exists in exile, and remains somewhat dislocated from the 'home opposition'. The fashion to juxtapose the majority Shi'a community with the ruling Sunni minority has most probably over-emphasised the sectarian nature of the opposition in the past. One can easily recognise the unity in demands for greater political reform and economic inclusion in the policies of the state from both communities.

Political reform

Sheikh Hamad's ascension to power in March 1999 led to a new dialogue between the state and opposition. Bahrain was caught up in the theatre of the absurd during Sheikh Hamad's first few months of office, as the BFM called for the suspension of protests as a sign of goodwill and the government released 300 jailed political activists the following May. As part of the political theatre, the state security court dismissed these gestures and sentenced Sheikh al-Jamri to fifteen years imprisonment, with a fine of US$13,300 and another fine designed to recover damages caused during the unrest. Within 24 hours, however, Sheikh Hamad dismissed the charges and ordered the release of Sheikh al-Jamri.

The process of political reform had gained momentum by September 2000, as Sheikh Hamad appointed new members to the Consultative Council, which included four women. In his address to the Council, in its opening session, Sheikh Hamad called for a new national 'dialogue' over the constitution. The tenets of good governance were beginning to re-emerge, and in December 2000 a committee was appointed to assist in drafting a National Action Charter.

The National Action Charter allows for the restructuring of the political system with a constitutional monarchy, an elected parliament and an appointed advisory council. As part of the reform process, the government announced that legislative powers would be restricted to the elected body. As a means of inclusion, Sheikh Hamad called for a public referendum on the content of the Charter, and some 217,000 Bahrainis, male and female over the age of 21, endorsed the Charter with an approval of 98.4 per cent of the electorate between 14 and 15 February 2001. In accordance with the new political environment, Sheikh Hamad pardoned all political prisoners. As a result, local opposition leaders endorsed the Charter and urged their supporters to approve it. The next parliamentary election is due to be held in 2004, although the opposition has requested that the date be brought forward.

Another significant step in the political reform process was undertaken in February 2001 when the state security law was abolished. This marked a structural turning point in state–society relations. Accompanying this decision was the move to create a human rights commission within the Consultative Council. It was created to investigate human rights abuses; furthermore, Amnesty International was also permitted to visit Bahrain for the first time in 1999.[8]

Kingdom of Bahrain

On the first anniversary of the referendum on Bahrain's National Action Charter, which promised political and social reform in a move towards democracy, the emir signed into law constitutional amendments. These constitute part of sweeping plans for political and social reform in a move towards democracy. In a ceremony broadcast live on national television, Justice Minister Sheikh Abdallah Bin-Khalid Al-Khalifah said that the emir, Sheikh Hamad bin Isa Al-Khalifah, had now become king of the Kingdom of Bahrain. Addressing the ceremony at Al-Rafah Palace in the capital Manama, the new king announced that local municipal elections would be held on 9 May and parliamentary elections on 24 October, the country's first in twenty-seven years. For the first time women will be able to run for office in the island state.

Foreign policy

Bahrain's foreign policy preoccupations have revolved around its dispute with Qatar, and its continuing relations with the US and Britain. Its proximity to Saudi Arabia has ensured that Saudi and Bahraini interests are deeply interdependent.

Despite their membership of the GCC, both Bahrain and Qatar have been engaged in a fairly bitter competition since independence. Their disputes have arisen over two sensitive issues, namely, sovereignty of the Lower Hawar islands, and the most recent palace coup in Qatar.

Qatar lodged a claim against Bahrain's *de jure* control of the islands with the International Court of Justice (ICJ) in 1991, and, at first, Bahrain contested the legitimacy of ICJ jurisdiction.[9] The dispute was successfully resolved in March 2001 and was believed to have satisfied the needs and position of both Qatar and Bahrain. Bahrain was awarded sovereignty over Hawar Island and Qatar gained sovereignty over Zubarah. The peaceful resolution of this source of tension has started to clear the pathway for more convivial relations.[10]

Prior to the succession of Sheikh Hamad bin Isa Al-Khalifa, in March 1999, relations between Bahrain and Qatar had deteriorated substantially. Bahrain's declared support for the deposed emir of Qatar, Khalifa bin Hamad Al-Thani (see Qatar below), soured relations considerably, and Qatar responded by awarding airtime to Bahraini opposition leaders on its Al-Jazeera channel. Both states engaged in 'tit-for-tat' tactics, as Bahrain elected to boycott the GCC summit in Doha in 1996; this act alone constituted the first boycott of a GCC summit by a member state.[11]

In a move designed to improve relations, Sheikh Hamad bin Khalifa Al-Thani, the Qatari leader, visited Bahrain in late 1999. During his visit, the two countries agreed to exchange ambassadors for the first time. In turn, Bahrain's emir paid a visit to Qatar in early 2000. The tensions between the two states, however, remained as they engaged in another round of quid pro quo when Bahrain's emir boycotted the Organisation of Islamic Conference (OIC) summit in Doha, November 1997. It connoted a sign of protest at Qatar's insistence on resolving the border dispute through the ICJ. The resolution of this dispute, as noted above, has provided time and space for political reparations to take place.

THE WEST

Bahrain has pursued a pro-Western foreign policy since it gained independence. It has retained close links with Britain and has developed close military and political ties with the US. As a testament to this, the US Gulf naval force is headquartered on the outskirts of Manama, and the two countries have been signatories to a defence accord since 1991.[12]

Concomitant with contemporary sensitivities, the US's policy towards Iraq has generated tension between the two countries. Bahraini–British relations, however, have proven to be durable, although Britain's refusal to expel the BFM from London has been the cause for some concern for Bahraini officials. The political reforms taking place within Bahrain, as noted above, have lessened the relevance of this source of angst. Being nothing more than a passing irritant, the two countries signed a new defence accord in 2000 in order to strengthen military co-operation.

Demography

According to national estimates, Bahrain's total population stood at 690,819 in 2000, of whom 60 per cent (414,126) were Bahraini nationals. The rest of the population were expatriate workers (mostly from Asia), who constituted nearly 60 per cent of the economically active population. Although high by international standards, the figure is low compared to other Gulf Arab states, where nationals usually amount to a minority. Bahraini citizens are mostly Arab, although a significant minority are of Persian origin. The population comprises 85 per cent Muslim, with two-thirds Shi'a, and one-third Sunni. The remaining 15 per cent are indigenous Christian, Jewish, Hindu and Persian minorities.

Total population growth rates were generally high throughout the 1980s and 1990s, reaching a peak of 7.3 per cent in 1986, before dropping to 3.8 per cent in 1993 and to 3.6 per cent in 2000. Most of this growth, however, came from the steady rise in expatriate workers. The population is highly urbanised, with some 90 per cent living in towns or cities, and nearly 45 per cent of the population living in the capital, Manama, and on the second main island, Muharraq. The UN estimates that 30 per cent of the population are under the age of 15;[13] however, official estimates put this figure at 40 per cent, and 3.3 per cent over 65 years.[14]

Saudi Arabia

Political context

Saudi Arabia's reconstitution began in 1902, with the recapture of Riyadh by Abdel-Aziz bin Abdel-Rahman, 'Ibn Saud', from the Al-Rashid. In 1932, Ibn Saud declared himself King of Saudi Arabia. The core of the new state was the Al-Saud family; however, the ruling family established close ties with other tribal and religious forces, mainly the Ikhwan and the merchant classes of Jeddah.[15]

The current King, Fahd bin Abdel-Aziz Al-Saud, who is a descendent of Ibn Saud, acceded to the throne in June 1982. He heads the Council of Ministers, which was originally established in 1953, and holds the post of prime minister. Council members are either chosen from the royal family (or related families) or from an emerging coterie of technocrats. Although the Council is invested with both legislative and executive powers, it requires the king's approval before authorising or implementing policies.[16]

The leading political force in the country is the Al-Saud family. With its multiple branches, the royal household is thought to number more than 20,000. The rule of the country by the royal family has been compared to that of a fully functioning political party. However, relations within the ruling family itself have been marked by rivalries over succession. The so-called Sudairi Seven, the full brothers of King Fahd – Sultan, Abdel-Rahman, Nayef, Turki, Salman and Ahmed – all hold positions of considerable power.

Crown Prince Abdullah, the de facto ruler and first in line for succession, has no full brothers. Within this family context, Abdullah is weakened vis-à-vis the Sudairi Seven. Consequently, he has formed alliances with his other half-brothers, the sons of Ibn Saud. Crown Prince Abdullah's position is emboldened, however, through his position as commander of the National Guard, deputy prime minister, and more controversially, as most popular royal member. Abdullah has a populist reputation as a man of integrity, piety and as a devotee to Arab nationalism.[17]

Although Saudi Arabia remains an absolute monarchy, the ruling family tries to govern by consensus. This does not mean governing by democracy, but by home-grown methods of consultation. For instance, the Basic Law gives privilege to the traditional institution of informal consultative gatherings between the king and his citizens. Upward communications tend to operate along informal settings, as there is no franchise, political parties are disallowed and the domestic media remains muted. Recent changes, wrought by the Gulf War and the fluctuation of the oil price, have compelled the ruling family to accommodate the voices of opposition, which have begun to arise from different, often competing, elements of Saudi society. As a consequence, the death knell of the ruling family has been wrung once again.

The West's infatuation with the issue of succession has yielded few insights into the Saudi succession. According to common understanding, the throne passes from brother to brother among the sons of Ibn Saud. The next in line to the throne is Crown Prince Abdullah, despite his own advanced age and being only half-brother to King Fahd. One can only speculate upon the post-Abdullah scenario, but it is of little value here. Nonetheless, the 'royal grab' for power, if little understood or anticipated, should not be dismissed when considering the stability of Saudi Arabia.

Political opposition

As noted elsewhere, the history of the Al-Saud and the Al-Sheikh has been more or less harmoniously intertwined since the eighteenth century. Since then, the Al-Saud have sought divine legitimacy for their policies through the emerging religious establishment. In contemporary times, the balance of power, and the level of interdependence between the royal family and the 'ulama, has fluctuated according to two critical factors: the religiosity of the decision-making process and the perceived depth of poverty embracing the Kingdom. In the past, the 'ulama supplied the royal family with a steady flow of legitimacy, especially where decisions relating to the regional environment were paramount. The support for Iraq in its war with Iran, for instance, was comfortably posited as a theological struggle rather than a strategic one. The decision to allow foreign troops into Saudi Arabia during the Gulf War, and beyond that, has, to a large extent, ruptured the legitimacy of the ruling family and fractured the integrity of the religious establishment. This has given rise to a burgeoning Islamist opposition that challenges the religious monopoly held by the Al-Saud and the establishment, and the economic spoils of the 1970s, which lubricated the daily lives of most Saudis, have started to drain away.

Nevertheless, Saudi Arabia's contemporary government enlists the support of the religious establishment when taking major policy decisions, as a means of co-opting the ʻulama and keeping the more radical clergy in check. The Islamist opposition, though pervasive and not publicly documented, is considered to constitute the most significant powerful threat to the ruling family.

Due to the paucity of hard data and reliable sources, research on Saudi Arabia tends to lend credence to patterns of signs and symbols. A number of incidents over the past twenty years or so have provided rare moments when the activities of unofficial opponents of the regime can be recorded and analysed. Signs of discontent with the Saudi authorities were highlighted when 250 armed followers of Al-Oteibi seized the Grand Mosque in Mecca in November 1979; this action alone attested to the underlying tensions existing between state and society.[18]

In November 1995, a car bomb exploded in a military communications centre in Riyadh used by US military advisers to the National Guard, killing seven people. The four Saudi citizens, who confessed their actions on television, were publicly executed in May 1996. A second car bombing followed in June 1996 at the air base in al-Khobar, near Dhahran in the Eastern Province. During this attack, nineteen US servicemen were killed and sixty-four others were seriously injured. Both incidents targeted the US military presence in the Saudi Kingdom, and Afghan returnees were suspected of perpetrating the bombings.[19]

SHIʻA MINORITY

Despite belonging to the resource-rich area of al-Hasa, in the Eastern Province, and constituting the majority community in this region, the Shiʻa community of Saudi Arabia has largely been excluded from enjoying the fruits of the oil age. One can account for this policy of exclusion in two ways: the theological tensions between the majority Sunni and the minority Shiʻa; and the influence of Iranian-backed initiatives amongst Shiʻa dissidents in Saudi Arabia and the Gulf Arab states.

In October 1993, the Saudi government agreed with Shiʻa community leaders to grant more civil liberties and address outstanding grievances about discrimination in return for the cessation of hostilities both outside and inside the Kingdom. The agreement, however, was not sufficiently upheld, as Shiʻa clerics inside the Kingdom, known as the 'Grouping of the ʻUlama', demanded the release of Hashem Mohammed al-Shakhs, and twenty-three other Shiʻa clergy detained by the Saudi authorities after the June 1996 bombing.[20]

THE LIBERALS

The main advocates of liberal reform in the Kingdom are thought to be the Western-educated businessmen, who try to circumvent the loopholes of bureaucracy and avoid the intrusive behaviour of the *mutawaeen* (religious police). Unlike the Islamists, they do not seek a confrontation with the government. Moreover, they seek accommodation with prevailing system and push for piecemeal reforms. The business elite have benefited enormously from their role as facilitators of the national economy, and this has essentially compromised their concerns for political reform.[21]

Political reform

After the Gulf War, Saudi Arabia embarked on a reform programme designed to meet the competing needs of the ‘ulama and the business elite. Both groupings had presented their criticisms of the government, and despite a series of reprisals, the government sought to reconfigure its political, religious and economic allegiances. Thus, in March 1992, King Fahd issued three decrees that established a Basic Law, the Consultative Council and new regulations covering a system of regional government. The three components did not drastically depart from Crown Prince Faisal’s ten-point programme of 1962, but the timing was some thirty years late.

In Saudi Arabia, the Shari‘a is considered to be the only constitution and the ultimate arbiter of government and state affairs. The Basic Law of Government, however, is the nearest the government may come to a written constitution. The Basic Law comprises five main chapters: System of Government (monarchy); Features of the Saudi Family (the family is the kernel of Saudi society); Economic Principles, Rights and Duties; the Authorities of the State; and Financial Affairs.

The Consultative Council (Majlis al-Shura), established in 1993, is composed of sixty members appointed by the king. The function of the Consultative Council is essentially advisory: its decisions and recommendations are accepted only if they coincide with those of the Council of Ministers and the king. In August 1993, King Fahd appointed the sixty members of the first Consultative Council.[22] In July 1997, he replaced half of them, in accordance with the statute, and expanded the Council to ninety representatives. Reflecting a slight shift in direction, the new Council included a number of known Islamist and liberal dissidents, one member from the Shi‘a community, but no women. The majority of the members remain current or former senior government officials and highly educated individuals closely associated with tribal leaders.

Foreign policy

Since the 1990s, Saudi Arabia's foreign policy has been shaped, in the main, by two factors: the fall-out from the Gulf War, and the growing influence of Crown Prince Abdullah on policy formulation.

Within the region, Saudi's foreign policy has been concerned primarily with three key regional players, Iraq, Iran and Yemen.

IRAQ

Diplomatic relations between Saudi Arabia and Iraq have been severed since the Gulf War. The Saudi government still regards the ambitions of Saddam Hussein as a continuing threat to its security. Moreover, the sense of betrayal remains high amongst the decision-makers of the Kingdom, as Saudi support for Iraq during the Iran–Iraq War was not reciprocated in kind or deed. Thus, in January 1999 the Kingdom, for the first time, urged the Iraqi people to overthrow the Iraqi regime.

IRAN

Throughout the 1980s, Iran was considered to be the principle threat to the Gulf Arab states. With the conclusion of the Iran–Iraq War in 1988 and the death of Khomeini in 1989, the prospects for a thaw in Saudi–Iranian relations started to look possible. The Iraqi invasion of Kuwait changed the whole complex of Gulf relations; and Iran was no longer considered to be the most dangerous state in the region. The election and re-election of Mohammed Khatami, in 1997 and 2001, as president of Iran, brought with it a sea-change in mutual perceptions and policy formulations. This was symbolised by Khatami's 'landmark' visit to the Kingdom in May 1999, and by the Saudi decision to increase Iran's quota of pilgrims for the annual *hajj* (pilgrimage).

Saudi Arabia's warming relationship with Iran has, however, alarmed the UAE, as the implications for the sovereignty over Abu Musa and the Tunb islands may be compromised by Saudi compliance with Iranian wishes. This issue continues to be a moot point amongst the members of the GCC.

Saudi Arabia and Iran have scrambled for influence in the former Soviet republics of Central Asia. The contest for spheres of influence, motivated by both strategic and domestic factors, have meant that Saudi Arabia and Iran have pursued their competition by proxy.

YEMEN

Relations between Saudi Arabia and Yemen were strained because of the latter's support of the Iraqi regime during the Gulf War. Saudi Arabia reacted by expelling all Yemenis from the Kingdom. Moreover, the unification of Yemen in 1991, and its administering of relatively free elections in 1993, formed a threat to the Kingdom's undefined and disputed south-western border. Saudi Arabia has reportedly intervened in the internal affairs of Yemen. For instance, when the previously Marxist regime of South Yemen tried to regain its independence in 1994, the Saudis, while officially remaining neutral, supplied the southern rebels with support. Nevertheless, relations with Yemen have improved since the two countries signed a memorandum of understanding (MoU) in February 1995. Sporadic border clashes, and Saudi interference with Yemeni domestic politics, however, have hindered reaching a settlement of the border dispute, and negotiations continue.[23]

THE WEST

Saudi Arabia has depended upon the US to guarantee its security. The apparent threats from Iraq are still perceived to be real, although the Iranian threat is receding as the process of normalisation gains momentum. This policy, as noted above, has created resentment within the Kingdom, and the continuing presence of US troops on Saudi soil has become a festering issue to Islamic sovereignty. The US's almost unconditional support for Israel, considered to be an affront to both Islamic and Arab sensibilities, has produced immeasurable tension within the Kingdom. Abdullah's distaste for US policy towards the Palestinian issue has manifested itself in a number of diplomatic 'snubs' with US and British officials.

Notwithstanding the above, US–Saudi relations are founded upon mutual interests. The global economy and its leading engine are dependent upon Gulf oil reserves; Saudi Arabia needs an active global economy and the government seemingly requires protection from both internal and external threats.[24] This mutual dependency has generated an uncomfortable alliance between states that share common economic interests, but pursue different ideological/religious and strategic agendas. Both are interested in regional stability, but their perceptions of stability differ in content and form.

Demography

According to the Ministry of Planning data, the population totalled 19.9m in 1999. It was estimated that Saudi nationals comprised 74.8 per cent, with 50.1 per cent male and 49.9 per cent female. Overall population growth is estimated at 3.5 per cent a year. Although there are no official figures on the number of Shi'a in the Kingdom, unofficial estimates put the total at between 1.5m and 2m.

The Ministry of Planning figures suggest that 46 per cent of the population were under the age of 15 years, 38 per cent were aged 15–39 years and only 16 per cent were over 40 years in 1999. This factor alone, poses a serious challenge to the Saudi government; job creation is becoming a preoccupation for the government, and the process of Saudisation has been initiated to facilitate the objective. Published information on employment and wage trends, however, are scarce, and the IMF noted in 1999 that data on labour market developments were not available 'pending the establishment of a national database'.[25]

Kuwait

Political context

The principal families of Kuwait can be traced back to the Nejdi tribes of central Saudi Arabia. They migrated during the seventeenth century to the fishing, trading and pearling settlement, which came to be known as Kuwait City. The population of Kuwait culminated with the migrations from Basra and south-western Iran during the nineteenth century.[26]

During Ottoman times, Kuwait fell under the jurisdiction of the governorate of Basra. Nonetheless, the local ruler enjoyed considerable autonomy from Basra. Kuwait entered into a treaty of protection with Britain in 1899, which effectively gave the British Empire control over foreign affairs and the defence of the territory. Kuwait gained its independence from Britain in 1961;[27] Iraq initially refused to recognise Kuwait as an independent state. Iraq recognised Kuwait in 1963 upon its admission to the Arab League (1961) and the United Nations (1963).[28]

The heads of state in Kuwait herald from the Al-Sabah family. The successive line of emirs descends from Mubarak al-Sabah. The current emir, Sheikh Jaber al-Ahmed al-Jaber al-Sabah, succeeded his uncle in December 1977.[29] The crown prince and heir-apparent is Sheikh Saad Abdullah al-Salem al-Sabah who has been prime minister since 1977. Members of the ruling family hold cabinet portfolios, such as the defence, interior and oil portfolios.[30]

The Al-Sabah family has two branches, Al-Jaber, which includes the current emir, and Al-Salim, of whom the crown prince is the most senior member. As the Al-Jaber branch of the family is presently larger, its members occupy a greater number of senior positions in government. There is some family rivalry and intrigue between the two branches; this often surfaces in competition over ministerial jobs and, sometimes, over policy. According to convention, succession has tended to alternate between the two branches of the family.[31]

Over the past eleven years, the emir has ruled by decree. The emir dominates the executive through the Council of Ministers, which is headed by the prime minister, who is in turn chosen by the emir. Members of the Council are appointed by the prime minister and crown prince. In theory, the Parliament can also initiate legislation, but the emir's veto can reject any proposals from the Assembly. Conversely, laws decreed by the emir should be ratified by the National Assembly. The rejection of Sheikh Jaber's proposal to enfranchise women was a case in point during spring 2001.[32]

A major interest group that contributed towards the domestic growth and stability in Kuwait was the established merchant families. As long as the ruling family provided economic space for them to conduct their business freely, they treated the Al-Sabah as *primes inter pares*. The advent of oil wealth, however, disturbed the traditional balance of power. The terms of the relationship have subsequently been modified and the Al-Sabah has became the most prominent family both politically and economically.[33]

Political opposition

Despite the absence of official political parties in Kuwait, a number of informal groups represent collective interests. These collectivities have been characterised as: the Sunni Islamists, which include the Islamic Constitutional Movement and the Islamic Popular Alliance; the Shia Islamists of the Islamic National Alliance; the Kuwait Democratic Forum, a secular political group with liberal and Arab nationalist tendencies; and the National Democratic Grouping. Party politics aside, the majority of deputies in the parliament run as independents, and their tribal loyalties are still paramount within the decision-making process.[34]

Political reform

The first National Assembly was elected in 1963, and in accordance with the constitution, the Assembly sits for four-year terms. Between 1990 and 1992 the emir appointed a rubber-stamp National Council as a substitute for the National Assembly. The government, however, was forced to reconvene the assembly in 1992 due to domestic and external pressures.[35]

The fifty members of the last Assembly were elected by 'select' Kuwaiti males aged over 21. The Assembly had been pressing the government for greater transparency in financial matters. Members had also been pressing for a more substantive role in formulating an oil policy; they wished to scrutinise the details of future defence contracts. The Assembly has also threatened to formally question ministers in the Parliament over a number of issues. As a consequence, the cabinet was reshuffled in 1998, and the Assembly was dissolved in May 1999.[36]

The emir's grip on power, and his ability to curtail the activities of elected and appointed councils, militates against the principles of good governance. In some instances, the abundance of oil wealth has deprived local populations from the more traditional methods of self-representation, and the creation of elected and appointed chambers has placed a significant barrier between state and society, government and governed. The political, cultural and linguistic transition from majlis to assembly has denuded local populations from the benefits of traditional good governance.

Foreign relations

Ironically, Kuwait was hard pushed to accept a security arrangement with the GCC in the formative years of the Council. Kuwait's complacency was punished and its vulnerability was exposed with the Iraqi invasion in August 1990. Kuwait's neighbour has since dominated its regional focus, and its alliance with the US has been cemented with a policy to contain the ambitions of Saddam Hussein's Iraq.

Since the Iraqi invasion, the US and its Western allies have become the ultimate guarantors of Kuwait security. A military umbrella, reinforced by defence treaties with France, the UK and Russia, has been provided by the US. American military hardware and advisers are permanently stationed in Kuwait, and frequent military exercises involve the land, air and naval forces of Kuwait.[37]

Demography

Kuwaiti nationals have constituted a minority of the population since the 1960s, with the migration of foreign labour for the oil-based development of that decade. Figures from the Public Authority for Civil Information for end-1998 indicate that the Kuwaitis amounted to 34.6 per cent of the population, despite a population growth rate of 3.6 per cent in 1997–8. This is in contrast to populations in Qatar and the United Arab Emirates, where expatriates account for approximately 72 and 80 per cent of the population respectively.

