



The Gulf Cooperation Council: Deepening Rifts and Emerging Challenges

Simon Henderson

Baker Fellow and Director of the Gulf and Energy Policy Program

Testimony submitted to the House Committee on Foreign Affairs

Subcommittee on the Middle East and North Africa

May 22, 2014

Chairman Ros-Lehtinen, Ranking Member Deutch, and members of the subcommittee, thank you for the opportunity to testify before you today about such a critical and timely issue.

I have spent most of my life writing about the Persian Gulf region. I was a reporter for the *Financial Times* in Tehran during the 1978-79 Iranian revolution and the 1979-80 U.S. embassy hostage crisis. In September 1980, I covered the southern Gulf for the *Financial Times* at the start of the 1980-88 Iran-Iraq war. In 1991, my biography of Saddam Hussain was published.¹ In 2003, I wrote a study of the GCC states and U.S. strategy for the Washington Institute for Near East Policy.² In the last three years, I have traveled to the Gulf six times, including a visit to the carrier USS *Abraham Lincoln* as it conducted flight operations 30 miles off the coast of Iran.³ My most recent trip—to Dubai and Doha—was just last month.

Despite the prosperity of the GCC member states—Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman—I cannot recall a time when disunity in the alliance has been so obvious, prospects for reconciliation so poor, and implications for the Middle East region, and perhaps the rest of the world, so bad. After briefly reviewing the history and internal dynamics of the Gulf Cooperation Council, as well as the current relations of the United States with its individual members, I will follow with recommendations on ways to improve ties and ameliorate risks.

The GCC states have three features that distinguish them from most of the Arab world:

1. They are on what they perceive as the frontline of Sunni Islam, adhered to by most of the Arab world, against Shiite Islam, which has been led, since the 1979 Islamic revolution, by non-Arab, Persian Iran.
2. They are all oil-based economies.
3. Although not democratic, their political systems are paternalistic rather than dictatorial.

Looking at these in turn:

¹ *Instant Empire: Saddam Hussein's Ambition for Iraq* (San Francisco: Mercury House, 1991).

² *The New Pillar: Conservative Arab Gulf States and U.S. Strategy*, (Washington, DC: Washington Institute for Near East Policy, 2003).

³ http://www.foreignpolicy.com/articles/2012/03/27/danger_zone

The Sunni/Shiite Divide

The Gulf Cooperation Council has been a bulwark against instability since it was established in 1981, less than a year after the start of the Iran-Iraq war. While the battles of that war raged, the GCC member states were collectively able to avoid being dragged into the conflict. They established themselves as the third power bloc in the region, without having to align themselves too openly with fellow Arab leader Saddam Hussein against the threat of destabilization initiated by Iran's 1979 Islamic revolution.

Energy

The importance of the GCC states rests chiefly with their oil reserves, even if, when compared to the Gulf region as a whole, they found oil late in the game. Oil was first discovered in Iran in 1908 and in Iraq in 1927. The first oil on the southern side of the Gulf was found in Bahrain in 1931. In comparison, Saudi Arabia, which now has the largest reserves of conventional oil in the world—between a sixth and a quarter of the total depending how you do the math⁴—found its first oil only in 1938, and production did not take off until 1941. Oil was not found in Abu Dhabi, the leading emirate of the UAE, until 1958, but it is now estimated to have around 6 percent of the world's reserves. And even though shale oil has been discovered in large quantities in recent years in the United States and elsewhere, Persian Gulf oil is far cheaper to exploit, a crucial commercial advantage.

Natural gas is also significant. Qatar has the third largest reserves in the world after Russia and Iran, and is the world's biggest exporter of LNG. The UAE and Oman also export LNG, primarily to Asia.

Another distinguishing feature of the conservative Gulf Arab states is their small populations. Saudi Arabia is the largest, with a population of around 27 million, although this total probably includes at least 7 million expatriates. The smallest is Qatar, with a population of around 2 million, but perhaps as few as 10 percent, 200,000, are actual Qatari citizens.

High revenues from energy exports and relatively small populations have made the GCC countries rich, some of them fabulously rich. Kuwait and Bahrain were the first sheikhdoms to approach the status of world-class city-states such as Singapore and Hong Kong, though these have been overtaken by Dubai, Abu Dhabi, and Doha.

Nevertheless, this arrival on the world stage coincides with the region's collapse into political turmoil. They have only been nation-states for a few decades, yet their immediate political future, given an almost-nuclear Iran and the turmoil of the Arab Spring, is uncertain. To make matters worse, the trend line of their greatest asset—their hydrocarbons—is bad. In ten, or more likely twenty years, an energy glut is predicted for North America (Canada, the U.S. and Mexico), which will hammer oil and natural gas prices. So, even if the GCC member states collectively have more than 30 percent of the world's oil and more than 20 percent of the world's natural gas, lower prices would probably spell disaster for the relatively undiversified economies of the Gulf Arabs.

⁴ <http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html>

Political Structure

Since 1981, the Gulf states have seen crises come and go, but with the exception of Saddam Hussein's 1990 invasion of Kuwait, have themselves been spared political catastrophe. Indeed, one could make the argument that their quasi-monarchical-but-listening approach to government and administration has worked well. It hardly fits into the democracy playbook of liberals in the United States and Europe—and it's certainly tough on individuals who have been jailed for tweeting and the like—but the overall success of the Gulf Arab semi-monarchical model has been in marked contrast to the deficiencies of the republican dictatorships in countries like Egypt, Syria, Iraq, Yemen, and Libya.

Of course, the populations of the GCC are not immune to the aspirations for change and greater freedoms flooding the Arab world. But, so far, it seems that most prefer the status quo to the confusion, even chaos, of political change.

Created to blunt external threats, the GCC's major problem would appear to be the growing internal contradictions between its GCC member states. In early March 2014, Saudi