The population of foreign workers was temporarily reduced after the Iraqi invasion of Kuwait. Asian and Egyptian workers largely replaced the Palestinian community. In line with a new policy, and in contrast to their predecessors, dependants have not accompanied the majority of these new immigrants.[38]

Oman

Political context

The Al-Bu Said tribe has ruled Oman since the 1740s, and it was during the eighteenth century that the British developed their interest in Oman, as it offered an ideal port on route to India. The first treaty of friendship between Oman and Britain was signed in 1798, and this was formalised in 1800 with the presence of British representatives in Oman. Britain and Oman signed a commercial and consular treaty in 1839, which accorded each of them most-favoured nation status with respect to the other. This treaty was replaced in 1891 by the Treaty of Friendship, Commerce and Navigation. In the late 1800s and early 1900s several of the Al-Bu Said rulers in Muscat became dependent on British funding, and the relationship of dependency was fostered.[39]

During the 1950s, a rebellion, known the Imamate Rebellion, started in Jebel Akhdar, in the mountainous interior of the country. The rebels sought recognition from the Arab League, as they claimed statehood. The rebels did succeed, however briefly, in attaining some autonomy, as they severed communication routes between Jebel Akhdar and the capital. The rebellion was quelled in the late 1950s with the help of British forces, whilst the Saudi government supported the cause of the rebels.[40]

Meanwhile, oil was discovered in Oman in the 1950s and oil exports began in 1967. The sultan, Said bin Taimur, proved reluctant to introduce a modernisation programme. In a palace coup, somewhat characteristic of the Gulf monarchies, his son, Qaboos bin Said, took over the leadership of the country in 1970. Said bin Taimur was exiled to London, where he resided until his death in 1972. Upon his ascension to power, Qaboos faced an armed insurrection, led by the communist-dominated People's Front for the Liberation of Oman (PFLO), in the southern region of Dhofar. The rebels were backed by the People's Democratic Republic of Yemen (former South Yemen). However, the UK, Jordan and Iran (under the shah) provided troops and assistance to the Omani government and the rebels were eventually defeated in 1975.[41] Since then, the country has not experienced any major insurrection.

Oman is an absolute hereditary monarchy, where the sultan rules by royal decree. There is no prime minister, and the sultan holds the ministerial portfolios of defence, foreign affairs and finance. The sultan appoints members of the Council of Ministers. In the last cabinet reshuffle in late 1997, the sultan brought only four new faces into the cabinet.[42]

The size and significance of the royal family in Oman is small compared to the other Gulf states. Although they occupy prominent government positions, their appointments do not constitute foregone conclusions. Unlike the oil-rich states, where the leading families have managed to corner the oil market, family connections in Oman have not translated into commercial prosperity. The renowned commercial families of Oman gained their power and prominence in the 1970s through exclusive agency agreements with foreign companies.[43]

Political opposition

Political parties are outlawed in Oman, although certain groups do represent interests and play an important role in articulating the needs of society through informal networks. Tribes still form an essential part of the socio-political structure, and the sultan balances the interests of each tribe by awarding ministerial positions to competing tribal leaders.[44]

Political reforms

There were few significant political developments during the 1980s and early 1990s. In 1981, the State Consultative Council was established with the aim of providing a limited avenue for political expression. Members of the Council were appointed; however, the Council was not well defined and had very limited responsibilities. In 1991, this Council was replaced by the Majlis al-Shura.[45]

Oman had had no constitution until the promulgation of the Basic Law in November 1996. The Basic Law outlines the rights and obligations of the state and individuals. The state is obliged to provide healthcare, education and security. Freedom of the press was curtailed by a clause stating that anything detrimental to state security, which is not defined in the Law, is forbidden.

The Basic Law also called for the establishment of a second consultative body to supplement the existing Majlis and in December 1997 the sultan appointed members to the new State Council. The new Council was heavily dominated by tribal notables and former officials and dignitaries, including four members of the Al-Bu Said family.

Although the distinction between the Majlis and the State Council was not specified in the Basic Law, subsequent government statements have helped to clarify the roles of the two bodies. The State Council, as an appointed body, focuses more on government policy-making. The Majlis, as an elected body, is more concerned with constituency matters, and its operations concentrate on economic and development issues. It can question ministers on economic and social policy. The selection process for the Majlis is still evolving. The members for the first two sessions, in 1991 and 1994, were selected by the sultan from a list of candidates nominated by prominent citizens. In 1997, the eighty-two representatives of the Majlis were elected by 51,000 Omanis, and then hand-picked as a group of high-achievers from those elected. The government has pledged that members of the next Majlis will be directly elected, but there has been no indications to date that suffrage will be extended.[46]

Oman has been more advanced than other Gulf states with respect to women's participation in the political process. In 1994, the Majlis was increased to include women. In 1997, women ran for office and voted in the election.

Foreign relations

After the rebellion in the south had been successfully contained, economic development and foreign policy became a priority for the government. Oman sought co-operation with the US by signing a facilities access agreement in 1980. The agreement allowed the US military to preposition a limited amount of equipment in Oman. The agreement came at a crucial time for the US, as it sought to restructure its security arrangements in the Gulf after the fall of the shah's regime in Iran.[47]

SAUDI ARABIA

Membership of the GCC does not preclude its members from engaging in lengthy and hostile disputes over borders and sovereignty. Oman and Saudi Arabia reached a settlement over their border dispute in 1990; both parties were apparently satisfied with the agreement.[48] However, Saudi Arabia has questioned the border settlement between Yemen and Oman, and appears to have done the same with the Oman–UAE settlement reached in May 1999.

YEMEN

In 1992 Oman and Yemen reached an accord that demarcated their common border area. Oman ceded some of its territory to Yemen in an attempt to reach a settlement. Upon signing the agreement, relations between the two countries improved, and they agreed to construct a cross-border road.[49] But Yemen and Saudi Arabia are entangled in an ongoing border dispute. In mid-1998 the Saudi government informed both the UN and the Arab League that it did not accept the Omani–Yemeni border agreement. The Kingdom claimed that some of the land involved in the border agreement included Saudi territory.[50]

Oman's policy on the Middle East peace process has diverged from that of its other Gulf Arab neighbours. After Egypt had signed the Camp David accord with Israel, Oman did not break off relations with Cairo.[51]

Furthermore, it has entertained the notion of recognising Israel. In 1994, Muscat was host to the Multilateral Working Group on Water Resources, which resulted from the Arab–Israeli peace talks initiated in Madrid in 1991. Israel opened a trade office in Oman in 1996, and Oman opened a commercial office in Tel Aviv.[52] Nevertheless, Oman froze contacts with Israel after the deadlock in the peace process that followed the election of the Binyamin Netanyahu as Israeli prime minister.

Demography

Like the other Gulf Arab countries, Oman has a relatively large expatriate community. However, in Oman the number of expatriate residents has either stagnated or declined, skewing overall population growth rate figures in recent years. While the overall growth rate in 1998 was about 1.3 per cent, the Omani population expanded by 3 per cent.

This high growth rate meant a rise in the young population, with nearly 47 per cent under the age of 20. Long-term unemployment is becoming a major concern for the government because of the high population growth rate. Currently, Omanis make up less than 70 per cent of the government labour force, but they occupy a much smaller proportion of private-sector jobs. Reinforcing this idea, one recognises that foreign labour tends to be concentrated in low-skill areas, such as construction and sales, where working hours are long and status is low.[53]

Qatar

Political context

The dominant family in Qatar since the mid-eighteenth century has been the Al-Thani family, which arrived from central Arabia and prevailed in the largest town Al-Bida from the 1860s. In a similar fashion to other Trucial States, Abdullah bin Mohammed al-Thani signed an agreement with Britain, in 1916, that guaranteed protection for the local ruler in return for British control of Qatar's defence and foreign affairs. As Britain withdrew from the Gulf in 1971, Qatar gained its independence, and Ahmed bin Ali al-Thani assumed the role of emir. In 1972, Sheikh Khalifa replaced his cousin Ahmed in a palace coup. Sheikh Khalifa had been Qatar's de facto ruler for more than fifteen years, as he managed the major departments of state, namely, foreign affairs, oil, finance, the police force and the secret police.[54]

Sheikh Khalifa's eldest son, Crown Prince Sheikh Hamad, overthrew him in June 1995. Sheikh Hamad staged a coup during his father's absence in Switzerland. He had been defence minister, chief of the armed forces, and had played a considerable role in managing the daily affairs of state. The coup was peaceful. Nevertheless, Sheikh Khalifa threatened to stage a counter-coup and quickly paid homage to the member states of the GCC, except Oman. Lacking support, Sheikh Khalifa failed to initiate a successful counter-coup, and in February 1996 he took up residence in neighbouring Abu Dhabi.[55]

Saudi Arabia, Abu Dhabi and Bahrain eventually withdrew their support for Sheikh Khalifa, and in mid-1998 father and son agreed upon an undisclosed annual stipend in return for acquiescing to the new state of affairs. Sheikh Hamad pardoned thirty-three Qataris found guilty of involvement in the counter-coup, and Sheikh Khalifa was allowed to return home without political office.[56]

Political reform

Sheikh Hamad's ascension to power has been accompanied with a series of political reforms, which seem to belie the pace of reform in the other GCC states. In March 1999, for instance, Qatar held its first nationwide elections to the central municipal council where both men and women were allowed to stand for office and vote. In mid-1999, a constituent assembly was established to draft a permanent constitution. The media was also granted an unprecedented amount of freedom, and the Al-Jazeera satellite channel became a beacon of debate within the Arab world.

In spite of these apparent radical political reforms, Sheikh Hamad, and his close advisors, are still vested with primary powers. For example, the municipal council is not invested with the authority to pass civic laws, and can be dissolved at the discretion of the minister of municipal affairs. And although the Consultative Council (Majlis al-Shura), whose thirty-five members are appointed, can scrutinise policy, ministers and make recommendations to the Council of Ministers, it has no legislative power.

In an attempt to modernise the political system, Sheikh Hamad has started to separate the powers of the royal family from the cabinet; accordingly, the prime minister's office is now officially separate from the royal court. However, the cabinet is still dominated by Al-Thani family, and the prime minister is a member of the Al-Thani family.[57]

Foreign policy

Qatar had long been considered a backwater in the Gulf region. Since 1995, Qatar has pursued an independent foreign policy, and has started to 'punch above its weight' within the Gulf. One manifestation of this has been a strengthening of relations with Iran and the restoration of diplomatic ties with Iraq. Conversely, Qatar has also been ahead of other Gulf states in establishing commercial links with Israel. This factor has receded in relevance since the outbreak of the second *intifada* in October 2000 and the election of Ariel Sharon as prime minister of Israel in May 2001.

Due to its independent foreign policy, Qatar has been periodically shunned by its GCC partners at regional and international events, such as the 1997 Middle East and North Africa economic conference in Doha, which was boycotted by leading Arab states.

Nonetheless, Qatar has followed a 'pro-active' foreign policy over the last eighteen months, and has managed to enjoy normal relations with Saudi Arabia and the UAE again. It has also maintained close ties with Oman and good relations with Kuwait. The convening of the WTO ministerial meeting in November 2001 represented a major 'coup' for Qatar, although many globalists accused the WTO of conducting its 'liberalising' business within an illiberal state. World attention was focused on Qatar during the two-day meeting.[58]

BAHRAIN

The state of relations between Qatar and Bahrain improved after the new generation of emirs signed a protocol of normalisation in December 1999. The protocol resulted in the normalisation of political and economic relations between the two countries despite their on-going dispute over territory (see above).

THE WEST

Qatar's relations with Iran and constituent members of the Organisation of Islamic Conference (OIC) were strengthened after it hosted the OIC summit in November 2000. Thereupon, Qatar actively sought a role as mediator in the multiple regional disputes including Iraq and Kuwait, Iran and Iraq, and Iran and the UAE. Qatar's active foreign policy was underpinned by its confidence as a pioneering commercial and strategic player in the Gulf.

Whilst elevating its regional status through proactive diplomacy and domestic reform, Qatar's security interests, like other members of the GCC, remain dependent upon the US, Britain and France. The US has positioned heavy military equipment in Qatar sufficient to equip a full US armoured brigade, and a Qatari airbase is the launch site for US air expeditionary forces in the Gulf.[59]

Demography

Qatar's total population, including expatriates, has risen dramatically since late 1960s, from 70,000 to 522,000 according to the 1997 census. In March

1999, it was estimated to have reached 566,000, of whom only 160,000 were Qatari nationals. The remainder, nearly 70 per cent of the total population, are expatriate workers, mostly from South Asia.

Faced with the challenge of creating local employment and reducing current transfer payments, the government has tried to limit the number of expatriates working in Qatar. The government was relatively successful and IMF figures showed a 5.3 per cent decline in the population in 1998; this success did not last long and the IMF charted a 9.3 per cent rebound in 1999, as oil prices began to recover and economic activity picked up. The population is disproportionately young, and the UN estimates that 27 per cent of the population is under the age of 15.[60]

UAE

Political context

The United Arab Emirates (UAE) is a federation of seven Gulf sheikhdoms: Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Ummal-Qaiwain.

Most UAE nationals are the descendants of two tribal groupings, the Qawasim and the Bani Yas. These two groupings emerged as powers in the eighteenth century. The Qawasim, mainly land and sea merchants, predominated in what is known now as Ras al-Khaimah and Sharjah, while the Bani Yas, who were engaged more in agricultural and pastoral activities, resided in what is now Abu Dhabi and Dubai.[61]

In order to protect its ‘Jewel’, during the nineteenth century Britain extended its influence in the Gulf through a series of truces and protectorate agreements with individual sheikhdoms. As mentioned elsewhere, these truces and agreements led to the emergence of the Trucial States. Their relevance was largely strategic and their acquiescence accorded with the broader interests of the British Empire, and its desire to secure access to India and guarantee pirate-free passage across the Indian Ocean. Destined to neglect in the strategic re-division of the world’s international political and economic system, the Trucial States looked set to return to a period of conservatism, until the discovery of oil off the coast of Abu Dhabi in 1958.[62]

The new-found oil wealth not only propelled the Trucial States into the world’s emerging global economy, but it also transformed the balance of power amongst the Trucial States themselves. For instance, Abu Dhabi outpaced its neighbours in terms of economic development. The rulers of the six sheikhdoms formed the UAE as a ‘loose’ federation after Britain had announced its intention to withdraw from the region in 1968. The UAE gained its independence in December 1971, and the sheikhdoms were joined by Ras al-Khaimah, as the seventh member, in 1972.[63]

Between 1971 and 1996 the UAE had a provisional constitution, which had been perpetually renewed every five years. In 1996, the constitution was made permanent and Abu Dhabi was designated as the permanent capital of the federation.

The state is governed by Sheikh Zayed bin Sultan al-Nahayan of Abu Dhabi, who heads the Supreme Council of Rulers, the UAE's highest authority. The Supreme Council of Rulers is responsible for policy formulation, election of the federal president and his deputy, admitting new members to the federation, ratifying federal laws, and appointing the judges of the Federal Supreme Court. A formal meeting is held once every year, but informal meetings are held more frequently. The two main emirates, Abu Dhabi and Dubai, and at least three other emirates must approve the decisions of the Council.[64]

Members of the Supreme Council of Rulers comprise the ruling sheikhs of the seven emirates. The president of the UAE is elected from amongst the members of the Supreme Council of Rulers. Sheikh Zayed bin Sultan al-Nahayan of Abu Dhabi was re-elected for a sixth five-year term in December 1996. The head of state is also commander-in-chief of the armed forces. The Supreme Council appoints the Council of Ministers and the prime minister, who is currently Sheikh Maktoum bin Rashed al-Maktoum, the ruler of Dubai. The ruler of Dubai has held both the vice-presidency and the post of prime minister since 1979.

The Council of Ministers refers legislation to the Federal National Council (FNC) for review. The forty-member FNC acts as an advisory and consultative body and scrutinises proposed legislation. The FNC comprises eight members from Abu Dhabi and Dubai, six from Sharjah and Ras al-Khaimah, and four from Fujairah, Ajman and Umm al-Qaiwain.

The judiciary is serviced by a Federal Supreme Court, which is made up of five judges who, at the formal request of individual emirates, preside and adjudicate over issues arising between the individual emirates and the federal government. The Federal Supreme Court also decides on the constitutionality of federal laws.

In spite the separation of powers amongst the legislative, executive and judiciary, the ruling families of the emirates, especially Abu Dhabi, preside over the decision-making process of the UAE. Again, one can recognise the chasm growing between the leaders and followers. The modernisation and bureaucratisation of governance has placed a considerable distance between government and governed, and this process of estrangement will place future strains upon state–society relations, unless the emerging imbalance is addressed through political and economic reform.[65]

Political opposition

Despite potential rivalries between individual emirates and among the various tribal groupings, the UAE leadership has a strong grip on power. There is no organised political opposition, and the various ruling families are generally popular.[66] Like many of its Gulf neighbours, the UAE has been concerned about the rise of Islamist militancy in the Arab world and, although the threat has never really materialised in the UAE, the government has continued to closely monitor the activities of Islamist activists.

The absence of an organised opposition has contributed to the UAE's long-standing reputation as a country with a secure environment free from terrorism. That image was shaken slightly in February 1999, when two bombs were discovered at two separate shopping centres frequently used by Western residents. However, the incident had little impact on investor or tourist confidence in the country.[67]

Compared with its immediate neighbours, the UAE is free from major security threats. Domestically it has enjoyed a history of political and social stability, and successful diplomacy on the world stage has helped to secure its position internationally. However, there have been isolated incidents of unrest. In 1987, a palace coup in Sharjah led to a tense stand-off between supporters of the rival factions, although the dispute was conducted behind closed doors.[68]

Foreign policy

The UAE was one of the first Arab countries to receive Iranian officials after the 1979 Islamic revolution, and it maintained an open-door policy even after the Iran–Iraq War started in 1980. However, the UAE did contribute to Iraq's war effort once Iran started to recover lost territory and made incursions into Iraqi territory.

After the Gulf War, the UAE sought closer ties with Iran, but when Iran seized control of Abu Musa in 1992, relations suffered a serious setback. Iran had already exacerbated tensions when it assumed control of the smaller islands of Greater and Lesser Tunb, and increased both its civilian and military presence on the islands.[69] Iran and the UAE have engaged in a war of words since 1992; however, the election and re-election of Seyyed Mohammed Khatami, in 1997 and 2001, has brought about a slight thaw in relations. In July 2001, Rashed Abdullah al-Nuami, UAE foreign affairs minister, made an official visit to Iran during which he met President Khatami. Nevertheless, supported by the GCC and the Arab League, the UAE has continued to call on Iran to resolve the dispute, either through bilateral negotiations or through the ICJ in The Hague.[70]

IRAQ

While in no way endorsing the Iraqi president, Saddam Hussein, the UAE government has taken a lead in trying to reintegrate the Iraqi government with the international community. Sheikh Zayed has urged the UN to relax its sanctions against Iraq, in order to ease the suffering of its people. Two factors might explain the UAE's conciliatory stance towards Iraq. First, an isolated Iraq could be destabilising for the region and lend weight to Iranian territorial ambitions. Second, Dubai is keen to take advantage of the trade opportunities that will arise when sanctions are lifted. In November 1998, ties between the UAE and Iraq were boosted when a ferry service between Dubai and Iraq began with the approval of the UN. Relations took a further step forward in April 2000 when the UAE reopened its embassy in Baghdad – a move reciprocated in June 2000. The Dubai Civil Aviation Authority has an agreement with its Iraqi counterpart to operate Baghdad airport once UN sanctions are ended. More recently, on 17 June 2001, Iraqi and UAE officials agreed to establish a joint company entitled the Al Aqsa Company for Trade, Transport and Tourism.

Behind the scenes, the UAE, particularly Dubai, is preparing for renewed commerce with Iraq once the UN sanctions are lifted, including boosting trade volumes and playing a role in the reconstruction process. Dubai's Port Rashid is continuing to expand its role as a base for UN-sponsored weekly ferry services to the Iraqi port of Umm al-Qasr, and an increasing number of Dubai-based traders are visiting Baghdad seeking business opportunities.[71]

Demography

The UAE population increased by some 86 per cent between 1975 and 1980 due to the influx of foreign labour after the 1973–4 oil boom. Many of these workers, however, left during the recession in 1982–3. The UAE Central Bank estimated the population in 2000 to be 3.11m; it also suggested that the average annual growth rate was approximately 5.5 per cent between 1993 and 1997. According to UN estimates, the UAE's population will double by 2029.

Like other GCC states, 'Emiratisation' – replacing the majority expatriate workforce with UAE nationals – has been a major priority of the government. A study by the Dubai Municipality in 2000 indicated that UAE nationals constituted just under 10 per cent of the emirate's workforce; other emirates are thought to suffer from the same problem. The government, in late 1996, employed an amnesty scheme to encourage the departure of some 200,000 immigrants who did not have valid visas. This, however, led to labour shortages in some industries, and many of these expatriates returned through official channels after a mandatory waiting period of six-months.

Government efforts are hindered by the preference of private-sector employers to employ expatriates in management and clerical positions because they believe the expatriates are more disciplined, productive and cheaper than nationals. For example, the average wage for UAE graduates is Dh8,000 per month (US$26,150 per year), and for high-school graduates, Dh5,000 per month, which represents double the salary of a well-qualified, experienced employee from the Indian subcontinent or East Asia.[72]

Concluding remarks

From this brief sketch of the six Gulf states that comprise the GCC, one detects the hairline fractures prevalent in the bridge between governing from a traditional perspective and governing in accordance with democratic, bureaucratic and institutional means. Ironically, the newer institutions of state, emulating modern Western democratic models, have served to formally disenfranchise the population (male) and place greater political and economic power in the hands of the ruler and an inner circle of decision-makers. The path to political reform, therefore, is sometimes strewn with dead-ends and no thoroughfares. The issue of good governance, in these cases, is in danger of being lost, as implanted political systems fail to take root and allow the political leaders to accumulate political and economic power.

The absence of formal political parties operating within the political systems of the GCC states denotes the lack of an institutional framework designed to accommodate the competing interests of different socio-political groupings. Instead, the real politiking takes place behind close doors and sometimes prison doors. The virtual exclusion of women from the political process, except in Qatar and Oman, continues to codify the system of governance as deprived and unremarkable.

Our brief survey indicates that all of the GCC states are engaging in political reforms that, in principal, accord with the tenets of good governance. As these relatively new states seek to provide their peoples with development, both social and political, and strive to protect peace, security and progress, the mystique surrounding the issue of succession, albeit by palace coup, primogeniture or alternative means, will continue to undermine the progress; the cogency and integrity of the political systems depend upon an unknown variable. The following chapters will shed more light on the integrity and durability of the reform process, thus allowing us to comprehend whether the tenets of good governance will be realised.

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3 The politics of participation in the oil monarchies*

Anoushiravan Ehteshami

Introduction

Political change has been slow in coming to the Arabian Peninsula, and when it has, this has largely been a result of uncontrollable pressures and introduced 'from above' – that is to say by the rulers themselves. While the oil monarchies seem to be making concerted efforts to address administrative and political shortcomings in their countries in response to a combination of pressures, this is not to say that blanket change is being imposed on these societies by outside forces. The cautionary note that Robert Stookey struck in the early 1980s still stands: that the Arabian Peninsula,

> far from being a uniform, undifferentiated region, is one of considerable complexity, strewn with booby traps for the unwary outside policymaker. If there is Ariadne's thread leading through the labyrinth, it is the determination of these various countries to decide for themselves what is in their best interest, to set their own national goals, and to cooperate among themselves only when they perceive it in their interest to do so. Any program to impose external leadership must be undertaken with extreme caution.[1]

Stookey wrote these words at the height of the Reaganite drive to politicise international commerce and apply normative Western standards as the correct yardstick by which to measure friend and foe. Reagan's 'corrective' policy was seen as both destabilising and contentious. As Stookey had suggested, the GCC states would resist adventurism and did not rush to adopt inappropriate economic, political, or foreign policies during the tense periods following the 1979 Iranian revolution and the eight-year long Iran–Iraq war. Saudi Arabia's brand of 'quietist diplomacy' tended to prevail right up to the final stages of the Iran–Iraq War.

Quietist diplomacy in the oil monarchies was the strategy not just for foreign affairs, however, but also for coping with internal pressures. Often in the 1980s and 1990s struggles for reform were quietly suppressed, or were dismissed as irrelevant to the needs of society, with little excuse or explanation. Reformist agendas were often said to be inappropriate, badly timed, or simply too ambitious or radical. But for reasons which will become apparent, reform is very much the new spirit of the GCC countries. Indeed, barring any long-term negative fallout from the events of 11 September 2001 in the US, one can afford to be somewhat more optimistic about the prospects of political reform in the Arabian Peninsula states today than at any time since the massive influx of oil income in the last quarter of the twentieth century.

My argument about the process of political reform in the GCC states is based first and foremost on an analysis of the political economy of these states. The intention is to show that in view of their grave economic difficulties and social tensions, the GCC rulers have had little choice but to consider the introduction of economic and political reforms. But further to this, the impact of the changes in the international system in the closing days of 1989 must be given some attention as well, as influential forces with a palpable effect on the internal affairs of the oil monarchies. While it is true that by the end of the Iran–Iraq War the region itself had begun to show serious signs of decay, with 'rent' as the oxygen of the GCC economies being cut to threatening levels, it was the sudden disruption of the bi-polar Cold War international system which proved to be the biggest dislocating force for regional systems in general and for the Middle East and North Africa (MENA) region in particular. The MENA system was not immune to these international developments. While up until that point all regional actors had customarily set their national and international clocks by the Cold War, virtually overnight that point of reference disappeared and most of the oil monarchies had to quickly adjust to the impact of a new 'democratic wave' from Europe before an uncertain 'New World Order' was cast in 1991.

By the end of 1989, therefore, most GCC leaders were already speaking of the need to consider introducing new social and political initiatives, albeit rather half-heartedly.[2] As justification for the re-assessments of their political systems, they often pointed to the appearance of some 'new realities'.[3] These, of course, included much publicised, unveiled criticism from unexpected quarters at home. The impact that dramatic political developments in several GCC countries were having on their domestic environment should not be underestimated. As Hardy has argued, the range of reforms being raised from Muscat to Kuwait 'reinforced the sense that change was in the air, and that [rulers were] having to adjust, willing or unwillingly, to new realities'.[4]

In addition, another critical development in the 1990s was at the leadership level, which not only introduced new personnel at the highest levels of decision-making in several GCC states, but actually allowed for the flourishing of different outlooks and political priorities as well. Personnel changes at this high level also brought changes in priorities.[5] Moreover, there was the economic impact and political aftermath of the Iraqi invasion of Kuwait in 1990 to address. This event acted as a catalyst for the examination, and eventual introduction, of major reforms across the Arabian Peninsula. It was alongside these domestic-driven changes that the spray from the so-called democratic wave in eastern Europe splashed against the shores of the Middle East in the early 1990s. Together, these forces came to leave a definite imprint on the oil monarchies of the Middle East, forcing them to widen their policy options.

Thus, due to the unique nature of government and political authority in these societies, where the discussion of political reform was introduced it was very quickly and firmly tied to wider issues which are best labelled as 'good governance' matters. The idea of governance carries certain connotations in this part of the world as the very nature of 'rulership' is caught up with and tied to governance issues. Here, one is dealing with a group of family-based fiefdoms which have over a long period of time evolved into independent countries. Traditionally, therefore, the terms of reference for governance in the Gulf Arab monarchies has been determined by the ruling families themselves, in whose domain political power has tended to rest. Until recently, good governance had meant little more than a careful management of the affairs of state. Now, though, the whole process of widening participation has been caught up with a range of 'indicators' associated with 'good governance'. Indicators include such issues as transparency, accountability, absence of corruption and nepotism, rational and fair policy-making, in addition to such variables as efficiency and responsiveness in the public sector, the presence of an independent judiciary which operates (and is seen to operate) without prejudice, privacy laws and freedom of information, burgeoning civil society institutions, and a welfare-oriented economic system. However, even a cursory look at the Middle East in general and the GCC states in particular will show that the region is still a long way from meeting these criteria in full.[6] But the picture is not a wholly gloomy one, and in many respects clear progress has already been made.

The democratisation debate with regard to the oil monarchies

Largely because of the social make-up of the Arabian Peninsula states, the debate about democratisation, or for that matter political pluralism, had until recently been taking place within a fairly narrow band of hypotheses and testbeds.[7] Until recently, and prior to an avalanche of criticism following September 11 and revelations about the role played by militant Islamists from several of the oil monarchies, one line of argument had been that as the traditional societies of the Arabian Peninsula tend to run to a different, but equally effective, political clock, demanding their conformity with Western-style democracies is not only counterproductive but also unrewarding for analytical purposes.[8] The civil–state (people–leader) relations in these societies are so well regulated by the entrenched traditional modes of interaction between the rulers and the ruled that the introduction of Western-style competitive politics or the addition of a regular parliamentary-based voting system could do little to improve the quality of participation and political access in these countries, if at all, or add to the efficiency of the state or its governing regime.[9] More than twenty years after the start of the oil boom a senior Gulf Arab official can still claim that ‘parliamentary democracy and constitutional monarchies are Western notions which do not necessarily apply to the Arab world in general, nor to tribal Gulf Arab societies in particular’.[10]

So, when in the 1970s, President Carter realised a long-standing American ambition by launching a democratisation crusade in the developing world, and in the 1980s – when the Gulf region was faced with a uniquely theocratic parliamentary experiment in Iran – the often repeated view was that democracy was an irrelevant concept in the social context of the Arabian Peninsula. It was even said that the unmeasured introduction of democratic norms by Western do-gooders could cause more harm, in terms of bringing about political dislocation and serious disruption to the operationability of these traditional allies of the West, than good. The predominant view was that, surrounded by political uncertainty, this strategically prized part of the Middle East should not be subject to heavy-handed Western interference; what is quite obviously unbroken should be left alone. Sympathisers of the oil monarchies argued that the majority of the conservative Gulf Arab countries, recently introduced to the international system – with weak demographic and institutional bases, and still novices at the international political game – should be left alone to find their own models of political development and be allowed to refine their existing rubrics for political interaction and also be encouraged to find their own platforms for public discourse. The consultative ‘shura’ system, in other words, was said to work, and worked well enough for it not to be supplanted or substituted by half-baked Western-type systems of government built around an elected national assembly.

Other schools of thought begged to differ, drawing a more critical picture of civil–state relations in the oil monarchies. Some within the radical school even spoke of the virtues of ‘Arabia without Sultans’.[11] Halliday stated with regard to Saudi Arabia that ‘the state was founded on the most backward ideology: unity of religion and loyalty to one family, making Saudi Arabia the only state in the world that was titled as the property of a single dynasty’.[12] These criticisms were equally applied to the other pro-Western Arabian Peninsula countries as well.

Pointing to the 'rentier' nature of these societies, those of a political economy persuasion invested in considerable analytical concepts in their attempts to explain the endurance of patriarchal and authoritarian regimes in the Arabian Peninsula. The classic formulation of Gulf Arab rentierism is put forward by Giacomo Luciani, who states:

> A state that economically supports society and is the main source of private revenues through government expenditure, while in turn supported by revenue accruing from abroad, does not need to respond to society. On the contrary, a state that is supported by society, through taxes levied in one form or another, will in the final analysis be obliged to respond to societal pressure.[13]

The context is very clear; these oil monarchies are detached from their local socio-economic realm by virtue of rent. They have acquired relative autonomy from society, which gives them the ability to pursue national goals without accountability. Chaudhry elegantly applies this thinking to Saudi Arabia, but it can also be extended to include the other oil monarchies. She proposes that the oil boom

> created new channels through which resources circulated within the bureaucracy, rendering extractive and regulatory agencies obsolete and reorienting bureaus toward distributive branches of government. Exogenous resources changed the institutional shape, organization, and capacities of the Saudi bureaucracy, severing earlier link between taxation and organizational change. The extractive and regulatory branches of the bureaucracy were replaced with dozens of distributive agencies that managed the economy through the deployment of oil revenues.[14]

Another strand to the rentierism debate focused on the corrosive impact of rent. Palmer and company argued, for instance, that rentier 'behavioral characteristics make it difficult for the rentier state to increase its productive capacity and to maximise the economic and political advantages at its disposal'.[15] Beblawi, one of the main theorists of rentierism, extended the argument to the political realm and stated that:

> public goods and private favours have thus gone together in defining the role of the [rentier] state. With virtually no taxes, citizens are far less demanding in terms of political participation. The history of democracy owes its beginnings . . . to some fiscal association (no taxation without representation).[16]

This feature, he said, is absent from the oil rentier states of the Persian Gulf. As recently as the mid-1990s, Luciani was being most emphatic, arguing that the 'rentier nature of the state is a strong factor in discouraging democratization in all countries that have access to oil rent, and I would be surprised if any of the rentier states were to democratize', but, he conceded, the 'presence of a fiscal crisis creates the expectation that a country may embark on a process of democratization'.[17] The links between fiscal crisis and political reform in the oil monarchies will be discussed further below.

In the oil monarchies, social norms and relations seemed to have fallen behind the pace of economic change, where rapid modernisation and economic development had clearly taken hold. The questions were: why had rapid economic development in these developing countries not led to broader political reforms? How had the all-pervading economic earthquake not sent shockwaves through the political structures of these countries? The explanation focused very much on the socio-economic relationships which oil income had nurtured, and the ways in which oil had reinforced existing social structures and provided a buffer for the ruling families.[18]

The rise of the petro-dollar economic system in the early 1970s prompted the application of complex arguments purporting to show that the massive influx of capital resulting from rapid increases in the price of exported oil had enabled the traditional elites of the Gulf Arab monarchies to 'buy off' their population, to distribute largesse, and to de-politicise them to the point of pacifying their political instincts. This was made possible because the ruling families spared no expense in trying to satisfy their nationals' material needs without additional costs to the population – in other words, without taxing them for the privilege. The offerings included the provision of such expensive services as health care, education from nursery to university, subsidised housing, food, electricity, petroleum, and a wide range of other important services, as well as a high-tech infrastructure, subsidised consumer goods, and good prospects for employment.

The way in which the states deployed their oil windfalls, the argument goes, not only cushioned them against political upheavals, not only did it beholden much of the society to the elites, not only allowed the elites to undertake a form of social engineering by creating state-reliant modern middle classes totally dependent on the states' largesse for their prosperity (let alone survival), but also led to the emergence of powerful state machineries and bureaucracies who orchestrated the states' development. Substantial oil-based income, thus, had brought a large degree of autonomy to the states and their masters, allowing the elites to concentrate on the economic development of their states and routinely ignore their populations' political aspirations, for which they did not pay a political price or suffer a popular backlash. This rentier bliss provided a sharp contrast to the political ravages of neighbouring Iran and Iraq. Towards the end of the 1970s, with neighbouring Iran in the throes of an anti-monarchical Islamic revolutionary turmoil, proponents of the evolutionary path to change used the Iranian experience to underline the successes of the Gulf Arab model and the ability of its elites to manage socio-economic change within the given confines of their 'traditional' societies. Ironically, up to the mid-1970s it was Iran which had often been used as the textbook model of modernisation and development for the other Gulf states to adopt. Iran was said to be making major strides towards a proscribed 'Great Civilisation', to paraphrase the last reigning Pahlavi monarch, while combining its traditional forms of rulership with wholesale development of every realm and aspect of its polity.

Collective and cumulative effects of the 'new realities'

The 1990s therefore brought with it new challenges and winds of change. First, there was the indisputable political mark that the occupation and subsequent efforts to liberate Kuwait from the clutches of Saddam Hussein had left on the oil monarchies. Ten years after the shock delivered by Iran's Islamic revolution, President Hussein's bold move against its smaller neighbour deeply shocked the GCC elites and forced them to be less complacent about political disquiet at home. In addition to the crisis' direct and indirect economic costs to the GCC states, the crisis also created a new momentum for change at the popular level. The arrival of Western troops in Saudi Arabia in 1990, for instance, galvanised both the conservative and the liberal forces in the Kingdom. Their presence encouraged each group to apply pressure on the House of Saud and demand changes to the ways in which contact between the elite (and the government) and the people was regulated. While the former group wanted an end to what they perceived to be Westernisation and an emphatic endorsement of the traditions of the Kingdom, the latter forces demanded more openness in the political and social life of the country. Women getting behind the wheels of their family cars and defiantly driving their vehicles through the streets of the Kingdom in the autumn of 1990 was perhaps the most telling symbol of what the liberal forces in Saudi Arabia were demanding: individual freedoms and the introduction of a wide range of new rights.

Concomitant with the political fallout from the Kuwait crisis was the so-called fiscal crisis of the state in the oil-based economies of the GCC. Having suffered from long-term decline in crude oil prices from the middle of the 1980s, these states were already under great fiscal pressure when the bill for the liberation of Kuwait arrived on the desk of the richest Gulf Arab countries: it was in excess of $200 billion. Thus, weak national finances combined with the heavy clean-up bill of the Iraqi invasion limited the ability of these states to fulfil their ‘national contracts’ and shield their populations from the costs of national development. With the ‘cushion’ increasingly threadbare, the population began asking questions about the absence of political participation and public consultation in the affairs of the state. Citizens in such countries as Saudi Arabia were even more agitated when the state found little option to its fiscal difficulties other than to pass on, through indirect taxation and a reduction in some subsidies, some of the costs of development to the population. In Kuwait, on the other hand, the population was more adamant than ever that from that point on it should be involved in the shaping of the country’s future. The Kuwaiti public wanted the unconditional reinstatement of the national assembly. Similar signals for political change were emanating from the other GCC countries.

Third, there was the whole ‘1990s thing’ which followed the end of the Cold War in 1989 and the collapse of the Soviet Union in 1991. Suddenly, and without warning, new forces of political reform were pushing outwards from eastern Europe to articulate the mood for change demanded by Arab citizens across the region. The demonstration effect of the transformations sweeping across eastern Europe could not be missed. Within months of the ‘velvet revolutions’ in eastern Europe, Arab masses, from the Maghreb to the Arabian Peninsula, were demanding an end to corruption and arbitrary rule and the introduction of open and transparent government in their own countries. The GCC countries were not immune to the developments in eastern European and as their activists demanded change, so their governments responded by accelerating the pace of their proposed reforms, which by the mid-1990s included constitutional as well legislative ones. King Fahd of Saudi Arabia, for example, introduced the country’s new Basic Law and its 81 articles with the announcement that the Kingdom’s sixty-man Majlis al-Shura (whose membership had grown to ninety by the end of the 1990s) would complement the regular open-door councils held on a daily or weekly basis by members of the royal family and their cabinet colleagues.[19]

Fourth, with the patriarch gone and the war behind it, the revolutionary country next door had begun to engage in such open public debates and display such pluralistic features that it seemed to make the country more of a democracy than the populist theocracy Khomeini had crafted. Far from exporting its Islamic revolution, Tehran was now increasingly leading by example in the arena of political reform. On the eve of the 1990s, President Rafsanjani, who was elected to the presidency with a large popular mandate in 1989, pushed open many doors to reform. During his two terms in office, Rafsanjani’s efforts in improving Iran’s relations with its neighbours, including its conservative Arab ones, was reciprocated. Indeed, the GCC states wanted and warmly welcomed a moderate Iran, advising their citizens that it was now time to turn a new leaf in their countries’ relations with Iran.

But when they did advocate closer ties with their northern neighbour they had not banked on the wider regional impact of the 'Khatami factor' and the ensuing political whirlwind which was about to be unleashed in that country. Constitutionally barred from standing a third time, Rafsanjani gave way to a very different executive leader in 1997. The new popular president, Mohammed Khatami, who was also a cleric and a former Rafsanjani cabinet minister, boldly began to broaden the arena of reform to include popular appraisal of the many sacred cows of the Islamic regime and to encourage the population as a whole to break down the barriers to the establishment of a democratic and pluralist state in Iran – of the sort clearly recognisable as Western in style, though may be not so entirely in content. For the GCC states, better relations with neighbouring Iran was one thing, to then be vulnerable to the winds of change blowing from Tehran was quite another. As a Saudi colleague put it to me; 'Iran's revolution posed sort of a technical threat to our security that we managed to contain, but whether we will be able to deflect the power of Khatami's movement this side of the Gulf remains to be seen. It is hard to decide which is more dangerous and threatening, the export of its revolution or the power of Khatami's reforms'. It was not just the message of his movement which was falling on receptive ears in the GCC states, but also the manner in which he secured his victory in the May 1997 poll, with over 25 million people cheerfully and willingly giving him a mandate to govern.

Fifth, the GCC elites were becoming fully aware that the (slow) opening of the political system could not only extend the rulers' legitimacy but also reinforce the ruling families' leading position within society. This message was being reinforced by two very different sets of forces in the 1990s. On the one hand, the state was jolted into action by the need to respond to the very vocal opposition forces in countries such as Bahrain and Saudi Arabia, who freely utilised the world-wide-web and the internet to publicise their cause and embarrass the governing elites. The state in these and other GCC countries had to reaffirm its position by responding to the criticisms tabled against it by the largely Western-based opposition groups. The state's response in virtually every case was to combine strongarm tactics with announcements about new economic and political reform initiatives.

On the other hand, by proactively engaging in initiatives that signalled the launch of serious and systematic reforms in the political arena, often announced by members of the ruling circles themselves, the state was showing its responsiveness and its recognition of its responsibilities to the citizenry. As will be shown below, in the course of the 1990s the ruling family in every GCC state attempted to deepen its commitment to the broadening of the political base and the establishment or refinement of participatory and representative mechanisms of the state. In some instances the elite opted to reform the traditional ('authentic') modes of participation instead of creating new (so-called 'alien') representative structures, while in others the elite set about introducing new structures and quite radical forms of participatory systems. The Saudis introduced the national Shura, while the Emir of Bahrain opted for wholesale reforms around the concept of a new 'national charter'.

A further push factor in case of some of the larger GCC states was the example being set by a united Yemen under the leadership of the traditionally conservative North , which, albeit tortuously, was introducing a wide range of political and social reforms aimed at preparing the country for a post-Cold War regional and international environment.

Finally, there was the influence of the unavoidable impact of the late twentieth century communications systems. The presence of such new mediums as satellite television, the fax machine, the internet and the highly accessible cellular telephone made easy job of transmitting different ideas and information to society through channels not directly controlled or guided by the state. The uncontainable influence of information technologies on civil-state relations was another factor pushing the GCC leaders towards considering opening up of more of their political space to the public.

Forms of political participation in the oil monarchies

As the pace of political change has continued to accelerate in the oil monarchies, so it is important to consider how the traditional, rentier, societies of the Arabian Peninsula have been responding to the internal, regional and international political challenges facing them.

Kuwait

In Kuwait, Sheikh Jaber al-Sabah had indicated even before the liberation of his country that Kuwait was entering a new era and that elections for its vibrant national assembly would be one of the priorities of his government. Thus, elections for the assembly were held in 1992, 1996 and also in 1999. The 1999 elections resulted from a direct and dramatic stand-off between Kuwait's vocal and politically powerful national assembly and the al-Sabah-controlled government. The assembly's bold move in 1998 to quiz the interior minister for allowing the publication of material seen by the Islamists in the assembly as contrary to Kuwaiti and Islamic cultural values caused a serious constitutional crisis in the country, in which the assembly was said to be testing the frontiers of its powers while the cabinet, chaired by Crown Prince Saad (the prime minister), was hanging on to its powers and status.[20] While it was the assembly which forced the issue, it was the cabinet which found a way out; it chose to resign en masse rather than have one of its members thrown into the lion's den. Sheikh Jaber had little option but to try and defuse the crisis by dissolving the parliament and immediately announcing elections for a new assembly. Such tensions between the assembly and the government are now commonplace in Kuwait, with the population and the media actively participating in the debates generated by the political openness in the country. That the forces for change are finely balanced in Kuwait is evident from the make-up of the 1999 assembly: on one side are the Islamists, who won twenty seats in the 1999 elections, the 'liberal' group, which won sixteen, and the pro-government (largely-tribal based) individuals who won the remaining fourteen seats. In Kuwait's vibrant political arena, the new members will continue to attempt to extend their 'supervisory' role and challenge the government's monopoly on decision-making, as they did with their narrow rejection of the emir's decree to extend the vote to Kuwaiti women. Female participation, as part of Kuwait's modernisation, was proposed by Sheikh Jaber in a decree at the time, but was rejected by a small margin by the 'third assembly' elected in 1999. The Kuwaiti government's decision in May 1999 to approve a draft law granting women full political rights for the first time provided more evidence that the process of modernisation is not restricted simply to that of tinkering with procedures.[21]

In other areas, too, the two sides are locked in battle, with the surprising outcome that their debates actually lead to more changes, reforms, and sometimes more freedoms in Kuwait.

Qatar

A small country with some experience of participatory politics, Qatar has also re-entered the arena with the introduction of a number of sweeping changes. Indeed, the reform of the political system was one of the declared key objectives of Sheikh Hamad bin Khalifa al-Thani when he deposed his father in 1995. Despite the existence of a constitution (drafted in 1970) and an 'advisory council' to the emir, the country continued to be run by Sheikh Khalifa and a small group of advisors and family members.[22] Despite the citizens' relative comfort and the emir's rather benevolent style of leadership, by 1992 sufficient pressure had been building up in society for a group of fifty prominent Qataris to petition the emir for the introduction of more freedoms. Their call was answered by the emir's son, Sheikh Hamad.

One of the first acts of the new emir was to end press censorship and to bring under control the country's main repressive vehicle, the Ministry of Information. Not surprisingly then, Qatar soon announced its intention to hold the country's first open elections since its foundation. Its first ever national poll in March 1999 was for the twenty-nine-member Central Municipal Council in which female candidates were also allowed to stand.[23]

Six women did so, although none were elected on this occasion. This successful event provided the first opportunity for the Qatari people to participate in an election, which they did with great enthusiasm – voter turnout was 80 per cent.[24] Qatar, already endowed with the outspoken and critical al-Jazeera satellite television network, was now opening a new chapter in its political life. This election was to be the first in a cycle of national polls.

However, although they started the race, it is likely that the experience of neighbouring Bahrain may also affect the strategy of the al-Thanis and encourage them to take bolder steps towards political openness and voter–leader reciprocity. It is in this light that the announced plans for other types of elections become particularly significant, as one can envisage a situation in which, through 'bandwagoning', the Gulf emirates emulate each other and adopt some of the features of the others' participatory mechanisms. In Qatar, a thirty-two-member commission has already begun investigating the mechanisms of introducing a parliamentary democracy and an elected chamber. The introduction of these changes will of course require a new constitution, one which is likely to contain the following features: an elected assembly, with some legislation powers, to replace the existing Shura council; women to be given the vote and the right to stand in elections; a fundamental respect for human rights; and political rights for the country's non-native residents. In the social context of the Gulf oil monarchies, these are indeed revolutionary changes being proposed.

Oman

In Oman, the national Shura council was established in 1991, alongside the Majlis al-Dawla (the State Council, which acts as an 'upper chamber'). This Shura council was given the power to review legislation regarding culture, education, social and economic issues, as well as the government's development plans.[25] A number of announcements and policy initiatives by the mid-1990s were making clear that the elite had accepted the principle of direct participation by the citizenry in the political life of the country. The Basic Law of the State, codifying state–civil relations, was introduced in 1996. This law laid down the constitutional structures of Oman and committed the sultan to the strengthening of the consultative system. Thus, in 1998 the sultan announced that the 2000 Shura council would be elected, albeit limited to one-quarter of the population aged above 21. This was a milestone, as it was the first time that the Shura members were to be elected. Perhaps more importantly, it was also announced prior to the September poll that all future elections would be based on the principle of universal suffrage. It is intended that this measure will result in mass participation in national elections and more political activity across the country. Even in the 2000 elections, one could sense a high degree of institutionalisation of elections: the process was referred to as *intikhab* (election) and not *tarsheeh wa ikhtiyar* (nominations and choice); fifty appeals were lodged with the election monitoring body, all were closely investigated, of which two resulted in further action and the overturning of the result in the Duqum Wilyat.[26]

Interestingly, some 600 candidates contested the 2000 elections for the Shura, including several female candidates. Indeed, female participation was encouraged throughout the election process, which led to two women candidates being elected, out of thirty-two standing.[27] One of the two female members of the Shura, the 31-year-old businesswoman Lujaina Haider Darwish, was quick to the draw, using her new position and new voice to challenge the limited role of the Shura and was soon calling for more decision-making powers to be given to the Majlis, including legislative powers and more powers of scrutiny.[28] The other female member, Raheela al-Riyami, was elected to the Majlis' Executive Bureau, its highest executive body. The Shura council, through its five technical committees, is already increasingly finding itself engaged in detailed policy-related matters with ministers and the government administration in general. The Shura may already have begun its march towards becoming an elected parliament with legislative powers.

Bahrain

In Bahrain, where some major changes were already in evidence in the mid-1990s, the consultative council was established in 1993, with similar oversight and advisory functions as its counterparts in Oman and Saudi Arabia. Although in terms of importance and national role, the new council was a shadow of its forerunner (the directly elected thirty-member national assembly which was suspended in 1975), the emir chose the council as the launching pad for a much grander scheme of reforms which were put to the public in 2001. This move was all the more remarkable considering the political tensions in Bahrain in the 1990s, at both the leadership level and the street. Violent protest against the ruling establishment and human rights abuses was mirrored in an internal power struggle between Crown Prince Hamad and his uncle, Sheikh Khalifa. The transfer of power to Sheikh Hamad took place in 1999 upon the death of Emir Issa. Emir Hamad has not been idle since taking control of the reigns of power.

First came the forty-five-strong National Charter Committee (NCC), set up in late 2000, which acted as a technical successor to the forty-member Majlis al-Shura established by Emir Issa in 1996. Emir Hamad had already constituted a new, more representative Majlis, in September 2000, including four women, nineteen Shias, nineteen Sunnis, one Jew and one Christian. The NCC, comprising a cross-section of Bahraini society, was asked to examine and approve the new 'National Charter', which was put to a referendum in February 2001. For all its initial objections to the emir's conduct and plans, the London-based Bahrain Freedom Movement also endorsed the emir's introduction of the charter, as did other oppositionists.

As if to underline the commitments to political reforms and the establishment of a constitutional monarchy in the country, the emir declared on the anniversary of the 2001 vote that his state would from February 2002 be known as the Kingdom of Bahrain. The 'establishment of constitutional institution', he said, 'fulfils the pledge of reforms that was overwhelmingly endorsed by the popular referendum on the National Action Charter'.[29] Constitutional changes also allow for equal participation for women in all local and national elections, the establishment of a constitutional court and an independent audit bureau.

These developments in the small Persian Gulf island of Bahrain are remarkable for a number of reasons. First, the design, debates and nature of the introduction of the charter and the implementation of its recommendations mark the first successful top-down execution of wide-ranging political reforms in the GCC. In this case, the leader is himself the revolutionary agent, rather than the protector of the status quo and of so-called 'conservative values'. In this regard at least, the Bahraini experience defies the conventional wisdom about the role of Gulf leaders in their national politics.

Second, the charter itself is indeed a revolutionary document which the emir personally championed against some stiff opposition from within the elite itself. The charter speaks of transparency, accountability, justice, equality amongst the sexes and ethnic/religious groups, equal opportunity for all, respect for human rights, the establishment of an independent judiciary, and the introduction of a new two-chamber parliamentary system.[30] It was not just the content of the charter which created excitement, but the institutionalisation of the process of reform which the emir has introduced. In anticipation of general support for the charter, new structures were created soon after the February referendum so as to facilitate the smooth introduction of the reforms. Plans were put in place for local elections to take place in 2002 and for parliamentary elections in 2004.[31]

Third, the manner in which the charter was received by the Bahraini people is quite encouraging. According to government data, 98.4 per cent of voters supported the reform package. The participation rate was 82 per cent.[32] There was no violence surrounding the poll, a carnival atmosphere prevailed and the emir spoke of the referendum marking the first concrete step towards full democracy.

Finally, soon after the referendum, the emir underlined his commitment to reform by abolishing both the hated state security laws and the state security court which had been used quite extensively to suppress all opposition. The court was replaced by a new committee chaired by the liberal-oriented crown prince to oversee the introduction and implementation of the charter. Another new committee was also set up to carry through the necessary amendments to the constitution to clear the way for the restoration of parliamentary democracy in the sheikhdom.

Saudi Arabia

In Saudi Arabia too, the one country often seen as the most conservative of the GCC states, one also feels the winds of change blowing, more so with every executive lever that Crown Prince Abdullah acquires. Saudi debates of reform in the Kingdom should be seen against the backdrop of rapid social change in the country, the dizzying pace of urbanisation and an unprecedented expansion of the role of the al-Saud-dominated government machinery in running the country, which has evolved into what one might call a 'rentier-corporatist' state. While Saudi Arabia has undergone massive social change since the mid-1960s, the most dramatic political developments since the 1960 political challenge of the 'Liberal Princes' only occurred after the outbreak of the Kuwait crisis in 1990.[33] There was the unexpected protest by the more liberal-minded Saudis, but, as Gause notes, it was the religious-based protests which made the most direct impression on the elite.[34] For a short period after the onset of the crisis, prominent Saudi (largely religious-oriented) citizens began to publicly petition King Fahd to extend the realm of Sharia'a law and also introduce economic reforms. The first one came in 1991, followed by a second petition in mid-1992. These were to be early signs of an emerging Islamist opposition to the al-Sauds, which eventually organised itself around the Committee to Defend Legitimate Rights (CDLR), and Bin Laden's jihad armed movement.[35]

While attempting to contain the pressure of the liberals, the king took several measures to end the escalating armed insurgency by radical Islamist elements, and to bring into line the religious protesters, who had hitherto been one of the most important pillars of the regime and a loyal strata of society. Announcements of a number of reforms accompanied the heavy hand of the state in suppressing the protests.[36] Thus, a royal decree in March 1992 announced the foundation of a 'Basic System of Government' and the creation of the Kingdom's first modern national consultative body, the advisory Majlis al-Shura, which was inaugurated in August 1993. At the same time, two other measures were adopted: first, new administrative laws for the running of regional governments, which included the introduction of regional government and Shura councils; and, second, procedures and customs pertaining to the succession to the throne were codified into a set of regulations. These measures have been followed up by other changes. A new press and publication law was introduced in spring 2001, which guarantees freedom of expression ('within the framework of existing rules'), the printing of foreign newspapers in the Kingdom, publication of newspapers by individuals or private interests, and 'constructive criticism', albeit within the state's narrowly and carefully defined boundaries. The new press law by itself may not have impressed many outside observers, but in the Saudi context, it again sends a message to society that the state is becoming more tolerant of alternative views and welcomes wider discussion of issues affecting the Kingdom.

These developments should be seen as part and parcel of the elite's accountability and transparency drive. The introduction of the press law, therefore, should been seen in the context of wider developments, for it was preceded by a cabinet reshuffle (in 1999), which usually signals the leadership's thinking on national issues. In a sign of the government's efforts to professionalise the civil service, for instance, the Bureau of Civil Service was upgraded to that of a ministry. But as part of this general cabinet reshuffle, the most recent event of its kind since the groundbreaking reshuffle of August 1995 (which itself was the first of its kind since the early 1970s), a number of new ministers joined the cabinet, several of whom had already served as members of the Shura. This point should be underlined, for such circulation of personalities provides graphic evidence of the deepening links between the all-powerful Council of Ministers and the increasingly influential Shura council.

More overtly committed to the principles of Sharia'a law than many of its neighbours, the Islamic-based Shura council is the cornerstone of the 1990s reforms in the Kingdom and its membership and functions have slowly changed in the period since 1993. First, the Shura's membership was increased from sixty to ninety, up by a third between 1993 and 1997.[37] It now includes a broader cross-section of Saudi society and is better able to articulate its many interests and voices. Indeed, since 1995 (when its Committee of Petitions was established) the Shura has been able to receive petitions, complaints, and even suggestions from the general public on how to improve the country and on how the Shura itself might be able to expand its facilities. Although its members are entirely selected by the monarch from a carefully scrutinised national list of potential candidates from the professions and the business community, the Shura increasingly takes its core role of advising, scrutinising and criticising extremely seriously. Its debates are vigorous and thorough and its members pull no punches in their (increasingly accessible) debates with the executive branch or in their own internal deliberations. The speaker of the Shura carries considerable authority both within the chamber as well as in the wider community.

Institutionally and procedurally, the Shura has evolved quickly, increasingly resembling a complex organisation which is acquiring a life of its own, and being propelled by its own momentum into realms of political activities hitherto reserved for the royal court. As al-Saud explains, 'in practice, members of the [Shura] are allowed to initiate legislation and review domestic and foreign policies of the government'.[38] It routinely also issues resolutions and makes recommendations which have an obvious bearing on the work of the government.[39] My own first-hand experience of the Shura suggests that this is a stable, reform-oriented technocratic forum which, in a traditional and inherently conservative society such as Saudi Arabia, will serve as the ideal sounding board for the testing of future reform plans, and possibly acting as the ideal vessel for their introduction as well. Its membership comprises a highly educated, confident and influential group of men, whose importance is reflected in their membership of the Shura – and not the other way round. Furthermore, if architectural politics was to be seen as a factor, then the building of the Shura, with its generous proportions, support structures, and lavish interior, signals two things to the curious visitor: first, that the Shura council is a welcome and permanent feature of political life in the Kingdom; and second, that the Shura is an important national institution worthy of nurturing and developing. As its functions evolve and its four-yearly rotating membership slowly expands (there is talk of its membership rising to 120), one is left with the thought that, in the last analysis, Saudi Arabia is unlikely to be far behind its neighbours in experimenting with pluralisation. But things will be different here, as the self-avowed liberal Prince Talal has noted:

> the majority in Saudi Arabia . . . prefer gradual steps towards a democratic life. If the citizen can express an opinion and take part in decisions in one way or another, that is what is important . . . the structure of the Saudi system is different than [other countries] there are customs [here] and customs are stronger than laws.[40]

United Arab Emirates

Finally, in the United Arab Emirates, a forty-member National Federal Council was soon established after the creation of the UAE in 1971. The council has played an active part in the evolution of the UAE as an integrated state, but it has never acted as a vehicle for the expansion of the political base of the country. Throughout, it has remained a technical organisation, which re-started its meetings in 1993, after a two-year break following the Kuwait crisis. Its membership today is more technocratic and youthful than in the past, but its numbers have not expanded, nor has its agenda changed in any meaningful way. Despite perceptible changes at the federal level, a major cabinet reshuffle in 1997 for instance, little other political activity at that level is apparent. The big question for the UAE today is how smoothly will the succession from Sheikh Zayed to his son (Sheikh Khalifa) be handled, and how effective a ruler will the latter prove to be. Such big issues seem to overshadow all others relating to political reform. Uniquely amongst the GCC states, political activity in the UAE tends to take shape at the more local (emirate) level than at the national level, but the members of the federation are so closely tied to each other that little room for each to experiment with new political structures exists. For that reason, evidence of major changes is hard to come by.

Having considered the nature, content, type and dynamics of political activity in the GCC states today, one must not lose sight of the diversity of developments in this part of the world. Richard Lawless's observation comes to mind: Gulf Arab societies may appear similar but they should not be treated as though they were a homogeneous entity. On closer acquaintance, he notes, one is struck by their diversity.[41]

Implications of the political reform process

Looking back at the debates of the 1970s, it is quite astonishing how far these countries have travelled, and how far we have come in our understanding the complex and subtle structures and relationships which make up societies of the Arabian Peninsula. The suggestion made by Halliday in 1979 that 'the record of the past four years [i.e. since the publication of his *Arabia Without Sultans*]' had been, 'on balance, deficient' does not hold true just two decades later. 'In the two Gulf countries that had some minimal, circumscribed forms of representative assembly, Kuwait and Bahrain', he said, 'even these timid entities proved too much of a threat to the ruling families and they were dissolved'.[42] Yet today, Kuwait and Bahrain, along with Qatar, are the vanguards of a new wave of reforms. It is also astonishing to see how far these states have come in terms of managing change, and the vast oil income which brought with it an array of economic, social reforms (as well as, latterly, political reforms) into their traditional societies. With new reforms under way and signs of renewed political dynamism in evidence across the Peninsula, it is perhaps appropriate to consider some of the medium- to long-term implications of the reform process on the GCC group of states – the home of family-based rule in the Arab world.

One strong conclusion emerging from the survey of the types of institutional political activities is that, far from the GCC being a stagnant political arena, there is actually a great deal of dynamism which now characterises these states. What we can glean from the range of political activities in the oil monarchies is that most GCC leaders are now convinced of the virtues of widening participation. They are doing so at different rates and with different intensity, however. Some have opted for the radical overhaul model, introducing major reforms and clearing the way for the establishment of constitutional democratic monarchies, while others have been more cautious and have preferred a more gradualist approach, focusing instead on the opening up of political space within the bounds of the existing political system. Even within these two models one finds quite a range of options being explored by the Gulf rulers. In the case of the cautious states, for instance, one finds that Oman is evidently more keen to widen participation across the genders than experimenting with the introduction of new institutions. The sultan does not see the creation of new institutions as enhancing popular participation in setting priorities and determining policies. In Saudi Arabia by contrast, the elite seems more committed to widening access through the expansion of the Shura system, while also creating the legal framework within which national debate can take shape. The introduction of the new press law, for instance, could be seen as providing some opportunities for widening participation in debating issues of national or local importance. In the medium-term, the establishment of independent press houses could represent the growth of independent institutions with a separate voice (and identity) from that of the state. If such a change was to occur it would mark a definite departure from the assumed practices of a rentier state, in which the state is said to be in control of all public spaces. The role that the independent press in Iran played in advancing the reform process at its early stages could also be instructive here.

Uniquely in the Muslim world, the GCC states have managed to keep some of their traditional political features while also adapting to the forces of modernisation. In virtually every oil monarchy today, one can be invited to go to a 'diwan' to participate in a hot debate, or walk into a majlis (open meeting) held by a senior member of the royal family, a government minister, or both. In Saudi Arabia, one can appear, unannounced, and personally petition the king and the crown prince twice a week, petition governors on an almost daily basis, and attend majlises of dozens of influential Saudi personalities on a daily basis.[43] Prince Salman has explained the importance of the open majlis system to the Kingdom in the following way:

> Saudi people have become accustomed to the practice of the *Majlis*. The main aim here is to establish some sense of close relationship between leaders and the general public. Attending the *Majlis* has become a deep-rooted custom and a tradition which some people would not like to miss.[44]

Looking at it from the leadership's perspective, the majlis system provides a direct and tangible link between the rulers and the ordinary citizen. This kind of instant access may not have the trappings of an institutionalised political structure, but by virtue of opening the door to every citizen with a problem or an opinion, it does allow a bond to grow between the rulers and the ruled. Again with comparison to Iran, it could be argued that this perhaps was the main missing ingredient in the Iranian elite's relations with the wider society which eventually caused the demise of the Pahlavi monarchy in Iran.

Returning to the 'big picture', how might the bounty of reforms already enumerated affect political participation in the GCC as well as the relationship between the ruling elites and an emerging civil society? Considering that as recently as 1992 Kuwait was seen to be providing the oil monarchies' only pluralist model, I would argue that we have indeed come a long way from the days in which these countries were famous for their political stagnation. The surprise today is not so much how the GCC states have changed – though, as we have seen, this is an interesting question in its own right – but how did the other GCC states manage to 'stand still' for so long and preserve their traditional modes of political interaction without exhibiting the outward signs of implosion. The answer of course is that resistance was definitely growing in more than one of the oil monarchies, which could have caused implosion, but that in the end the regimes were able to contain these. Take Bahrain, for example, which was plunged into a mini-civil war in the 1990s as discontent with the style of the Khalifas' rule spilled onto the streets of Manama and other towns. The growing economic and political price of the rebellion was such that it prompted the ruler to change direction and opt for a pluralistic mode of governance. Bahrain also badly needed to create the stability that international financiers find attractive if it was to successfully establish itself as the new financial hub of the region.

In Saudi Arabia too, the contours of an emerging armed rebellion, coupled with the damaging activities of such organisations as the CDLR, encouraged the leadership to be more proactive in introducing some reforms and in considering issues such as widening access. Although Saudi Arabia is far from an implosion, its leaders have nonetheless preferred to engage with the issues rather than allow them to become open political wounds. One simple explanation of this new approach in the Kingdom is to be found in its efforts to minimise the damaging impact of such vocal opponents as Osama bin Laden. Defensive political responses aside, we must look for reasons in the economic realm as well.

As has already been highlighted, one of the main push factors for broadening the reform process in the oil monarchies has been the so-called 'fiscal crisis of the state'. One argument is that as the allocative mechanisms of the GCC rentier states diminish, so they introduce economic reforms, which also increasingly seem to have a political dimension. The question then is, can rentier, and in the case of Saudi Arabia, rentier-corporatist structures be reformed sufficiently to allow for the development of the economy as well as the opening up of the political system. With the current intensity of reform-oriented activities in the GCC, one can dare to be optimistic and give a cautious yes as an answer, providing that widening participation measures go hand-in-hand with improvements in governance. Gause and others have noted that the decline in oil prices since the mid-1980s has forced the GCC governments to face some unpalatable economic choices (privatisation, cuts in subsidies, introduction of taxes, abolition of free facilities, bureaucratic restructuring, etc.), which have had very significant political consequences for the governing elite and its relationship with a state-dependent society.[45] Such crises may have forced the pace of reform, but perhaps not its content. The latter has increasingly been set by the need to reform the socio-economic relations of society. Something which not only has been recognised by the elites, but actually has evolved from within the rentier structures of the oil monarchies themselves. As Gause notes:

> As the role of the state in these countries has grown, it has begun to call forth new demands for representative institutions and responsible government from society. Those demands spring from the very processes of state growth and expansion occasioned by the oil boom. The recent upsurge [i.e in the 1990s] in political activity in the Gulf monarchies is not only consistent with the realities of the rentier state and its relationship to society, but is in fact generated by those realities.[46]

In 1993, Norton was arguing that 'the time-honored remedies [of] co-opting critics, bribing recalcitrants with privileged access to power and deals, locking up dissenters' will no longer work in the Middle East region, because 'few rulers today have the pockets deep enough or jails large enough to cope with the problem in traditional ways'.[47] It has also been intimated that an inclusive policy, which 'would necessitate the introduction and implementation of reforms that open up outlets for the free expression of opinion, limit the arbitrary exercise of power and permit political association', may be the only way forward, but perhaps such solutions might be too high a price to pay for some GCC rulers.[48] GCC leaders could examine such reforms in the cold light of day and conclude that they are too destabilising politically and therefore beyond the means of their (rentier) societies. Yet, far from the reform process – which could hardly be regarded as slow when looked at in its entirety – being seen as destabilising by the leaderships, the rulers themselves are emerging as the very agents of political change, with the trend very much towards a broadening of the reforms. The era of containment seems to be firmly behind us; as a Bahraini colleague put it, the march of constitutionalism has already started. But as the process of reform is being guided 'from above', questions should be asked about the nature of the process and whether the reforms are of enough significance if they do not encompass reform of socio-cultural and political structures of the oil monarchies as well – the very pillars on which the elites lean for power and legitimacy.

Furthermore, there is still no way of telling how the 11 September 2001 attacks on the US will play out in the region. It has been suggested that the crisis will encourage the GCC rulers to clamp down on (particularly Islamist) dissent and use this opportunity to backtrack on the promised political reforms. If the crisis was to degenerate into a conflict between Islam and the West, with Saudi Arabia being forced to play a pivotal Islamic role, public opinion across the region may push the more liberal elements in the ruling families on the defensive, pressing them to denounce Western-style reforms. It remains to be seen whether this will in fact be the case. But an alternative scenario could also be developed, through which the GCC leaders use this crisis as an opportunity to widen their domestic power base, limit the political influence of the tribes and the Islamists, and push through reforms on both the economic and political fronts.

Many problems remain then. Critics of the oil monarchies point to the broader governance issues to make the argument that for all the reform measures adopted or proposed, power continues to rest in the hands of a family group embedded in the structures of the state. In the absence of decision-making bodies outside of the rulers' circle, political parties, an accountable and responsive government and ruling elite, transparency in the workings of the government and its agencies, more powerful Shura councils, an effective legal framework for rights, a free press, and suitable conditions for the free flow of ideas, these societies remain far from a democratic or pluralistic path. While many of these concerns are valid, one can still maintain that as elections grow in importance as the most effective transmitter of priorities between state and society, their mediatory role will increase, bringing with them new structures and real changes in state–society relations – even in the rentier states of the Arabian Peninsula. Such processes also allow for the spread of the risk by the GCC leaders in an increasingly globalised world where external crisis can very easily acquire a domestic footing. As Nonneman notes, 'opening up the decision-making process for non-royal actors, and expanding avenues for popular participation, can . . . spread responsibility for difficult decisions or circumstances, or for government failures'.[49] Reform as a process is now firmly on the agenda of these countries, albeit at a measured pace. Let us recall the phrase that 'Rome was not built in a day', and note in the context of the GCC states that reform from above is still far more preferable to revolution from below.

Notes

* This chapter is based on 'Reports from Above: The Politics of Participation in the Oil Monarchies', *International Affairs* 78 (4) (January 2003).

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2 Jamal Al-Suwaidi, 'Arab and Western Conceptions of Democracy: Evidence from a UAE Opinion Survey', in David Garnham and Mark Tessler (eds) *Democracy, War and Peace in the Middle East* (Bloomington, IN: Indiana University Press, 1995), pp. 82–115; Fred Halliday, 'The Gulf War and Its Aftermath: First Reflections', *International Affairs* 67 (April 1991), pp. 223–334.
3 For a concise discussion of the relevant issues see Graham Fuller, 'Respecting Regional Realities', *Foreign Policy* 83 (Summer 1991), pp. 39–46.
4 Roger Hardy, *Arabia after the Storm: Internal Stability of the Gulf Arab States* (London: RIIA, 1992) p. 14.
5 J.E. Peterson, 'The Nature of Succession in the Gulf', *Middle East Journal* 55 (4) (Autumn 2001), pp. 580–601.
6 For reflections on the GCC legal framework, for instance, see Nathan J. Brown, *The Rule of Law in the Arab World: Courts in Egypt and the Gulf* (Cambridge: Cambridge University Press, 1997).
7 For an extremely helpful short guide to the democratisation debate in the developing world, see Robert L. Rotherstein, 'Democracy in the Third World: Definitional Dilemmas', in David Garnham and Mark Tessler (eds) *Democracy, War and Peace in the Middle East* (Bloomington, IN: Indiana University Press, 1995), pp. 65–81.
8 For a typical argument, see Fouad Al-Farsy, *Modernity and Tradition: The Saudi Equation* (London: Kegan Paul International, 1990).
9 For an interesting discussion of such factors, see William Quandt, *Saudi Arabia in the 1980s* (Washington, DC: Brookings Institution, 1981).
10 Quoted in Robin Allen and James Drummond, 'Emir's Claims for Democracy Have Yet to be Tested', *Financial Times Survey: Qatar* (7 November 2001), p. ii.
11 This is the title of Fred Halliday's famous book, *Arabia Without Sultans* (London: Pelican, 1979), first published in 1974.
12 Ibid., p. 49.
13 Giacomo Luciani, 'Resources, Revenues, and Authoritarianism in the Arab World: Beyond the Rentier State?', in Rex Brynen, *et al.*, *Political Liberalization and Democratization in the Arab World: Theoretical Perspectives* (Boulder, CO: Lynne Rienner, 1995), p. 211.
14 Kiren Aziz Chaudhry, *The Price of Wealth: Economies and Institutions in the Middle East* (Ithaca, NY: Cornell University Press, 1997), p. 141.
15 Monte Palmer, Ibrahim Fahad Alghofaily and Saud Mohammed Alnimier, 'The Behavioral Correlates of Rentier Economies: A Case Study of Saudi Arabia', in Robert W. Stookey (ed.) *The Arabian Peninsula: Zone of Ferment* (Stanford, CA: Hoover Institution Press, 1984), p. 20.
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23 '"Democracy" in Doha', *Gulf States Newsletter* 24 (607) (22 March 1999), p. 3.
24 See my 'Is the Middle East Democratizing?', *British Journal of Middle Eastern Studies* 26 (2) (November 1999), pp. 199–217.
25 Abdullah Juma Al-Haj, 'The Politics of Participation in the Gulf Cooperation Council States: The Omani Consultative Council', *Middle East Journal* 50 (4) (Autumn 1996), pp. 559–71; *Sultanate of Oman Majlis A'Shura Structure and Main Organs (1997–2000 A.D.)*, (Ruwi, Oman: Golden P. Press, 1999).
26 Information supplied by Ahmed al-Mukhaini, Durham, November 2001.
27 The Majlis al-Dawla already has five female members, and there are four women deputy ministers as well. In the 2000 Shura elections 30 per cent of 175,000-strong electorate was assigned to female voters. Oman's ambassador to the Netherlands is also female.
28 'Oman: Elections Carry Forward a Quiet Experiment in Gulf Democracy', *Gulf States Newsletter* 24 (645) (25 September 2000), p. 7.
29 Quoted in Latheef Farook, 'Bahrain Declared Constitutional Monarchy', *Gulf News* (15 February 2002). To reiterate the depth of the reforms, the emir also annouced the dates for the new elections in the new Kingdom, bringing these forward to 9 May 2002 for municipal elections and 24 October 2002 (which had been scheduled for 2004) for parliamentary elections.
30 One elected lower chamber to tackle all legislative matters, and an appointed Shura council to fulfil a consultative role.
31 Brought forward to 2002 by the emir.
32 According to the election monitoring committee, 217,579 individuals were extended the vote, of whom 196,262 chose to participate in the ballot. 191,790 people supported the charter. *Arabicnews. com* (17 February 2001).
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38 Faisal bin Misha’al Al-Saud, ‘Political Development in the Kingdom of Saudi Arabia: An Assessment of the Majlis Ash-Shura’ (PhD Thesis, University of Durham, 2000), p. 175.
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40 Prince Talal bin Abdul Aziz. *Reuters* (4 March 1998).
41 R.I. Lawless (ed.) *The Gulf in the Early 20th Century: Foreign Institutions and Local Responses* (Durham: Centre for Middle Eastern and Islamic Studies, 1986), p. 1.
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43 I had the pleasure of attending the mid-day majlis of Prince Salman (Governor of Riyadh) in Riyadh in February 2001. This was a truly extraordinary experience, where one witnesses one of the most senior members of the al-Saud household personally receiving petitions from literally hundreds of young and old people, Saudi nationals and foreigners, who flock to his majlis. He receives every single person, sits and personally reads every petition handed to him, issues instructions, explores the more complex issues with the plaintiff, arranges for the petitions of women visitors (who wait elsewhere while their problem is being attended to) to be dealt with, and, well over an hour later, leaves to attend to the affairs of the state. On average, he does this twice a day!
44 Quoted in Faisal bin Misha’al Al-Saud, ‘Political Development in the Kingdom of Saudi Arabia: An Assessment of the Majlis Ash-Shura’ (PhD Thesis, University of Durham, 2000), p. 146.
45 F. Gregory Gause III, op. cit.
46 F. Gregory Gause III, *Oil Monarchies: Domestic and Security Challenges in the Arab Gulf States* (New York: Council on Foreign Relations Press, 1994), p. 81.
47 Richard Augustus Norton, ‘The Future of Civil Society in the Middle East’, *Middle East Journal* 47 (2) (Spring 1993), p. 206.
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4 Good international governance

Implications for Saudi Arabia's political economy

Rodney Wilson

The aim of this chapter is to examine the conduct of economic policy-making in Saudi Arabia. To what extent does it conform to the ideals of international economic institutions such as the IMF, of which Saudi Arabia is a member, or the WTO, which the Kingdom has yet to join? Although there is official caution about any change which might undermine the political status quo in Saudi Arabia, the Kingdom is divided over what economic policy should be adopted, with some officials and younger princes favouring a more open economy, while others favour a continuance of protectionism.

Economic openness implies greater transparency in decision-making and accountability to international organisations, which challenges traditional procedures of governance and has implications for government policy in states such as Saudi Arabia. It does not necessarily threaten the system of government, however, but rather it is a matter of conforming to international reporting requirements and of pursuing economic policies that may be opposed by those with a vested interest in state protection.

In order to put these policy choices into context it is useful to examine the workings of the economy and challenges faced, notably the issue of unemployment. It is also relevant to examine fiscal policy, both with regard to the extent to which it addresses the problems facing the economy, and whether it is consistent with the policies advocated by the IMF.[1] As the opening up of the economy to foreign investment has been an important agenda item in the negotiations to join the WTO, together with trade liberalisation, the Kingdom's investment and trade policies will also be considered. Finally the difficulty in acceding to WTO membership requirements will be considered, as this presents more of a challenge to the Kingdom than IMF obligations.[2]

An oil-dependent economy

As the economy of Saudi Arabia remains highly dependent on oil, the level of economic activity is largely determined by oil price and production developments. Government policy has aimed to encourage economic diversification, but the comparative advantage of the economy is in oil related activities, a situation which is unlikely to change for the foreseeable future. As the Kingdom accounts for at least one third of proven world oil reserves,[3] it makes sense to exploit this resource, especially given the relatively low extraction costs compared to those in most other regions of the world. Although OPEC has been less effective in controlling oil prices during the last two decades than it was in the 1970s, joint action to curtail production can still have a marked effect. When Saudi Arabia, Iran and Venezuela agreed to curtail production in April 1998, for example, prices eventually rose from below $10 to almost $18 a barrel by August 1999 for their crude oil.[4]

The link between oil pricing and production developments and gross domestic product changes is long term rather than short term in nature, as there are a number of lags in the revenue transmission process, and the government can draw on reserves or borrow to overcome temporary revenue shortfalls. Nevertheless, Table 4.1 shows that during the 1993–5 period when oil prices fell, GDP also declined in Saudi Arabia, and although 1996 and 1997 were better years, there was a further decline in 1998. The upturn in oil prices in 1999 has been slower to become transmitted to an improvement in GDP, as the government seeks to reduce its deficit rather than undertake further ambitious public spending commitments. This is in line with IMF policy recommendations. However, as Saudi Arabia is not indebted to the IMF, the deficit reductions are more a matter of maintaining credibility in international financial markets than of complying with the norms of a particular international organisation.

Table 4.1 Gross domestic product indicators for Saudi Arabia

	Nominal GDP, $ million	*Real GDP change, %*	*Per capita GDP*
1990	104,670	10.7	7,039
1991	118,035	8.4	7,136
1992	123,204	2.8	7,264
1993	118,515	–0.6	6,831
1994	120,168	0.5	6,766
1995	125,688	0.5	6,887
1996	136,537	1.4	7,247
1997	146,171	1.9	7,500
1998	131,670	1.6	6,530
1999	133,595	0.0	6,420
2000	140,924	1.4	6,560

Source: Economist Intelligence Unit, London.

Table 4.1 also shows real annual GDP changes with growth performance extremely variable during the 1990s, again largely reflecting oil pricing and production developments, but overall growth has been moderate over the decade averaging 2.6 per cent. Per capita GDP data gives some indication of living standards and their potential purchasing power with respect to imports. Living standards are relatively high in Saudi Arabia in relation to many developing countries and Arab states, but lower than in the smaller GCC states. The level of per capita GDP is important in determining what status a country should have in the WTO, with developing countries with lower per capita GDP given more lengthy transitional periods for reducing tariffs and phasing out trade barriers. Saudi Arabia has argued that it wants developing country status, rather than have to introduce the more rapid trade liberalisation agreed by the smaller GCC states when they were admitted to the WTO.

Economic growth will depend on how effectively the improved oil revenue flows are managed, over which there is greater uncertainty. The oil revenue windfall of 1999 may reduce pressures for reform and privatisation, as the state can again contemplate capital spending. Nevertheless there are some encouraging signs that bode well for the future. The share of the private sector in GDP is increasing rapidly, from only 33 per cent in 1997 to 40 per cent by 1999.[5] The measures taken to raise non-oil revenues in May 1999 are being implemented in full, with raised electricity tariffs, higher local petroleum prices for domestic consumers, increased work permit fees and departure taxes on foreigners expected to raise at least $3 billion annually.[6] Overall the most lasting effect of the 1997–8 oil price falls is likely to be the more diversified sources of revenue, and increased caution in increasing government spending in response to oil revenue increases alone.

Demographics and employment

With a population in excess of 20 million, Saudi Arabia has experienced one of the highest rates of population growth in the world. This is accounted for by the very high rate of natural increase and a continuing dependence on imported manpower. The population was below 9 million at the time of the 1973–4 oil price increases. Although some development specialists take a negative view of rapid population increase, in Saudi Arabia it is demographic pressures that have brought much of the economic growth rather than capital accumulation.

It is the increasing population size that has stimulated market growth, as growing numbers to feed means greater imports and sales of agricultural commodities, while the demand for basic services such as electricity has also reflected demographic factors as much, if not more than, rising living standards. There is little sign of any fall in the population growth rate, which at 3.4 per cent is amongst the highest in the world despite a fall in the infant mortality rate to 21 per thousand live births.[7] Each woman has an average of five children, although as elsewhere in the developing world, family size tends to be larger for lower socio-economic groups than for the middle classes. Birth rates seem to be as high in urban areas as in rural locations, and as over 70 per cent of the population already lives in urban areas, there is less scope for a slowdown in population growth resulting from rural–urban migration in any case.

The labour force in Saudi Arabia has grown rapidly during the 1990s to over 9 million (see Table 4.2). This was insufficient, however, to provide work for the increasing numbers seeking employment, causing increasing frustrations in the younger generation. As the government lacks the resources to create employment in the way that they did in the 1970s and early 1980s alternative solutions will have to be found. Some estimate that the male unemployment rate exceeds 25 per cent, despite skill shortages in many areas such as information technology, aeronautics, finance and banking.[8]

In Saudi Arabia around 4 million of the 9 million workforce are foreign nationals, although there has been little increase in their numbers in recent years. There are strong pressures for local nationals to be given the jobs that are available, which means increasing pressures to restrict work permits, although employers in the region are generally against such restrictions. In the long term, training for local nationals can help, and much is being done already, although the education system, which has been strongly influenced by Egyptian teachers and administrators, does not impart the skills and knowledge required in an increasingly sophisticated economy.

There are already very strict laws governing naturalisation, restrictions on work permits and policies that encourage the employment of local citizens,

Table 4.2 The labour force in Saudi Arabia

	Million
1990	5.64
1991	6.12
1992	6.19
1993	6.68
1994	6.87
1995	7.14
1996	7.40
1997	7.80
1998	8.26
1999	8.54
2000	9.02

Source: Economist Intelligence Unit, London.

but despite this, a high proportion of the active workforce continues to be made up of foreign nationals. During the last decade there has been more reliance on workers from South Asia and the Philippines, and relatively less on workers from other Arab countries, although Yemenis continue to undertake much menial work in Saudi Arabia, not all of which is recorded. Local nationals have increasing paper qualifications, but often still remain reluctant to take jobs on offer or accept the pay rates of migrant workers.

Government finances and fiscal policy

The finance minister of Saudi Arabia sits on the board of executive directors of the IMF, and there can be little doubt that fiscal policy in the Kingdom has been much influenced by the Washington conventional wisdom. This stresses the importance of sound finances, with revenue covering expenditure over the business cycle. Such policies, it is believed, create a stable economic environment for growth, including long-term growth in employment, although it is debatable how far the policies are appropriate for Saudi Arabia's short-term employment creation needs.

Oil revenue is the major source of government finance, accounting for around two-thirds of total revenue in Saudi Arabia.[9] The share varies from year to year, reflecting oil price and production developments, but these also affect the overall level of revenues, given the political problems posed by raising revenues from other sources.[10] Non-oil tax revenues are dependent on the overall state of economic activity, which is itself affected by oil sector developments, so even if the tax base was more diversified, this would not entirely solve the problem of oil reliance. The major non-oil revenue sources are indirect taxes, notably import duties and charges for services provided by the state. It is the latter which were increased to raise non-oil revenue during the last period of low oil prices in 1998, with Saudi Arabia introducing airport taxes, raising visa charges and increasing retail fuel prices.[11]

Saudi Arabia has no income tax, but *Zakat*, an Islamic religious tax, is widely paid, with liability calculated by self-assessment of the value of financial assets. A sum equivalent to one fortieth of the value of financial assets is payable annually by Muslims through a form of alms giving, with receipts being earmarked for use in charitable causes, such as health care or educational scholarships for children from poor families.

There is no real crowding out of private savings by the substantial government revenue, as would be the case if the revenue came through personal taxation. And because corporate taxes are minimal outside the oil sector, there is little negative impact from government financing for private investment in business. As elsewhere in the world, government expenditure in Saudi Arabia is largely dependent on the buoyancy of revenue sources in the long term, although in the short term the government can borrow in anticipation of future revenue. The authorities have sought to keep expenditure under strict control for most of the 1990s because of the uncertainties over oil revenues. Capital expenditures have been cut, and the numbers of public sector employees virtually frozen, together with their wages. Transport and infrastructure spending has borne the brunt of the cutbacks, while it has been difficult to reign in spending on defence, education and health. In Saudi Arabia spending on transport and infrastructure in the 1990s averaged between one third and one half of its level in the previous decade, but by 1998 education expenditure was at an all time high, reflecting the increase in the school age population. This was also the case with health expenditure as the absolute numbers of older people increased to record levels. By 1998 defence expenditure accounted for 40 per cent of total government expenditure in Saudi Arabia, education around 24 per cent of the total, and health about 9 per cent.[12]

Saudi Arabia has a budget deficit but although this is substantial, the situation remains under control. Indeed deficits have been generally lower during the second half of the 1990s than earlier in the decade (see Table 4.3), and Saudi Arabia coped better with the 1998 downturn in oil prices than with previous downturns. Control over public expenditure has been effective for the most part, without the adverse social and political consequences predicted by some observers, and increases in utility charges have alleviated funding difficulties.

Fiscal policy instruments are fairly crude in the Kingdom, the major means of reacting to deficits being simply to slow down or postpone capital spending, including disbursements for existing projects. Diversifying revenue sources is realistically seen as a long-term task, rather than within the remit of demand management. Indeed, the key issue is ultimately structural reform, not short-

Table 4.3 The budget as a percentage of GDP

	Revenue	*Expenditure*	*Balance*
1990	30.1	36.5	–6.4
1991	46.3	55.1	–8.8
1992	36.8	45.7	–8.9
1993	31.8	42.4	–10.6
1994	28.7	38.0	–9.3
1995	31.1	36.9	–5.8
1996	34.6	37.9	–3.3
1997	37.5	40.4	–2.9
1998	29.0	38.3	–9.3
1999	30.3	36.3	–6.0
2000	31.6	35.5	–4.0

Source: Economist Intelligence Unit, London.

term deficit control. Budget announcements are useful as a guide to spending plans and government priorities, but they should not be judged in the context of short-run macroeconomic management.

The Finance Ministry in Saudi Arabia tends to be reactive rather than proactive, cutting current and capital spending after oil price falls and increasing it in better times. There has been no real attempt to date to anticipate the oil price cycles and steer the economy accordingly. Indeed, *de facto* power over government revenues lies more in the hands of the Ministry of Petroleum and Energy rather than the Finance Ministry, whose primary function is the control of disbursements. Nevertheless, slow changes are occurring, and it is notable that no attempt was made to revise Saudi Arabian government spending targets upwards in 1999 despite the better than expected revenue flows from the higher oil prices. The Saudi Arabian minister of finance and national economy, Ibrahim al-Assaf, has been much tougher than his predecessors in keeping spending ministries in check and has used oil windfalls to pay off past government debts to farmers, contractors and suppliers.[13]

As the local capital market in Saudi Arabia is very limited in size and depth, much of the budgetary deficit has to be financed through international borrowings. This can be cheaper than local borrowings in any case, as the Kingdom has a favourable credit rating from Moodys and other agencies. The ratio of foreign debts to exports, a useful measure of a country's ability to service its international financial obligations, has risen substantially in the 1990s as Table 4.4 shows.

Table 4.4 The ratio of foreign debt to exports in Saudi Arabia

	Percentage
1990	27.5
1991	29.4
1992	28.3
1993	37.9
1994	43.6
1995	33.1
1996	25.8
1997	34.5
1998	64.7
1999	66.2
2000	62.4

Source: Economist Intelligence Unit, London.

The outlook for privatisation

Financial imperatives rather than a desire for privatisation are nevertheless changing the role of the state. Crown Prince Abdullah chairs a new Higher Economic Council that includes ten private sector representatives along with government ministers. There has been much institutional reform to establish the prerequisites for privatisation, including the corporatisation of the electricity sector. Actual privatisation is proceeding only slowly, however, although the Saudi Telecommunications Company, which was split off from the postal service, seems likely to be the first candidate.[14]

The future direction of policy remains uncertain despite the lip service paid to reform and the increasing influence of younger 'technocrats'. In the banking sector, for example, which was very fragmented in Saudi Arabia, with too many small banks, the merger of the Saudi American Bank with the United Saudi Bank created a much stronger private corporate entity. However to 'strengthen' the leading bank in the Kingdom, the Public Investment Fund took a 50 per cent stake in the National Commercial Bank, which could be interpreted as a nationalisation measure.[15]

Similarly, the rationalisation of the electricity industry in the Kingdom has involved the creation of a huge state-owned organisation, the Saudi Electricity Company.[16] There have been differences between the Ministry of Finance and National Economy and the Ministry of Industry and Electricity over the merger of the ten regional power companies into the new entity, with the latter favouring a more decentralised system. The rationale for these changes is to have a national tariff structure which makes generation potentially more profitable. Hence, subsequently, if generation and transmission are separated, multinational companies can participate in the build–own–operate (BOO) projects, which means investment funding for generation can be raised privately.

As the electricity sector on some estimates will require investment of $117 billion by 2020, the attraction of transferring this commitment from the government to the private sector is clear. However, the two projects which had been cited as possibilities for BOO financing, the 1,100 MW Shuaiba plant in the western region and the 1,000 MW Shuqaiq power generation project in the south, are being financed by the government itself, as the oil revenue position has improved.[17] It seems that private financing may only be acceptable on an experimental basis for small generation projects serving industrial users rather domestic consumers in major cities.

Investment

The economy of Saudi Arabia is linked to the global economy through capital flows as much as by oil.[18] It is the international economy that provides the opportunities for diversified portfolio investment by local financial institutions and individuals of high net worth, as there are no restrictions on capital movement. At the same time, it is international capital markets which can cater for the specialist financial needs of oil related industries and utility and infrastructure projects. As local capital markets in the region are less developed and less efficient, given the relatively sophisticated forms of financing required, it make sense to use international markets, even though this reduces the Kingdom's financial independence.

In the case of Saudi Arabia, outward investment flows are likely to remain in excess of inward flows, partly reflecting perceived political risk factors. It is the latter that are one of the main determinants of investor behaviour in and towards the region, even though it is usually implicit rather than explicitly stated, at least by local investors. Much investment policy is really aimed at attracting local investors to repatriate or keep funds at home, rather than at new investment from Western sources. The development of the local stock markets has encouraged domestic investors, and the local commercial banks now provide more investment vehicles, including mutual funds, although many are focused on overseas markets.

Like so much else in Saudi Arabia, investment fluctuations are heavily influenced by oil-pricing developments, with increases in oil prices resulting in multiplier effects from government spending on both inward and outward investment flows.[19] Oil price rises directly stimulate government investment spending as the go ahead is given for delayed infrastructure projects and utility expansion, and price falls usually impact on capital spending before current expenditure, which it is more difficult to cut. At the same time, in so far as government spending boosts local business, this in turn increases the resources available to the private sector to invest both at home and internationally. Conversely when oil prices fall, the surpluses available for private investment, both local and foreign, also decline.

Country risk assessments also influence investment flows, not just formal assessments by international rating agencies such as Moodys and Standard and Poors, but also informal assessments by local and foreign investors. The Gulf War and its aftermath not surprisingly resulted in major capital flight from Saudi Arabia as Table 4.5 shows, with positive numbers indicating capital flight and negative figures capital inflows. Over $24 million left Saudi Arabia in 1991, largely as a consequence of the war. The table illustrates how when oil prices fell in the mid-1990s capital flight was reduced.

Joint ventures

There are opportunities for investment by foreign companies in both the oil and non-oil sectors in Saudi Arabia. Non-oil investments include the defence

Table 4.5 Capital flight from Saudi Arabia

	$ million
1990	–929.0
1991	24,180.0
1992	10,172.0
1993	13,408.0
1994	4,206.0
1995	8,088.0
1996	784.0
1997	–6,544.8
1998	6,129.0
1999	5,664.3
2000	3,358.9

Source: Economist Intelligence Unit, London.

offset arrangements, such as that involving British Aerospace in Saudi Arabia. The broad prospects for inward investment growth are dependent on the projected economic trends, with an emphasis on the possibility for collaborative ventures to exploit the domestic market and possibilities in the energy sector. There is significant scope for investment by multinational oil companies, given the low cost base for production, the reserves, which account for half of the world's total, and the possibilities of increasing the efficiency of exploration by applying the latest technology. Nevertheless, there is a reluctance to see Western control of oil investment because of the historical experience of production levels and prices being controlled by the major oil companies prior to the 1970s.[20] The new Saudi Supreme Petroleum Council chaired by King Fahd has given ARAMCO the exclusive role in oil and gas upstream.[21] Despite this, Western company involvement, beyond management contracts and specialist services, is again becoming increasingly attractive. There is the need for the modernisation of production facilities, the ability of the companies to offer access to consumer markets 'in-house', and the risks involved in local state companies borrowing to finance their own investments.

Given the concern over foreign control, the greatest potential is for inward investment through joint ventures. This can be attractive to foreign companies as it reduces investment costs, given the ability of local partners to raise finance through bank borrowings and domestic equity placements. A creditable Western joint venture partner often enhances the financial standing of the local company, and enables it to secure funding on more favourable terms. International institutions such as the IMF and WTO would prefer to see countries such as Saudi Arabia opening up completely rather than emphasising joint ventures, but the latter are at least a second-best solution, and ownership restrictions are viewed as a lesser evil than controls over capital movements.

The Ministerial Oil Committee carried out a review of foreign energy investment policy in 1999 to develop a new oil and gas strategy. Subsequently, the Saudi Arabian authorities informed international oil companies that they were interested in investments and joint ventures in natural gas, power, refining and petrochemical projects.[22] Of particular interest was the production and industrialisation of natural gas.[23] Upstream oil development was, however, excluded from the list of areas open to foreign investment, as the Kingdom had three million barrels a day of spare production capacity.

The leading international oil companies all maintain offices in Riyadh, including BP Amoco, Exxon, Texaco, Shell, Mobil, Chevron and LG Caltex. There is also representation from European companies such as ENI and TotalFina as well as Far Eastern companies such as Idemitsu Kosan, Mitsubishi and the Chinese Petroleum Corporation. In 1999 Phillips Petroleum and Conoco opened regional offices for the Middle East in Riyadh.

Under Saudi Arabia's foreign investment laws the establishment of wholly foreign-owned firms is possible, but this is not a very attractive option. At least 25 per cent Saudi Arabian participation is required if the firm is to qualify for an automatic ten-year tax holiday on profits, including tax on profits distributed to foreign shareholders.[24] Furthermore, a Saudi Arabian equity stake of at least 51 per cent is required if a firm is to qualify as a Saudi Arabian company, which makes it eligible for all government contracts. At least 30 per cent of all government contracts must be awarded to Saudi Arabian companies, and in practice the figure is much higher due to discriminatory purchasing in favour of local suppliers.

As land and property cannot be owned by foreigners or foreign companies in Saudi Arabia, this also makes joint ventures with majority Saudi Arabian ownership a more attractive proposition, given the greater freedom under the Commercial Investment Law. This law is unlikely to be changed in the foreseeable future, despite calls by foreign residents in the Kingdom for reform, as it ensures Saudi Arabian citizens enjoy rental income from the accommodation occupied by migrant workers.[25] There is a greater prospect of the foreign investment laws being further amended, as a result of Saudi Arabia's application to become a member of the World Trade Organisation.

Most foreign direct investment into Saudi Arabia originates in the United States, which accounted for almost half of the flow in 1998 as Table 4.6 shows. There was American participation in 267 projects worth over $2.25 billion, mainly involving downstream activities using oil or defence-related projects. Much of the investment from Bermuda and Panama also involved American-owned companies, sometimes with Saudi Arabian participation,

Table 4.6 FDI into Saudi Arabia by country, 1998

Country	*No. of projects*	*Paid-up capital, $ US million*	*Percentage*
United States	267	2,252.5	45.3
Japan	35	576.8	11.6
Bermuda	18	312.3	6.3
Netherlands	51	219.9	4.4
Jordan	114	214.7	4.3
France	67	198.3	4.0
United Kingdom	146	147.1	3.0
Panama	24	107.6	2.2
Italy	54	100.7	2.0
Switzerland	58	97.1	2.0
Lebanon	149	90.1	1.8
Egypt	30	84.1	1.7
Cayman Islands	30	79.6	1.6
Kuwait	36	77.6	1.6
Finland	15	74.5	1.5
Germany	77	58.1	1.2
Bahrain	11	57.0	1.1
Korea	38	49.3	1.0
Iran	11	39.7	0.8
Taiwan	5	39.0	0.8
Other countries	373	97.7	2.0
Total	1,609	4,973.6	100.0

Source: Saudi Arabian National Centre for Economic and Financial Information, June 1999.

which is why the source is registered these tax haven locations. Investment from Japan and the Netherlands is largely in petroleum-related activity, with Shell associates and suppliers being significant in the case of the latter. Of particular interest is the large number of relatively small projects, some designed to supply the local market, while others are geared towards particular niche export segments.

The accumulated total investment up to 1998 in joint ventures by sector is illustrated in Table 4.7. Most of the investment, worth over $30 billion, has been in chemicals and plastics. These petrochemical projects, largely through SABIC, the Saudi Arabian Basic Industries Corporation, account for almost 90 per cent of the total licensed projects approved by the Ministry of Industry and Electricity. Construction materials and machinery and equipment are the two other categories of significance. Sectors such as food processing are of much less importance, although given the more labour-intensive nature of such businesses, they account for over 4,000 employees.

Joint ventures accounted for over 57 per cent of all projects approved by the Saudi Arabian Ministry of Industry and Electricity up until 1998.

Table 4.7 Joint ventures in Saudi Arabia

	Number	*Capital, $ million*	*Employees*
Food processing	30	404	4,098
Textiles & clothing	11	84	1,202
Furniture	17	53	1,109
Paper, printing & publishing	20	420	2,885
Chemicals & plastics	98	30,036	21,515
Construction materials	46	1,816	9,667
Base metal products	1	1	18
Machinery & equipment	133	1,154	12,775
Other manufacturing	5	70	570
Transport & storage	1	2	41
Total joint ventures	362	34,040	53,880
Total other	2,326	59,360	197,339
% joint ventures	13.5	57.3	21.5

Source: Saudi Arabia Ministry of Industry and Electricity, April 1998.

This proportion may increase in coming years, as although Saudi Arabian companies are acquiring greater technical expertise, having international partners can ensure better access to global markets and more competitive supplies. Furthermore, with considerable consumer awareness of branded products in Saudi Arabia, there will be increasing scope for joint ventures in consumer products and retailing.

WTO membership issues

WTO membership has proved a divisive issue for the GCC states. The states have negotiated individually with the WTO rather than as a group, and consequently the pace of negotiations and entry has varied. Bahrain, Kuwait, Qatar and the United Arab Emirates have all become members of the WTO, but Saudi Arabia has not. This division within the GCC is potentially damaging, as the organisation is supposed to promote economic co-operation amongst its members and bring some measure of harmony in external trade relations. The contrasting stances of Saudi Arabia, on the one hand, and the smaller GCC states, on the other, reflects both differing attitudes towards Western companies that trade with Israel and differences in economic interests.

On 29 and 30 May 1997 the WTO working party on Saudi Arabia's membership application met again, but little progress was made. The United States had threatened to block Saudi Arabian accession to the WTO unless it changed its position on the secondary boycott of firms doing business with Israel. As a consequence, Saudi Arabia's negotiations with the WTO over its membership application have proved extremely protracted and complicated. The minister of commerce, Osama Bin Jafar Bin Ibrahim al Faqih, made intensive diplomatic efforts to get Saudi Arabia admitted by the end of 1997, but both political and economic obstacles prevented this happening.[26] This is unfortunate, as Saudi Arabia risks being marginalised on international trading issues if it continues to be excluded from the world body, and the external negotiating position of the GCC will be weakened if its membership continues to be divided into those enjoying WTO privileges and those who are not.

There are many vested domestic interests at stake with Saudi Arabia's WTO membership bid. The WTO is a much more cohesive organisation than its predecessor, the General Agreement on Tariffs and Trade (GATT), and demands much more of its members. The high degree of economic openness required poses few problems for those economies with only limited industrial capacity geared to the domestic market, such as the smaller Gulf states, but for Saudi Arabia, which has a much larger economy and numerous protected industries, much more is at stake.

The Ministry of Industry and Electricity has supported the development of new manufacturing ventures for over twenty-five years through its industry licensing system, which gives protection to local firms under majority Saudi Arabian ownership.[27] New entrants, even locally owned companies, are not allowed into the market if this would threaten the position of existing producers. The protected firms have enjoyed access to subsided credit from the Saudi Industrial Development Fund, and their local monopoly power ensures that they are seen as a low risk for commercial bank lending.

Tariffs are generally low in Saudi Arabia and the Kingdom has agreed to move towards a common external tariff with the other GCC states by 2005.[28] This will be 5.5 per cent for basic commodities and industrial inputs and 7.5 per cent for consumer goods. Once this is achieved, the GCC will have evolved from being a free trade area into a customs union.

The WTO working party considering Saudi Arabia's membership bid has noted some signs of economic liberalisation. While foreign direct investment still has to be channelled through locally controlled companies, the market for portfolio investment was opened up in March 1997 when the Saudi Arabian Monetary Agency agreed that the Saudi American Bank could launch a mutual fund designed to attract foreign investment into local equities. This is designed to track the Saudi Arabian stock exchange index, but the authorities seem reluctant to allow stock ownership to pass directly into overseas hands. Permitting foreign ownership of mutual funds is marginal in relation to the major issue of allowing foreign control of direct investment, which is of much greater potential significance for trade.

The Kingdom has concluded market access agreements with Japan, involving lower tariffs on electrical goods, improved standards and certification for imports, and clarification of the rules for foreign involvement in the construction industry.[29] In return for these concessions Japan will now support Saudi Arabia's bid for WTO membership. A successful applicant has to reach agreement with its major suppliers on market access, but similar agreements have yet to be concluded with the European Union and the United States.

Saudi Arabia should have no problems with respect to the WTO provisions on items such as textiles and clothing, but surprisingly the rules on subsidies to agricultural exports could cause some problems, given the Kingdom's grain surpluses. Trade-related aspects of intellectual property rights (TRIPS) could also result in problems for Saudi Arabian producers of pharmaceuticals because of restrictions on the local manufacture of generic products. This issue was raised by the working group on WTO accession in November 1996, and is certain to be considered again if talks on entry proceed.

Offset agreements could also be affected by WTO membership, as these involve trade preferences and protectionist measures. In order to ensure that there are some benefits to the local economy from spending on defence equipment, offset agreements have been reached with multinational companies to ensure that such equipment is, where possible, assembled and serviced in Saudi Arabia. Offset agreements are seen as a way of obtaining technology, increasing employment, boosting the domestic private sector and diversifying away from oil through industrialisation.[30]

In Saudi Arabia there are over twenty major offset programmes worth over $600 million in foreign direct investment, and these have created employment for over 1,500 people.[31] The major Western countries involved are the United States, France, Germany and the United Kingdom, with the latter involved through the Al-Yamamah programme which offset the purchase of Tornado aircraft. Over ninety British companies are participating in joint ventures under this programme in the oil, pharmaceutical and consumer goods sectors. Other offset programmes involve Boeing, General Electric and United Technologies from the United States. German offset programmes are worth $540, but only 10 per cent of this is accounted for by German investment, with the bulk coming from Saudi Arabian joint venture partners.

Conclusions

It is evident that Saudi Arabia faces both political and economic obstacles in its bid for WTO membership. For Saudi Arabia, one of the greatest benefits of WTO membership would be its access to the organisation's trade settlement procedures. As an outsider, Saudi Arabia cannot take its disputes before the arbitration panels. Yet this could sort out the problems over petrochemical exports, and prove a more fruitful avenue to pursue than the bilateral negotiations with the European Union and other interested parties that have yielded mixed results.

Fiscal policy is becoming more consistent under IMF recommendations, with government spending kept under tighter control than in the past. This implies the private sector and multinational companies will have to play an increasing role in funding commercially viable developments. There is evidence that this is happening, despite a reluctance to permit foreign ownership of local resources. In the long run, joint ventures which ensure a degree of local control may be less attractive for foreign partners when most other countries have fewer ownership restrictions.

In the short and medium term, economic reforms will not necessarily bring political change, but in the long run, changes in the business culture will challenge traditional systems of governance and authority. There is the potential for conflict between economic modernisers and Islamists, but this can be exaggerated in the economic sphere. Islamic economics and finance is evolving, and may well propel rather than obstruct reform.

Notes

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5 Dynamics of GCC press–government relations in the 1990s

Naomi Sakr

Introduction

Freedoms of expression and information have become standard ingredients of the recipes for good governance purveyed by development agencies. The United Nations Development Programme has explicitly included these freedoms in its criteria for good governance since 1995,[1] while World Bank officials now routinely recommend openness and transparency in policy-making.[2] The European Union expects members of the Euro-Mediterranean Partnership to respect human rights and 'fundamental freedoms', including freedom of expression.[3] While such ringing multilateral endorsement of a political right represents a step beyond these institutions' earlier preoccupation with economic reform and structural adjustment programmes, the objective of guaranteeing freedom of expression and information has always been part of the UN mission. In its very first session in 1946, the UN General Assembly passed a resolution stating that 'freedom of information is a fundamental right and is the touchstone of all freedoms to which the United Nations is consecrated'.[4] Under Article 19 of the 1948 Universal Declaration of Human Rights,

> Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

It follows from these precepts that media systems form an essential focus of any study of governance in a society. Yet, although the activities and associations of so-called civil society in the Middle East have attracted increasing attention in recent years, detailed studies of the functioning of either the print or broadcast media in specific country settings have been rare. This article undertakes a comparative overview of the printed press in the six Gulf Cooperation Council countries, addressing the role it plays in encouraging debate on local issues. It starts by exploring how the notion of press freedom might be applied in an empirical study of this kind and proposing a practical framework within which to analyse the print media in this, or any, context. It goes on to examine actual relations between governments and the press in the GCC, paying attention to signs of, and reasons for, change. Widening disparities among GCC member states in this sector are noted and discussed. The third, concluding, section draws on the evidence to reflect on the existence of a regional dynamic.

Models of the press

While freedom of expression is a human right that underpins the struggle for press freedom, judgements about whether the press is more or less free have to recognise that curbs on freedom take invisible, as well as visible, forms. Even when subject to minimal legislative controls, the media are not a neutral channel for the direct exchange of information between governments and citizens; as institutions they are embedded in existing power structures. On this basis John Keane has summarised several internal 'blindspots' of classical theories of press freedom. They include oversimplification of the complex practical processes whereby newspaper owners and their employees set agendas, frame content, censor themselves, negotiate and compromise in an uneven marketplace to produce and distribute to a public differentiated by varying levels of literacy and wealth.[5]

Broad schematic comparisons of press systems cannot take account of these complexities. Writing in the 1950s, the American authors of *Four Theories of the Press* posited the existence of two basic philosophical rationales underlying opposing 'kinds of press' in the post-war world. On one side they placed Authoritarian theory, and its latter-day incarnation in Soviet Communist theory, which conceives of the press as a servant of the state. On the other side were Libertarian theory and its modification into Social Responsibility theory, in which the press is seen as watchdog, a check on government, or a 'partner in the search for truth'.[6] Four decades later, another group of American scholars gathered to reappraise the thinking that produced this normative framework. They decided the time had come to administer last rites.[7] Normative theories, they said, should be treated as ideologies or historically specific cultural formations. *Four Theories* 'seemed to succeed in mapping *all* the normative theories because it mapped them from just one' [original emphasis].[8]

Their verdict got to the core of problems with the Four Theories that had been apparent for a long time. The role played by certain newspapers in the UK general election of 1992 demonstrated just how little relevance either the Libertarian or Social Responsibility theories had to a large part of the British tabloid press.[9] As for the Soviet Communist theory, studies have shown how the broadcast media in former Soviet bloc countries departed from the classic 'Soviet' model long before the fall of communism. As Sparks and Reading have pointed out, the model itself was part of a rhetoric intended to adduce a striking contrast between the US (commercial) and Soviet (non-commercial) systems. 'In a broader international comparison', they write, 'the contrast appears much less stark'.[10]

For the same reasons, schematic mapping of press systems in developing countries is ill advised. The pitfalls are apparent in a comparative study conducted in the 1980s, which attempted to identify a Third World perspective alongside those of the Western and Communist worlds.[11] Despite their three-pronged approach, the authors still tended to describe a notional Third World system using the same terminology established for the other two. In doing so they characterised the Communist model in terms of mobilisation and propaganda and the Western model in terms of the watchdog function and 'non-interference with the news'.[12] Yet when Herman compared US press treatment of the shooting down of two commercial airliners – a Libyan plane downed by Israel in 1973 and a South Korean plane downed by the Soviet Union in 1983 – he used a propaganda model and found the US media to be quite capable of undertaking ideological mobilisation.[13]

Rugh, in his famous 1970s study of the Arab press, concluded that the 'real dynamics' of press systems in Arab countries could only be grasped in the light of political and other conditions prevailing in a specific country at a specific time.[14] For convenience he assigned newspapers across the Arab world to one of three categories: 'mobilisation', 'loyalist' and 'diverse'. But he acknowledged that the three types were not static or permanent and that the same country could experience each type over time. In the light of his findings, Rugh argued that 'neither the media nor their environments can be understood properly without reference to the other'.[15]

In other words, the media are not self-contained or monolithic; the press and wider aspects of governance are intertwined. Just as the state is not a unitary phenomenon, but a cluster of institutions and personnel that are often disunited,[16] so the media are implicated in these cleavages and, whether obviously or not, are sites of struggle between contending forces.[17] GCC press debate about sensitive political, social and economic issues can be viewed in this light. Opposition between reformist and conservative camps within a single government is one type of conflict that may be reflected in the press. Splits within a single ruling family are another. But there may be other, more subtle contradictions. A journalist working for a newspaper owned by the Ministry of Information might be a government employee but still aspire to playing a watchdog role. A privately owned publishing company may owe its existence to the incumbent regime but switch allegiance if this will help it to survive.

Thus it is not a simple question of whether the press is owned by the state or by private individuals or whether newspaper content is formally censored or not. The handling of debate about local issues depends on a multi-dimensional array of factors, starting with structural regulation and legislation controlling content but also including the identities of newspaper publishers and editors, the composition of readerships, the liveliness and openness of debate in the parliament or consultative council, transnational influences, cross-media influences and the status and treatment of journalists.

Development and divergence

On nearly all these criteria, marked differences emerged among the six GCC states during the course of the early 1990s. A comparison of press laws in force at the start of the decade would have shown that all of them imposed prison sentences for such vaguely worded offences as 'criticising the ruler', 'disseminating false information', 'disturbing public order', or 'harming' national unity, public morality or relations with friendly states. The main difference from one country to the next was in whether the length of the prison sentence incurred for such offences was measured in months or years.[18] All had information ministries running the broadcast media and enforcing press censorship through licensing of publications, obligatory deposit of newspapers before (or, in the UAE, at the time of) distribution, registration of journalists and so on.

Similarly, a comparison of the available forums for debate would have shown that only Oman and the UAE had consultative councils in operation at the start of the 1990s, and that these were appointed bodies with very limited scope. The first elections to Oman's consultative council only took place in 1997. Kuwait's elected parliament had been dissolved in 1986 and was not reconvened until 1992. Bahrain's National Assembly was dissolved in 1975 and the Consultative Council formed at the end of 1992 was appointed by the emir. Saudi Arabia's Consultative Council, proposed in 1962, was established by appointment thirty years later. Deliberations on creating an elected parliament for Qatar did not start until 1999.

Satellite television was just arriving in the Gulf at the start of the 1990s. It was not until after Iraq invaded Kuwait in August 1990 that the Egyptian government, through the Egyptian Radio and Television Union, launched the Egyptian Space Channel to serve Egyptian troops and other listeners in the Gulf. The Saudi-owned Middle East Broadcasting Centre (MBC) started up from London in September 1991. Neither ESC nor MBC were interested in breaking existing censorship rules restricting political programming,[19] so it was not until other pan-Arab channels joined the satellite scene in the mid-1990s that cross-media ramifications of the new medium of satellite broadcasting began to be felt.

In the same way, the rise of the expatriate pan-Arab press and diaspora journalism was a phenomenon of the 1990s. The Saudi-owned *Asharq al-Awsat* had started in London in 1979, but it was not until 1990 that the Lebanese daily *Al-Hayat* was resurrected with Saudi money and also published from a London base. The Palestinian Abu Zuluf family, owners of the Jerusalem daily *Al-Quds*, set up the London version, *Al-Quds al-Arabi* in 1989. Originally directed at Palestinians in the Gulf, *Al-Quds al-Arabi* was left floundering when Palestinians were forced to leave the Gulf during the crisis of 1990–1. It was after a change of ownership and editorial direction that *Al-Quds al-Arabi* started to make its mark.

Iraq's invasion of Kuwait and its aftermath was just one factor in the rapid demographic changes that affected the composition of newspaper readerships in the Gulf during the 1990s. What amounted to a baby boom in the wake of the mid-1970s upturn in the Gulf states' economic fortunes started to feed into changes in the job market as the 1990s wore on. At the start of the 1990s, controversy around the issue of expatriate labour was limited. In contrast, the end of the decade was marked by acute anxiety over the rising tide of young unemployed Saudis, Bahrainis, Omanis and even Qataris, among whom literacy rates and consequent receptiveness to the print media were substantially higher than those of the previous generation. Adult literacy in Saudi Arabia was 73 per cent in 1997, compared with just 9 per cent in 1970.[20]

Meanwhile, as the proportion of people aged under 25 rose dramatically, so the age gap widened between elderly GCC rulers and the majority of the GCC population. It was not until the second half of the 1990s that a coup in Qatar and the death of the emir in Bahrain brought the first of a new generation of heads of state to the helm. The tensions these changes produced within the ruling families of Qatar and Bahrain were mirrored by emerging splits over succession arrangements between different branches of other GCC ruling families, notably those of Kuwait and the UAE.

Qatar

Against this rapidly evolving socio-economic landscape, media practice in individual GCC countries developed during the 1990s along diverging paths. The direction of Qatar's shift away from earlier norms was set when Shaikh Hamad bin Khalifa Al Thani ousted his father and took over as emir in June 1995. Within four months of his takeover, Shaikh Hamad's government announced that it planned to end press censorship to prove its 'trust in the role of the press'.[21] In February 1996 the Qatari cabinet decided to abolish the Ministry of Information. The outgoing minister of information and culture, Hamad Abdel-Aziz al-Kuwari, expressed pleasure that Qatar had become the first Arab country to take such a step. It was an experiment, which, he said, would serve those in positions of responsibility by doing away with secrecy and enabling them to 'feel the people's pulse'.[22] Later that year Qatar achieved another first by agreeing to the 24-hour relay of British Broadcasting Corporation (BBC) programmes from Doha on FM. This agreement meant that BBC radio programmes in Arabic and English would be available on FM in the Arab world for the first time. It also included provision for Qatari broadcasters to be trained by the BBC.[23]

Qatari officials were clear that dismantling the traditional censorship apparatus might be unusual in an Arab country but was by no means unusual in other parts of the world.[24] They seemed to have been prepared for the political fall-out incurred as a result of airing discussion programmes with opposition figures from across the region who, far from having access to the media in their own countries, would probably be sent to prison if they returned there. Much has been written about the background to Qatar's Al-Jazeera satellite channel, which started up in late 1996 but did not become widely available to satellite viewers until November 1997.[25] The focus of this chapter is not television but the press. In shifting focus, however, it is worth noting that Qatari radio and the press played host to Bahraini dissidents even before Al-Jazeera was launched. Given the border dispute between Qatar and Bahrain over the Hawar islands, and support for Bahrain's position from other Gulf states,[26] Qatar's use of its media for political point-scoring in this fashion was quite in keeping with regional traditions. Speaking on Qatari radio in January 1996, Mansour al-Jamri of the Bahraini opposition drew attention to his close relations with Qatar. He said he had repeatedly called for 'dialogue between the decision-maker and the citizen . . . on the BBC, the radio and TV [and in] weekly articles in the national press in Qatar'.[27]

Critics of the Qatari government's approach to the media claimed that the emirate was giving itself the freedom to tackle topics that were sensitive in other Arab countries while keeping controversial aspects of domestic politics off-limits. Qatari officials rejected this criticism with some justification. In June 1999 both government-owned radio and the press broke a long-standing taboo in the Gulf region by allowing callers and columnists to complain about the privileges enjoyed by the Qatari ruling family. Several speakers on a morning radio phone-in debate called for a reduction in the allowances paid to members of the Al Thani and one described the ruling family as a 'big emotional and financial weight on the nation and its people'.[28] The talk show host, Abdel-Aziz Mohammed, said the debate proved there were 'no more red lines' for the Qatari media.

The Doha newspaper, *Al-Raya*, followed up the radio programme by publishing an editorial on the same subject. It said: 'While Qataris are suffering from unemployment, lack of adequate housing and reduction of government subsidies . . . the ruling family continues to enjoy privileges'.[29] In October 1999, in an interview with *Al-Hayat*, the foreign minister, Shaikh Hamad bin Jassem bin Jabr Al Thani, listed instances in which he and Qatari government policies had come under attack from Al-Jazeera among others. Judging from the amount of criticism, he said, 'you would think that [Qatar's] population numbered 50 million rather than half a million'.[30] Of media comment on the Gulf Cooperation Council he said: '. . . if we want [the GCC] to get stronger, we have to let our peoples know about our differences. They have a right not to be left in the dark'.[31]

The United Arab Emirates

Unlike Qatar, the UAE still has an information ministry, headed by Shaikh Abdullah bin Zayed (a son of the president) since 1996. Like ministers in Qatar, however, Shaikh Abdullah publicly welcomes the idea of media freedom. He told a conference of Gulf newspaper publishers in Abu Dhabi in March 1998 that any attempt to place constraints on the free flow of information was futile. The UAE authorities believed, he said, that the press, besides providing information, should act as the 'conscience of society', identifying failure as well as celebrating success. They also believed that the best way to dilute any negative effect of incoming foreign media was to ensure that the UAE's own domestic media was of 'such a quality that it could provide an attractive alternative view'.[32] Shaikh Abdullah announced to the conference that the UAE was in the process of making amendments to its federal Press and Publications Law based on this understanding of the role of the press. Two years later the final draft of that law had still not been released. In the meantime, however, several developments suggested that the status of the media in the UAE was being upgraded and that government policies and ministerial performance could be openly criticised, whether in the press or the Federal National Council.

Whereas the Qatari regime allows the media to break taboos as a form of muscle flexing within the GCC, the UAE authorities' rationale for holding back on censorship is that a thriving regional business centre needs a credible press. A concentration of foreign businesses in the UAE means a concentration of expatriates, with access to alternative sources of news and analysis, and competition among both English-language and Arabic dailies in a small but lucrative market. Money spent on advertising, measured per head of the population, is higher in the UAE than in other GCC states.[33] Two privately owned English-language dailies, *Gulf News* and *Khaleej Times*, reportedly earned around $31m each in advertising revenue in 1997, while the Sharjah-based Arabic daily *Al-Khaleej* earned nearly $23m.[34] Aware of potential future profits to be made from the information industry, Sheikh Mohammed bin Rashed Al Maktoum, crown prince of Dubai and defence minister of the UAE, announced in October 1999 that Dubai was creating an Internet City. Companies in the city could be 100 per cent foreign owned, exempt from tax, and benefit from sophisticated telecommunications and logistical support, including an Internet University.[35] At the start of 2000, the Internet City project was officially linked to a Media Free Zone.

With competing media free zones springing up in other Arab countries, notably Egypt, Jordan and Bahrain, prospective investors were expected to judge the Dubai venture not only in terms of business freedoms but also in terms of the availability of skilled labour and freedom from onerous controls on media content. It was apparently on this basis that Shaikh Mohammed, in addition to promoting the Internet City and Media Free Zone, intervened personally to provide local journalists with the means to enhance their status and become more familiar with new technology and diverse sources of information. The new press club he opened in November 1999 offered free access to international news agencies and the internet from 9am to 11pm.[36] He also put money into forming the UAE Journalists' Association and creating a trust fund for its members, saying that this was one way of defending the rights and freedoms of journalists and boosting the number of Emirati journalists in the UAE.[37] Shaikh Abdullah bin Zayed publicly praised Shaikh Mohammed's support for journalism and the 'exchange of ideas'.[38]

None of this means there is no press censorship in the UAE. Instead of government officials vetting newspapers before distribution, Shaikh Abdullah meets newspaper editors once a month to ensure that, if they have material that is likely to 'shake a few branches', they do not shake the wrong ones.[39] But the UAE press derives strength from the state's federal make-up. The presence of seven ruling families gives private publishers more opportunities to exert influence through personal connections. At the same time, the multiple layers of local and federal government give rise to conflicting official policies and perceptions, which can be played off against each other by the press. Thus it is up to individual editors to test the boundaries of what can and cannot be published in the UAE. Precedents have been set for investigative journalism in organs such as *Gulf News* and *Al-Khaleej* and allegations of corruption have been aired. To cite two examples: in 1999, the press reported clashes over alleged irregularities in the federal Ministry of Health; and in early 2000 there were press reports on drug trafficking in the region, based on journalistic research that had been going on for years.

Kuwait

The more newspaper editors assert their right to comment on national affairs, the more they push at the imprecise boundaries laid down in vaguely worded prohibitions contained in press laws, and the more chance there is that the regime will be tempted to invoke these laws. Controls on the Kuwaiti press have come and gone during the last forty years, in a process closely linked to the dissolution and convening of parliament, and to the state of relations between cabinet ministers and MPs. The Kuwaiti parliament has been televised since February 1999, despite government objections based on the frequency with which MPs call ministers to account. The political participation of MPs is mirrored in the extent to which national politics feature in Kuwait's five Arabic-language national dailies. Four of these, *Al-Qabas*, *Al-Anbaa*, *Al-Siyassa* and *Al-Watan*, have had run-ins with the authorities. Mohammed al-Saqr, the editor-in-chief of *Al-Qabas* since 1983, received a press freedom award from the US-based Committee to Protect Journalists in 1992. He attributed his paper's success to its ability to function without government advertising or government subsidies and to non-interference on the part of the five merchant families who own it.[40]

Al-Siyassa has also built a reputation for serious journalism under its proprietor and editor-in-chief, Ahmad Jarallah, who turned the paper from a weekly into a daily. *Al-Watan* has reportedly enjoyed more editorial freedom since being bought by Kuwait's former oil minister, Shaikh Ali Al Khalifa, after the Gulf War and being made part of a diversified publishing house.[41] *Al-Anbaa*, on some reports the most widely circulated newspaper in Kuwait, boosted its editorial team in the mid-1990s by recruiting staff from the respected Lebanese daily, *Al-Nahar*.[42] As these papers tried to report freely on local politics in the second half of the 1990s, government sanctions against them intensified, culminating in early 2000 in a situation where two papers, *Al-Siyassa* and *Al-Watan*, were saved from closure only through the intervention of the emir.

Before the Gulf War, the dissolution of parliament in 1986 was accompanied by the introduction of reporting restrictions even tighter than those contained in the 1961 press law. After the war, in 1992, the government succumbed to international pressure in favour of political liberalisation by revoking pre-publication censorship. This was a small concession, given that pre-transmission censorship was kept for the broadcast media, along with judicial powers to suspend newspapers or shut them down and send journalists to jail. Under these rules, *Al-Anbaa* was suspended for four days in 1995 for running interviews with representatives of different religious and political tendencies in Kuwait. The cabinet, in ordering the suspension, said such interviews went 'against the national interest'.[43] In an effort to stifle coverage of public affairs, the government also banned civil servants from writing in the press.[44]

In 1998–9 the editors of *Al-Qabas* and *Al-Siyassa* were penalised for publishing items said to be blasphemous or immoral, in what looked like an attempt by the authorities to placate Islamist MPs who had protested about the display of banned books in a Kuwaiti book fair in 1997. In October 1999, however, *Al-Siyassa* was banned yet again, for five days, this time for reporting remarks made by an Islamist, Hamid al-Ali, criticising an emiri decree and the US. According to the cabinet, the act of reporting such remarks undermined the emir's dignity and the national interest.[45] Undaunted, Kuwait's newspapers devoted increasing attention to the question of who might succeed the crown prince and prime minister, Shaikh Saad al-Abdullah Al Sabah. Shaikh Saad, head of every cabinet since 1978, returned to Kuwait in January 2000 after a prolonged absence for medical treatment in the US and UK. Soon after Shaikh Saad's return, the press carried a statement by the liberal Democratic Forum alleging 'stagnation and paralysis' in the country's 'political management' and an 'inability to face major challenges'.[46]

When the first deputy prime minister and foreign minister, Shaikh Sabah al-Ahmad Al Sabah, responded by telling journalists they were free to criticise the government but not the ruling family, the impossibility of doing one without the other was made plain. The posts of prime minister, foreign minister, minister of defence and minister of the interior have all regularly been held by members of the ruling Al Sabah. A government attempt to withdraw *Al-Siyassah*'s licence to publish and close down *Al-Watan* for two years, on grounds that they had fabricated an emiri decree, triggered a major clash. All five editors-in-chief of Kuwait's Arabic language dailies, including the usually placid *Al-Rai al-Aam*, condemned the information minister for allegedly failing to take their side. MPs accused the government of taking 'mad' and 'sick' decisions.[47] On 15 February 2000, the emir stepped in to defuse the crisis by cancelling government sanctions against *Al-Siyassa* and *Al-Watan*. Meanwhile, Kuwaiti editors had gathered ammunition in their campaign for a new, more enlightened, press law.

Bahrain

The heated and open struggle over censorship in Kuwait was closely observed in Bahrain in the wake of the change of leadership there in 1999. Under the former emir, Sheikh Isa bin Salman Al Khalifa, who ruled the country for nearly forty years, freedom of expression was one of many civil and political rights denied to the population. More important than Bahrain's 1979 press law was its 1974 Law on State Security, which authorised the interior minister to arrest anyone suspected of questioning the emirate's security or its economic or social foundations. The privately owned daily, *Akhbar al-Khalij*, was suspended for three days in July 1993 after publishing a map on which the disputed Hawar islands were shown as belonging to Qatar.[48] Two months later the paper's features editor, Ali Saleh, was sacked for trying to run an interview with the leading Shia dissident, Shaikh Abdel-Amir al-Jamri. Al-Jamri himself was subsequently detained without trial. In 1995, at a time of internal disturbances over calls for political reform, two journalists who spoke about the unrest to the BBC were arrested and held for two weeks.[49]

With the death of Shaikh Isa in March 1999 and the accession of his son, Shaikh Hamad bin Isa, the political climate showed signs of change. Shaikh Hamad ordered the release of Shaikh Abdel-Amir al-Jamri and hundreds of other political detainees and created a human rights committee within the Shura Council. Announcing a far-reaching but vague reform programme in December 1999, the new emir urged writers to 'express the people's aspirations freely' and called on state officials to 'accept constructive criticism'.[50] By then journalists in Bahrain had already drawn attention to changes in the media elsewhere in the Gulf. In one such article in *Al-Ayyam*, Sawsan al-Shaier had cited developments in Qatar, the UAE and Kuwait to argue that the only service a government-controlled press can provide is that of 'spin-doctoring'. The independence of the media, she said, was no less important than that of the judiciary.[51]

Oman

Included in Sawsan al-Shaier's examples of developments in the GCC media were calls in Oman for the Information Ministry to be scrapped and the media to be privatised. However, while such policy prescriptions may be aired in some forums in Oman today, this does not yet mean they receive media coverage.[52] Although Internet access has been available since the end of 1996,[53] media liberalisation in Oman is still at an early stage. Two of Oman's five daily newspapers, *Oman* and *Oman Observer*, are government controlled and the other three exercise self-censorship. All the country's media have had a short history, having been launched only in 1970 following the accession of Sultan Qaboos.

Oman has the lowest adult literacy rate in the GCC, at 67 per cent in 1997 compared with rates of 73 per cent in Saudi Arabia, 75 per cent in the UAE, 80 per cent in Qatar and Kuwait and 86 per cent in Bahrain.[54] Newspaper circulation remains very low, with the most widely read daily, the privately owned *Al-Watan* (printed outside Oman during its initial years), estimated to sell fewer than 30,000 copies in a population of 2.3 million. By comparison, some Kuwaiti papers sell twice this number to a population of less than 1.9m, while in the UAE, with a population of 2.7m, the leading dailies claim circulations of 70,000–80,000.[55] Officials in the Omani Ministry of Information still view the press as a tool for nation-building and 'reinforcing social integration', and there is a concern to ensure that the Omani press develops through the efforts of Omani rather than foreign journalists.[56] This will take time and a major training effort. It will mean, however, that newspapers are produced by people who have a personal stake in the affairs they cover, at a time when Oman's partially elected Majlis al-Shura is also breaking new ground by calling government ministers to account.

Saudi Arabia

The GCC country missing from Sawsan al-Shaier's list was Saudi Arabia. On the spectrum of open press debate in the GCC, Saudi Arabia lies at the opposite end from Qatar. Saudi censorship is so stringent that the development of Saudi-owned media institutions has mainly had to take place abroad. The two expatriate dailies, *Asharq al-Awsat* and *Al-Hayat*, circumvent some of the most onerous local censorship procedures but are nevertheless economically dependent on the Saudi market, which means they have to avoid content that would obstruct their entry. Article 39 of Saudi Arabia's 1992 Basic Law gives an indication of the restrictions imposed on the press. It forbids publication of anything that can 'lead to internal strife or division, or negatively affect the security of the state, or its public relations, or degrade man's dignity and rights'.[57]

The 1965 National Security Law criminalises the acts of criticising the government or 'interfering' in political affairs. The 1982 Press and Publications Law stipulates that freedom of expression may not exceed the limits of Sharia or existing statutes. Article 6 of the law lists 12 prohibitions on content. It is forbidden, for example, for virtually any form of critical comment about people in power to appear in print and the same applies to publication of state agreements or communiquès prior to their official release. Article 33 empowers the Ministry of Information to confiscate or destroy without compensation any offending issue of a newspaper, while Article 38 subjects violators to imprisonment or a fine, or both. All foreign media are censored to ensure they comply with the 1982 press law, and the entry of foreign journalists is tightly restricted.

These laws are enforced by several institutions, from the Supreme Information Council, the General Directorate of Publications and the Department of Press Censorship to the offices of provincial governors. In the 1980s there were numerous incidents involving dismissals, detention and harassment of high-ranking Saudi editors and journalists who attempted to criticise ministries or foreign governments, expose corruption or question national customs.[58] In the 1990s, such criticism was mostly voiced outside the mass media, in the faxes and e-mails sent from abroad by members of the suppressed Committee for the Defence of Legitimate Rights and on clandestine audio cassettes distributed by Islamist groups associated with the Buraydah demonstration of 1994. In contrast, newspapers and television programmes destined for consumption inside Saudi Arabia steered clear of contentious aspects of Saudi politics. Even *Al-Hayat*, with its reputation for being more outspoken than *Asharq al-Awsat*, was edited with a view to risking the occasional one-day ban but never an indefinite ban.[59]

Saudi newspapers published internally have a strong regional focus. *Okaz* serves the western regions of the Hejaz and Asir, *Al-Riyadh* is dominant in the central region of Nejd, *Al-Madina* and *Al-Nadwah* circulate in Madina and Makkah respectively and *Al-Yawm* is the main paper for the Eastern Province. As a result, *Asharq al-Awsat* is effectively regarded as the kingdom's only national daily. It is all the more noteworthy, therefore, that *Asharq al-Awsat* carried several articles in 1999 explicitly calling for change in the way that Saudi Arabia is governed. The prominent Saudi columnist, Turki al-Hamad, wrote in his weekly think-piece for a weekend edition of *Asharq al-Awsat* in June that Saudi Arabia could no longer stand aloof from the rest of the world. It was no longer possible, he said, to 'apply the criteria and controls of a simple society' to a society that had become globalised and complex. Remaining silent on the precise changes needed, Turki al-Hamad had one clear argument: 'In an age like ours, change has become the only route to social and political stability'. Successive Saudi governments had tried to keep up with changing times, he said, and they had been successful in maintaining stability so far. But, the columnist cautioned, 'Yesterday's success does not ensure ongoing success. Indeed, yesterday's success could itself become an obstacle to success today or tomorrow'.[60]

A few months later, another *Asharq al-Awsat* columnist took issue with an aspect of Saudi governance directly related to the role of the press. Deploring the military secrecy surrounding even the smallest piece of information in the kingdom, Abdel-Rahman al-Rashed listed the types of data that are unavailable in Saudi Arabia. He wondered aloud how a country could possibly hope to plan ahead without gathering and sharing information. 'Without accurate information', he wrote, 'decision-makers are like the blind who don't know if they are stepping into a pit, or onto a pavement or killer highway.' 'Making information available is a necessity dictated by the interests of individuals, firms and governments.'[61]

Such a comment may have seemed unusually forthright. But it was also in tune with the thinking of the reformist camp within the Saudi government, led by Crown Prince Abdullah himself. At precisely the time *Asharq al-Awsat* was venturing to recommend a reorientation of government policy, the crown prince was declaring the urgency of making the legal and economic adjustments needed to prepare Saudi Arabia for membership of the World Trade Organisation. During the last months of 1999, several Saudi ministers promised major legislative changes on corporate taxation, foreign property ownership and access to the stock market, with the aim of attracting foreign investment. Those in favour of change were well aware of the weighty conservative opposition they faced. Against this background, *Asharq al-Awsat*'s recommendations demonstrated that the organisation, regulation and content of the press in any society could help to illuminate splits and linkages between different political and social groups.

Conclusion

It can be argued, on the evidence presented here, that significant change did occur during the late 1990s in the extent to which newspapers in the GCC were prepared to test and question local censorship and comment on issues of governance in their own countries. But it can also be argued that, in doing so, the newspapers in question were responding to, and reflecting, wider changes in their societies and representing political and economic interests that were by no means exclusive to the media. If press comment on issues such as corruption, economic reform or the role of the ruling family is actually published and distributed, it is because there are relatively powerful political forces behind such ideas in the country concerned.

The evidence has also shown how the precise nature of relations between press and government is different in every one of the six GCC states and that, as change in countries such as Qatar and Kuwait accelerated, the differences grew more marked. Despite these differences, however, a regional dynamic could also be discerned. It could be seen in Bahraini journalists' wistful observations on development of the press in neighbouring states, and their implication that freedoms granted in Qatar, the UAE and Kuwait, and called for in Oman, should also be extended to Bahrain. It could be seen every time a newspaper under Gulf ownership, whether *Al-Hayat* or one of the Kuwaiti dailies, conducted an interview on the subject of press regulation with representatives of the government of Qatar. Elections and parliamentary activity in Kuwait, Qatar or Oman provided both the precedents and vocabulary of political participation for press debate conducted elsewhere in the GCC.

Finally, the training and employment of local journalists is a development that feeds into the regional dynamic. As expatriates were being phased out and Omani, Emirati or other GCC nationals phased in or promoted, journalists' engagement with national and regional current affairs was bound to grow. As the 1990s closed, the days when GCC newspapers devoted the bulk of their coverage to safe but distant international topics appeared to be numbered.

Notes

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20 This remarkable statistic, contained in the UNDP's *Human Development Report 1997* (Oxford: Oxford University Press, 1997), p. 166, is borne out by data in D. Holden and R. Johns, *The House of Saud* (London: Pan Books, 1982), p. 259. Comparable early data are not available for Bahrain, Qatar or Oman.
21 Reporters sans frontières, *1996 Report: Freedom of the Press throughout the World* (Luton: John Libbey Media, 1996), p. 205.

22 Interview with *Al-Hayat*, 11 February 1996.
23 BBC World Service press release, London, 4 November 1996
24 Author's telephone interview with Mohammed Jassem al-Ali, director of Al-Jazeera satellite channel, from Doha, 27 May 1998. See also Dr Kuwari's interview with *Al-Hayat*, cited in note 22.
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29 Ibid.
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60 *Asharq al-Awsat*, 24 June 1999. Translated in *Mideast Mirror*, 24 June 1999, pp. 11–13.
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6 Climate governance in the GCC

Christiaan Vrolijk

Introduction

Good environmental governance in the Gulf states is taking place. A recent study by the Crown Prince Court in Abu Dhabi and the Royal Institute of International Affairs described various environmental policies that have been put in place in recent years.[1] Initiatives on water shortages and conservation, prevention of and responses to oil spills, other environmental challenges and sustainable development are all under way. Specifically, this chapter will look at the role of the Gulf Cooperation Council (GCC) countries in the climate change debate. However, in the true spirit of a remark made by a Saudi negotiator at a recent climate change meeting about 'best practice' that we should also look at 'worst practice', this chapter will discuss the uncooperative role of many OPEC countries in the international climate change negotiations.

This chapter will first briefly explain the problem of global climate change that the world is facing. The next section will describe the response of the international community in negotiating global agreements. This is followed by an analysis of the role of the GCC in these international negotiations, and the arguments that have determined its response. Following one of these arguments, further details of the economic impact of the Kyoto Protocol are considered. Finally, some recent developments are described, including the fuel protests that rocked Europe in late 2000 and the failed climate summit in The Hague of 13–24 November 2000.

Climate change

The Intergovernmental Panel on Climate Change (IPCC), set up by the UN Environment Programme and the World Meteorological Organisation, concluded in its 1995 Second Assessment Report that 'the balance of evidence suggests a discernible human influence on global climate'.[2] A lot has happened since then: scientific understanding has increased, the modelling has improved, and many 'freak' events have occurred that could be attributed to climate change. The temperature record also gives much stronger evidence of warming: the eight warmest years on record have all occurred since 1990.[3]

Three major scientific reports on the status of the world's climate have been agreed. The Intergovernmental Panel on Climate Change (IPCC) reports every five years on the latest science related to climate change. In 2001, its Third Assessment Report will be published; the reports of the three Working Groups have now been accepted, and the synthesis report is due out soon.[4] The key messages from these reports are:

1 The climate is changing, and it is caused by human activity. Working Group I said: 'most of the warming [so far] is attributable to human activities', and 'human influences will continue to change [the atmosphere]'. Of course, gaps in the science remain.
2 Socio-economic and natural systems are vulnerable to changes in the climate, and costly problems could arise.
3 Working Group II, focusing on the vulnerability of socio-economic and natural systems to climate changes, said that recent climate changes 'have already affected many systems', and that 'many natural systems are vulnerable to climate change'. Some key problems that could arise in

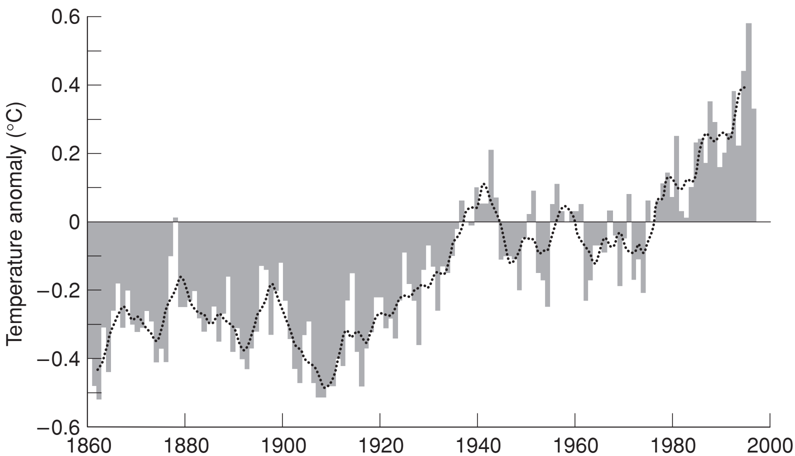

Figure 6.1 Global average near-surface temperatures, 1860–2000.

Source: Data from the Hadley Centre for Climate Prediction and Research, the Meteorological Office, UK. See http://www.met-office.gov.uk/sec5/CR_div/Tempertr/pics/land+sst_web.txt).

the future include: water shortages, adverse impacts on agriculture, sea-level rise causing coastal erosion, and impacts on human health. Not doing anything about greenhouse gas emissions could cost the world economy over $300bn per year by 2050.[5] The 1998 El Niño-related weather disasters, for example, caused 23,000 deaths and $33bn in damages.[6]

4 Greenhouse gas emissions and the impact of climate change can successfully be mitigated at relatively low costs. Technologies for mitigating emissions have developed fast since the previous report in 1995, and Working Group III suggests that global emissions could be reduced to below 2000 levels by 2010–20 at relatively low cost. 'Half of these potential emission reductions may be achieved by 2020 with direct benefits exceeding costs', the report says. In conclusion, the report maintains that 'climate change "can be beaten" . . . but what is lacking is the political will'.[7] Key to the relatively low costs are the various flexibilities build into the Kyoto Protocol, such as the basket of gases, the inclusion of sinks and the possibility of making reductions elsewhere, where costs are lowest. Economic models suggest that the costs could be reduced by 80–90 per cent.[8]

Although sometimes known as 'global warming' there is more to the threat of climate change than rising temperatures. The IPCC reviewed the potential impacts of climate change; these included: sea-level rise, loss of biodiversity, desertification, disappearance of glaciers, flooding and erosion, etc. Rapid climate change, the possibility that there will be a sudden switch to a new climate system rather than gradual warming, could further worsen the situation.

Developing countries are likely to suffer in particular. Changes in the hydrological cycle could be of particular concern in some regions where water availability is already low, such as the Middle East, North and East Africa and Central Asia. Although global agricultural production is expected to be maintained, the tropical and subtropical regions, where most of the world's poor are already vulnerable to weather-related changes in agricultural output, are most at risk of regional changes in crop yields and failure. Most developing countries do not have the resources to adapt to these changes. The bare survival of some developing countries in particular are threatened by sea-level rise as a consequence of the global rise of temperature; these countries are the low-lying and island states – some islands' highest points are less than a metre above sea level and a few islands have already disappeared. Some severe impacts on the developed economies are also possible, for example through the shut-down of the Gulf Stream that warms Northwest Europe,[9] but they are in a much better position to adapt to this change.

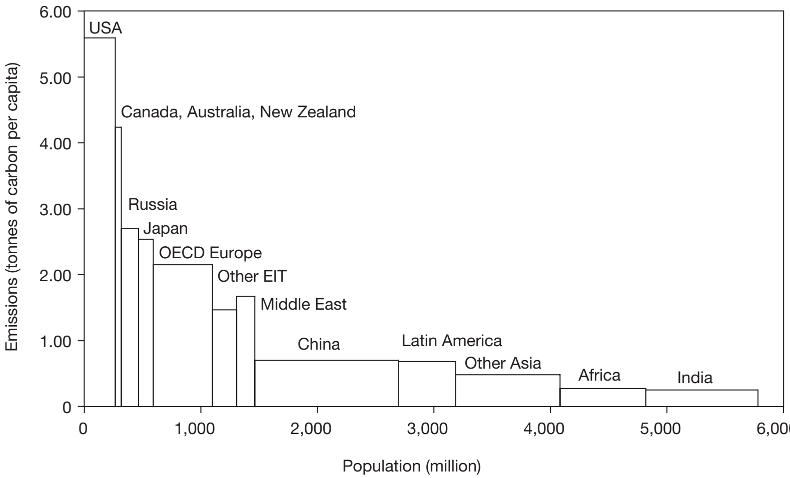

Figure 6.2 Global per capita CO_2 emissions and population, 1998.
Source: Data from *CO_2 Emissions from Fossil Fuel Combustion*, Paris: OECD/IEA, 2000.

The main cause of anthropogenic climate change is the emission of CO_2 from the use of fossil fuels. Most of the use of these fuels takes place in the developed countries, members of the OECD or the former Soviet Union countries. With only 20 per cent of global population, these developed economies produce 80 per cent of global wealth, but they also produce 60 per cent of carbon emissions. On average, a person from a developed country emits six times the amount of CO_2 than an inhabitant of a Third World country; an American emits twenty-three times the amount that an Indian does.

International response to climate change

Scientific developments and the potentially serious economic and political impacts stimulated action to mitigate climate change by national governments in the 1980s; in the early 1990s governments started international negotiations.

In February 1991 the negotiations for a global agreement on climate change began. The UN Framework Convention on Climate Change (FCCC) emerged and was signed at the Earth Summit in Rio de Janeiro, Brazil, in June 1992. This Convention was the first co-ordinated step towards a global response to the threat of climate change. Under the Convention the various parties committed themselves to stabilise greenhouse gas concentrations 'at a level that would prevent dangerous anthropogenic interference with the climate system'.[10]

The Convention established differentiated commitments, with the industrialised countries taking most responsibility in fighting the causes of climate change. The headline commitment of the Convention for the industrialised countries (the Annex I Parties) was to return greenhouse gas emissions to 1990 levels, and to show a reversal in the trend of growing emissions before the year 2000. However, developing countries are also committed under the Convention to promote sustainable development and implement measures to mitigate and adapt to climate change (with financial resources and technology transfer from the Annex I Parties).

These commitments were soon seen to be insufficient and the first Conference of Parties (COP-1), in 1995 in Berlin, agreed to begin 'a process to enable it to take appropriate action for the period beyond 2000, including the strengthening of the commitments of Annex I Parties'.[11] The negotiating process based upon this 'Berlin Mandate' culminated at the third Conference of Parties (COP-3) in Kyoto, Japan, in December 1997. The Kyoto Protocol sets out renewed, legally binding emission reduction commitments for the industrialised countries in the period 2008 to 2012. Overall these commitments amount to a 5.2 per cent reduction from 1990 levels for a basket of greenhouse gases, including carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), some industrial gases (HFCs, PFCs, SF_6) and emissions and removals from land-use change and forestry (LUCF or 'sinks').[12]

In Kyoto, only a framework for these commitments could be agreed upon. The Kyoto Protocol, therefore, does not contain the necessary details of, for example, the various mechanisms for international transfers of emission allowances,[13] nor categories of sinks. The negotiations since Kyoto have focused on filling these gaps. Buenos Aires (COP-4) set out the timetable for the negotiations, whilst Bonn (COP-5) showed some progress, but was mainly a working session. The sixth Conference of Parties (COP-6) was to be the 'crunch' meeting – the deadline of the Buenos Aires Plan of Action – where all was to be decided.

More than 7,000 participants from nearly 200 countries descended on The Hague in November 2000. Ever since the agreement in 1997 to reduce the emissions of the developed countries, negotiators had been working on the details of this protocol. Many decisions were needed in order to make a clear definition of *how* the Parties (countries) were to reach their targets. Expectations for The Hague were high. An agreement would pave the way for establishing the protocol by the time of Rio+10 in 2002, the target set by the EU, Japan and Russia. Failure could jeopardise the whole process of climate negotiations. Nonetheless, COP-6 failed![14]

International negotiations were scheduled to resume in Bonn (16–27 July 2001), with the second part of COP-6.[15] However, prospects seemed bleak initially under the new US Administration of President George W. Bush.

Then the US announced, at a G8 meeting, to regulate carbon dioxide emissions from power plants, showing willingness to reach an agreement. Only ten days later, President Bush retracted this promise under pressure from industry, virtually sinking any hope for the resumed COP-6.

GCC responses in the negotiations

Representing most of the world's population, and most of the world's countries (more than 120), the Group of 77 (G77) – quite often working as G77 and China – is the main developing country negotiating group in many different international negotiations. The group includes countries with very different objectives, including OPEC, with its oil export interests, and AOSIS, the Alliance of Small Island States that are being threatened in their existence by warming and rising sea levels. The large size and representation give the group a strong negotiating position. However, the diversity in objectives, and frequently a lack of institutional capacity, limit this negotiating power. The various groups that make up the G77 (and China) therefore sometimes use subgroups of like-minded countries in the negotiations (such as the oil producing countries, AOSIS, the African group) in order to advocate specific points in their interest. Figure 6.3 shows that the GCC countries are in a very different position than the other developing countries. Their emissions are

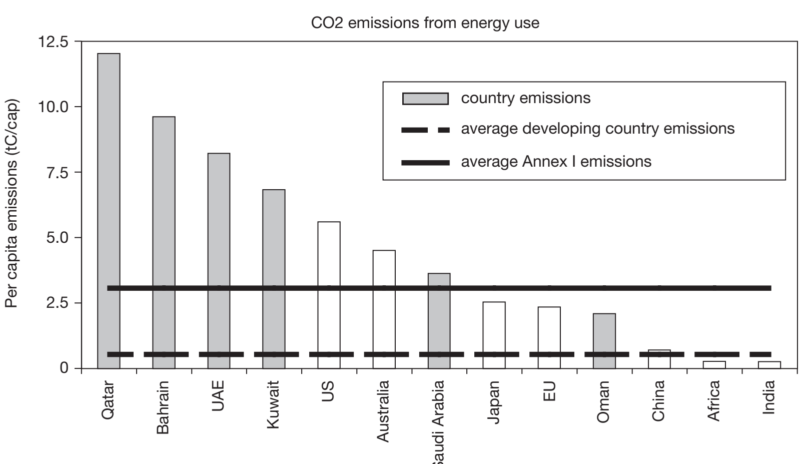

Figure 6.3 GCC emissions compared with other regions.

Source: Data from *CO_2 Emissions from Fossil Fuel Combustion*, Paris: OECD/IEA, 2000.

actually among the highest in the world, far above the average of even Annex I, while the emissions of the Africa group and India are extremely low.

In the negotiations all countries will serve their own ends and strive to minimise the negative impacts on their own people. The oil exporting countries fear a large reduction in the use of fossil fuel and therefore of income. The strong dependence of the GCC on their oil export earnings has made them weary of any limitation of fossil fuel use, or any agreement that could influence their exports. The oil exporting Gulf states have therefore used various strategies in the climate negotiations since Rio:

1 Denial of the scientific evidence.
2 Delay and complication of the negotiations.
3 Shifting the focus away from fossil fuels.
4 Not accepting the proposals for reasons of unfairness.
5 Demanding compensation for damage.

These tactics were designed to hold up the negotiations and stop global agreement on action that could influence the demand for fossil fuels. The heavy economic dependence makes the GCC's reaction understandable to some degree, but hardly justifiable.

Denial of the scientific evidence

The first tactic used by the GCC was a denial of the existence of climate change. In the late 1980s and beginning of the 1990s the science of climate change was rather uncertain. The establishment in 1988 of the Intergovernmental Panel on Climate Change, an organisation of hundreds of scientists from around the world, was meant to bring a consensus in the science. Most scientists agree that the climate is changing, and that human emissions are one of the causes; however, some disputes still exist over the timescale, degree of change and what the regional impacts are going to be. Most of the controversy is about the attribution of the cause of the change. The Second Assessment Report concluded that 'the balance of evidence suggests a discernible human influence on global climate',[16] and the Third Report uses stronger language. The Framework Convention of 1992 recognises the existence of scientific uncertainty, but dismisses this as a reason not to act. While the GCC also agreed the Convention,[17] it only stopped denying the existence of climate change in 1996, still stressing the uncertainty of the science and showing a reluctance to take costly action. The GCC now stresses the adverse impacts from climate change and the need for mitigation efforts, and would like to discuss compensation for these economic damages.

The discussions to accept the Third Assessment Report of the IPCC again provided a forum where the Saudis tried to weaken the scientific text on the impacts of climate change.[18] By trying to reduce the seriousness of the impacts from climate change, they were aiming to reduce the urgency of the negotiations and postpone action.

Delay and complication of the negotiations

Throughout the negotiations of the Kyoto Protocol, the oil exporting countries, mostly led by Saudi Arabia, were delaying the proceedings by repeating the same statements, commenting on non-issues, etc. An (admittedly green) newsletter on the negotiations at the Fifth Conference of Parties reported frustration at the negotiation on compliance:

> After making considerable progress, a draft negotiating text was being prepared. A few days into the proceedings, however, the Saudis suddenly objected to the fact that the documents were in English – an astonishing claim to those who have experienced their many lengthy intervention in that language. Then, on Monday night, when they were unable to delay the actual discussion of the text any further, they objected to each and every paragraph, and every word, dragging the process out until the co-chair threw the text over his shoulder in exasperation. The *piece de resistance* came when they objected to allowing the word 'negotiation' into the text – as if the delegates were here for any other reason.[19]

The same report continues with other examples of delaying behaviour: the Saudis objected to draft texts because they had not attended the discussion groups considering them; OPEC countries also frequently refused progress on one issue until decisions were made on other specific points in their interest. This tactic lead to great complexity in the negotiations. In the end, this entangled web of interrelated discussions made it impossible to resolve any single issue until the final crunch at COP-6. But by then the agenda had become too large to resolve! The OPEC-forced complexity was one of the important factors finally sinking the negotiations in The Hague.[20]

Shifting the focus away from fossil fuels

The main anthropogenic cause of climate change is the emission of carbon dioxide from the use of fossil fuels. CO_2 from fossil fuels takes account of 70 to 80 per cent of the total emissions of greenhouse gases. A protocol limiting greenhouse gas emissions could therefore easily be designed as a limitation on the use of fossil fuels. This, however, is against the interest of the GCC, who are strongly dependent on exports of oil. Other parties were reluctant to limit the use of energy, which (partly) drives economic growth. The GCC, along with others, has successfully argued that the limitations should include the other greenhouse gases and sinks, each for a specific reason.[21] Indeed, the Kyoto Protocol includes the widest possible basket of gases, making reductions possible in the most efficient manner. However, the environmental effectiveness of including additional land-use changes and forestry activities still has to be determined.

Not accepting the proposals for reasons of unfairness

If developing country per capita emissions were to keep on growing towards the levels in the OECD they would totally eclipse industrialised country emissions. However, there was a general agreement that developed countries should take the lead in combating climate change, but there were some important disputes as to why. The developing countries stressed the historic 'debt' resulting from the much higher emissions of industrialised countries in the past, which have caused the problem. Developed countries argued that current generations were not to blame for historic emissions and that they would take the lead because of their present (financial) capacity to do so.

This dispute has been at the centre of many debates. The developing countries perceive the industrialised countries as being the ones that have caused the problem; they are therefore obliged to solve the problem. This should leave some opportunity for the developing countries to grow, and any action that they might have to take should be financed by the industrialised countries.

With the Framework Convention, and again with the Kyoto Protocol, the industrialised countries have accepted the responsibility of taking action on climate change. The Protocol has established emission reduction targets for these countries, while they are also responsible for any cost the developing countries might incur from mitigation. On the other hand, developing countries do have a responsibility to take the climate and sustainability into account. But the reason for determining that the industrialised countries take the lead is the lack of institutional and financial capacity in the rest of the world.

Nonetheless, some OECD countries in particular have continuously argued for a further expansion of commitments, including emission targets, for the developing countries. The reason for this demand is that no one single group of countries can 'save the climate', it has to be a world-wide effort. In the US, for example, developing country participation has become crucial for further implementation of action to combat climate change.

Demanding compensation for damage

From 1996 onwards, the GCC has used the argument of climate science less often. Instead they have stressed the economic damage done by climate change mitigation, and have requested compensation for any losses. The problem is yours they argue, and all the costs should be yours. The strong dependency on oil revenues, which could be slashed by obligatory reductions of fossil fuel use, makes this call for compensation understandable. At COP-6, for example, Saudi Arabia claimed it would lose $25bn in oil revenues by 2010.

However, compensation is far from the economic and political reality. Quite apart from the impossibility of determining the real economic damage from the Kyoto Protocol action being taken by the developed countries, other factors are not in OPECs favour. The oil crises of the 1970s – and the price-hikes in 1999–2000 – have raised oil prices above free market price and are damaging industrialised and developing countries alike, purely because of the intervention of a few (OPEC) countries. The GCC countries are relatively rich and produce high levels of emissions, while some other developing countries are in dire straits and would not receive any economic compensation. The impact on the GCC would only be significant if the emission reduction targets are tough to meet, and therefore expensive, leaving insufficient funds for compensation. At the time of COP-6, floods were crippling the UK, and the year 2000 had already seen many costly climate-related disasters throughout the world. So, economic compensation for lost revenues is unacceptable for both the industrialised countries and the other developing countries.

The next section will deal in more detail with the implications the Kyoto Protocol, the targets, costs, and emissions trading. Then it will analyse the trade impacts, economic damage and possible compensation for GCC countries.

The economics of the Kyoto Protocol

The Framework Convention agreed on a flat target to stabilise emissions in all countries of Annex I at their 1990 levels. However, the situation facing the negotiators in Kyoto was very different in terms of the economic and emission trends already observed during the 1990s. Most OECD countries were far from reaching their Rio target for the stabilisation of emissions; indeed, emissions had risen sharply since 1990. Some countries in Europe had stable or declining emissions (but unrelated to climate policies). The emissions from countries in Central and Eastern Europe and the former Soviet Union had declined sharply to levels of between 10 and 50 per cent below those of 1990, due to their economic transition. Thanks to this massive decline, emissions in the developed countries overall had fallen to 5 per cent below 1990 levels. In this ‘mess’, differentiated targets were agreed, not on the basis of any of the formulae for differentiation, but largely on raw political considerations.[22] The targets for the three main groups, the EU, the United States and Japan, were based on negotiating strength and bargaining and ended up very close indeed. Within the European Union, the targets were redistributed according to an internal burden-sharing agreement which allows large increases of emissions in some of the poorer ‘cohesion countries’ to be offset by steep targets for some of the larger, richer and higher emitting countries in the EU.

The Kyoto Protocol of December 1997 sets out legally binding emission reduction targets for the industrialised countries, listed in Annex B of the Protocol. Overall, the targets add up to a 5.2 per cent reduction of greenhouse gas emissions from the base year 1990. The targets for the main countries are similar, ranging from a 6 to 8 per cent reduction. Other countries have called on special circumstances and received more lenient targets, up to an allowed 10 per cent increase for Iceland, for example. Table 6.1 indicates the main targets.

The expected costs of the Protocol’s emission reduction targets vary widely. Some studies argue that large inefficiencies exist and that the costs will be minimal. Other studies see the targets as a direct limit on economic growth, which they see as directly linked to energy use. Grubb *et al*. listed a wide range of studies projecting costs of between 0.2 to 2.0 per cent of GDP in the year 2010, or 0.3 to 1.4 per cent, neglecting the outlying models.[23] They estimated the costs using this range in the order of $85bn per year (0.5 per cent of GDP), close to the estimate of the Massachusetts Institute of Technology (MIT) of $120bn.[24] These costs will be borne by the OECD countries, while the costs for the former communist countries is low or even zero.

The domestic implementation of these targets could lead to a substantial reduction in the use of some fossil fuels. An estimate by MIT suggests that the largest impact will be on coal, with a demand reduction of around 50 per

Table 6.1 Emission reduction commitments for some Annex B countries

Country/region	*Target (% from base year)*
EU	–8
US	–7
Japan	–6
Central and Eastern European countries	–5 to –8
Russia and Ukraine	0
Other OECD countries	+10 to –8

cent.[25] Both oil and gas demand will be affected much less, estimated to be below 5 per cent. Globally, this would still mean a substantial increase from the demand levels of the base year 1990. A new study released by the Oxford Institute of Energy Studies, looking primarily at the impact on fossil fuels, also estimates that demand will decrease (less for coal, more for oil and gas). As a result, the price will be reduced and total export earnings could collapse.

However, the Kyoto Protocol introduced various flexible ways of meeting the emission reduction targets. First, the targets are defined in a basket of gases and land-use emissions. Countries could therefore direct their efforts towards the emissions from agriculture and industry, instead of energy, and start reforestation programmes. Second, the Protocol also allows various ways of trading emission credits. MIT estimated the cost reductions of emissions trading within Annex B to be over 50 per cent, while world-wide trading could deliver 90 per cent cost reductions.[26] All the flexibilities of the Protocol are designed to allow countries to mitigate emissions in the cheapest way possible. The economic transition in Eastern Europe opens up large quantities of cheap reductions for Western investors. On top of that, many believe that emissions trading will encourage innovation, making reductions in the long term cheaper.

The impact on the fuels

OPEC countries are particularly concerned about the impact of the Kyoto Protocol on the sales of their oil. The rather moderate-looking targets from 1990 levels translate into large reductions for projected levels in 2010. Whereas Kyoto adds up to only 5 per cent from the base year, the target is nearly 20 per cent below usual levels for Annex B and 30 per cent or more for some specific countries.[27] If these required reductions were translated directly into a 20 per cent reduction in oil use and oil exports for the Middle East, the impact could be quite severe. But even then, this could still mean an overall growth of oil exports from current levels due to strong growth in the developing countries. Also, it is very unlikely that oil demand will decline by as much as emissions.

For the same amount of energy, the use of coal emits about 2 tonnes of greenhouse gases compared to 1 tonnes from natural gas, while oil emits about 1.5 tonnes. It is therefore likely that the reduction policies will target the greatest emitting energy source, coal. Coal is mainly used in the industrial and power sectors where alternative fuels are easy to find. Oil, however, is used mainly in transport, where there are very few alternatives and the ‘near term prospect for oil demand reductions from transport is unlikely’.[28] Therefore, it seems very unlikely that oil demand will be greatly affected.

Further, the Middle East exports of oil are increasingly going to non-Annex B countries, countries that do not have emission reduction commitments under the Kyoto Protocol. In 1990 70 per cent of exports went to Annex B, but in 1998 this was only 60 per cent and this share will fall further in the years to come. Export growth has mainly taken place to the non-Annex B countries, up by more than 60 per cent from 1990. This means that most of the future growth in export earnings will also come from the unrestricted countries outside Annex B.

As mentioned above, implementation of the Kyoto Protocol targets domestically could lead to a dramatic drop in coal demand of over 50 per cent from the projected level in the United States. However, when emissions trading is allowed, as it is under the Kyoto Protocol, demand will only be reduced by about 20 per cent, compared to the projections. For oil, these demand reductions are much smaller: 3.5 and 0.2 per cent respectively,[29] hardly discernible compared to the projected growth and easily within the margin of error of the projections.

Indeed, an IEA study argues that OPEC's estimate (and that of other models) of oil revenue losses are 'likely to substantially overstate overall costs'.[30] This is mainly due to the incomplete modelling of the Kyoto Protocol flexibilities. A multi-gas analysis has shown that much of the reduction effort will concern other greenhouse gases, without affecting fossil fuel demand at all.[31] The study by Grubb *et al.*[32] suggests that the effect of the flexibilities, multiple gases and trading will be additional, leading to a very substantial reduction in the impact on the fossil fuel markets. The Oxford study[33] similarly used a multiple gas analysis with trading, where oil demand was hardly influenced. However, the authors concluded that even a slight reduction in demand would influence the price (in a competitive market model), stopping unconventional oil from gaining market share, but that the revenues of conventional oil producers were only marginally effected. The oil price has recently been very independent of demand, but instead completely dependent on the supply. In 1999–2000 OPEC has again successfully introduced quotas to tighten the market and support the price. The market is unlikely to change in this respect and emission reductions will therefore only have a negligible effect on the (conventional) oil revenues.

Even though the GCC countries have a genuine reason for concern about their economic future, this is not to blame international climate change policy. The Middle East economies are very heavily based on one export product, which makes them very vulnerable to any instability. This is a structural problem for these economies, and should be of concern to their governments; it is not a problem arising out of emission reductions. It is possible that demand for fossil fuels will decrease, delaying the consumption of the present finite reserves. It could lead to lower prices, but the scale of the impact is impossible to measure. The Kyoto Protocol seems to limit the consumption of oil only marginally, effecting the price hardly at all. Daily price swings in the current oil economy are possibly larger than the (sustained?) impact of the Protocol's reductions. However, the OPEC supply quota, and in particular the supply limitations of 1973, 1979 and again in 2000, have a much larger impact on the price of fuel than the Kyoto Protocol.

OPEC argues that with Kyoto the international community has made a decision that will reduce export earnings for which they should compensate the oil exporters. However, any compensation is quite impossible: what would the price and demand have been without Kyoto? And even if Kyoto actually reduces demand, it is merely delaying the sale of the oil. Furthermore, the importers argue, can oil supply reductions, doubling the oil price and crippling the economies of some oil importing developing countries, continue without compensation?[34] Oil is a commodity open to price changes on the market, going up and down as a result of supply restrictions or demand reduction.

Recent developments in the negotiations

The negotiations of the Kyoto Protocol were expected to culminate at the Sixth Conference of Parties (COP-6) in The Hague, The Netherlands, 13–25 November 2000. In the run up to this crucial meeting, a workshop was organised on the adverse effects of climate change and implementation measures in March 2000. This workshop was attended by about eighty-five experts from governments, NGOs and others. The participants discussed various methodological approaches and actions needed under the FCCC and Protocol. Both in this workshop and the one on best practices in policies and measures, 11–13 April 2000, the GCC stressed the same ideas.

Some presentations were made at the workshop summarising recent studies on the impacts of the Kyoto Protocol. In general the economic impacts of response measures were expected to be negative for both the OECD and oil exporting countries, while other countries could experience positive impacts. The distribution of revenue losses, however, would vary according to the fuel and region. Saudi Arabia jumped at the opportunity, and asked for compensation, not immediately, but after the extent of the negative impacts has been proven. The reaction from Annex B was not entirely favourable. In the discussion, Qatar noted that oil revenues should be invested strategically to ensure future welfare, because oil is a commodity that will be depleted.[35]

The GCC countries also provided some input on policies for Annex B Parties at these recent workshops. They advocated the reduction of market imperfections in all greenhouse gas emitting sectors, including the energy sectors. According to the Saudi participants, Annex B policies should include various measures[36]

The first set of measures are very sensible, and will lead to a reduced impact on the developing countries and bring advantages for Annex B as well:

1 Restructuring the tax system to reflect the carbon content.
2 Encouraging CO_2 sequestration.
3 Include all greenhouse gases in the abatement policies.
4 Transfer technology for CO_2 storage, reduction of gas flaring and venting, and energy efficiency.

The second set of measures is simply aimed at increasing oil sales from OPEC, and is completely unrelated to climate change or the impact of emission reduction strategies:

5 Discouraging oil production in Annex B countries.
6 Discouraging the use of nuclear energy.
7 Removing barriers for the use of oil in the electricity sector.

Two further measures were also proposed, but these are not likely to happen:

8 Assist economic diversification of oil exporters.
9 Establish funds for compensation.

Negotiations at the last meeting before COP-6, in Lyon, took place while fuel protests crippled the whole of Europe. Oil production reductions sanctioned by OPEC had forced prices up to record levels. European consumers, while used to relatively high energy prices, protested and demanded price reductions (through a reduction in petrol tax). In many countries they succeeded, which does not bode well for the implementation of carbon taxes. However, while the world economy suffered from oil prices double that of previous levels, OPEC once again demanded compensation for losses of oil revenues.

The crucial meeting of COP-6 finally broke down under the weight of the agenda of interrelated issues built up during the preceding three years. OPEC countries were key in stifling previous rounds of negotiations with demands for linking issues that could (and should) have been negotiated separately.

Conclusions

Climate change is a serious problem that could have major global effects. The international community has responded and negotiated the Framework Convention on Climate Change in 1992. The Kyoto Protocol, of December

1997, is the follow-up to the Convention and sets legally binding reduction targets for the industrialised countries.

Some of the GCC countries are themselves in a vulnerable position regarding climate change, including the possibilities of drought and sea-level rise. They need an effective climate mitigation policy to minimise these adverse impacts.

Apart from the direct impacts of climate change, the oil exporting countries have another concern: the implementation of the Kyoto Protocol could lead to a weakening of oil demand. The belief that the response to climate change could lead to a collapse of the oil market has driven the GCC in its particular negotiating strategy. This strategy has evolved over time and is still evolving. Strategies have included: (1) denial of the scientific evidence, (2) delaying and complicating the negotiations, (3) shifting the focus away from fossil fuels or energy to other gases and sinks, (4) not accepting the proposals and (5) demanding compensation.

The GCC's strategies have been partially successful. The biggest success is probably the inclusion of the other greenhouse gases and sinks. They have also included articles on the need to minimise the negative impacts of the climate policies on the developing countries, including the oil exporters. More cynically, OPEC has succeeded in stopping the negotiations reaching agreement in The Hague, and therefore of any serious action taking place. However, the blame of failure rests more with the Annex B Parties, who took on commitments in Kyoto, but who are reluctant to implement emission reduction.

The Kyoto Protocol has introduced many forms of flexibility for the Annex B countries to reach their targets. This flexibility has greatly reduced overall costs and impacts on the energy markets. It seems likely that coal mining in particular will be affected. The demand for oil, so crucial for the GCC countries' economies, is likely to be affected very little, because demand (mostly in the transport sector) is inelastic. Rather, the oil exporting countries might play a substantial role in the emissions market through Clean Development Mechanism (CDM) projects in their production facilities, or further development of CO_2 storage technologies.

The GCC should develop a strategy for economic diversification away from oil exports. Part of the diversification could be towards energy intensive industry, emission reduction projects, or less carbon intense fuels (natural gas, or renewables). The GCC should take a proactive role in the negotiations and implementation of the Protocol in its own best interest, by stressing the gains from increased flexibility. All the Kyoto mechanisms, other gases and sinks, and the removal of subsidies for fossil fuels (in particular coal), are cost-effective emission reduction policy measures that reduce the impact on oil demand.

Notes

1 Peter Kassler (ed.) *Environmental Issues for the Gulf: Oil, Water and Sustainable Development* (London: Royal Institute of International Affairs, 1999).
2 J. T. Houghton *et al*. (eds.) *Climate Change 1995: The Science of Climate Change* (Cambridge: Cambridge University Press, 1996), p. 4 (Summary for policy makers), or p. 439, ch. 8. For a full discussion of the outcome of the Second Assessment Report, see Duncan Brack and Michael Grubb, *Climate Change: A Summary of the Second Assessment Report of the IPCC*, RIIA Briefing Paper No. 32, July 1996.
3 See http://www.met-office.gov.uk/sec5/CR_div/Tempertr/pics/land+sst_web.txt.
4 See the website of the IPCC for press releases and the policymakers' summaries: http://www.ipcc.ch.
5 UNEP study by reinsurance company Munich Re, reported in *Global Environmental Change Report*, XIII, no. 4 (23 February 2001).
6 *Science*, 19 February 1999, p. 1108.
7 *BBC News Online*, Monday, 5 March 2001.
8 For a full discussion of the economics of the Kyoto mechanisms, and an analysis of various emissions trading studies, see Michael Grubb with Christiaan Vrolijk and Duncan Brack, *The Kyoto Protocol: A Guide and Assessment* (London: RIIA/Earthscan, 1999). For an in-depth analysis of the impacts of the inclusion of various additional flexibilities, see Christiaan Vrolijk and Michael Grubb, *Quantifying Kyoto: How Will COP-6 Decisions Affect the Market?* RIIA Workshop Report, 30–31 August 2000, available at http://www.riia.org/Research/eep/quantifying.html.
9 Presented by the Potsdam Institute in a side meeting at COP-4 in Buenos Aires.
10 FCCC, Article 2.
11 Decision 1/CP.1, 7 April 1995, the 'Berlin Mandate'.
12 Grubb *et al*., *The Kyoto Protocol*, op. cit.
13 The Kyoto Protocol established three mechanisms for international transfers, emissions trading, joint implementation, and the clean development mechanism. All these mechanisms are described in the Protocol text at a very basic level only. These mechanisms are introduced for economic efficiency, they make it possible to invest in emission reductions where it is cheapest to do so, anywhere in the world, and claim the credits of the reduction for the investor.
14 For much more on the COP-6 negotiations, and the way forward, see *International Affairs* 77 (2) (April 2001).
15 The president of the COP, Dutch environment minister Jan Pronk, was requested by the new US Administration to postpone the combined resumed COP-6 and SB-14 meetings. On 28 February 2001 these new dates were announced to replace the planned end of May meeting.
16 J. T. Houghton *et al*. (eds) *Climate Change* 1995.
17 All six countries of the GCC have ratified the FCCC; Bahrain, Kuwait and Saudi Arabia in December 1994, Oman and the UAE in 1995, and Qatar in 1996.
18 'Saudis try to Weaken Climate Change Talks', *United Press International*, 17 February 2001.
19 *ECO*, CII, Issue No. 7, 3 November 1999.
20 The press focused mainly on the high-profile internal EU and EU–US disputes. The UK deputy prime minister, John Prescott, stormed out of the building – 'I'm gutted' – blaming French environment minister, Dominique Voynet,

holding the presidency for the EU in The Hague, for not understanding the deal through the press. After the COP was suspended, the US said it had done all to rescue the deal, but the EU had thrown it away. The EU blamed the US (and other Annex B countries) that they had not taken Kyoto seriously, etc. The final bargaining on the size of sinks between the EU and the other Annex B countries did not succeed for various reasons. However, this was not the only point of dispute, nor would it necessarily have been agreed by all the developing country Parties who were not in these closed-door negotiations.

21 These reasons include genuine concerns about the effectiveness of the agreement when not all gases and sources are included; fear of limiting economic growth by limiting energy use; and domestic opportunities of reducing the emissions in the additional gases, sources or sinks.

22 Sebastian Oberthür and Hermann E. Ott, *The Kyoto Protocol: International Climate Policy for the 21st Century* (Berlin: Springer-Verlag, 1999).

23 Grubb *et al.*, *The Kyoto Protocol*, op. cit.

24 A. Denny Ellerman, Henry D. Jacoby and Annelene Decaux, 'The effects on developing countries of the Kyoto Protocol and CO_2 emissions trading', *MIT Joint Program on the Science and Policy of Global Change Report Series, No. 41*, November 1998.

25 Ibid.

26 Ibid.

27 *World Energy Outlook* (Paris: International Energy Agency [IEA], 1998).

28 Jonathan Pershing, *Fossil Fuel Implications of Climate Change Mitigation Responses* (Paris: International Energy Agency [IEA], 1999).

29 Denny Ellerman *et al*. op. cit.

30 Jonathan Pershing, op. cit.

31 Grubb *et al*, *The Kyoto Protocol*, op. cit.; and John Reilly, Monika Mayer and Jochen Harnisch, 'Multiple gas control under the Kyoto agreement', *MIT Joint Program on the Science and Policy of Global Change Report Series, No. 58*, March 2000.

32 Grubb *et al*., *The Kyoto Protocol*, op. cit.

33 Ulrich Bartsch and Benito Müller, *Fossil Fuels in a Changing Climate* (Oxford: Oxford University Press/OIES, 2000).

34 In a recent UNFCCC workshop, Tuvalu questioned OPEC's approach to the perceived market imperfections in Annex B, limiting oil consumption, and asked whether the recent supply restrictions could also be seen as a market imperfection. Taken from 'Summary of the workshop on best practices in policies and measures, 11–13 April 2000', *Earth Negotiations Bulletin*, 12, no. 126, IISD (15 April 2000).

35 'Summary of workshops on Article 4.8 and 4.9 of the UNFCCC: adverse effects of climate change and the impact of implementation of response measures, 9–11 and 13–15 March 2000', *Earth Negotiations Bulletin*, 12, no. 125, IISD (17 March 2000).

36 *ENB* 12:125, 17 March 2000, and *ENB* 12:126, 15 April 2000, summaries of FCCC workshops, op. cit.

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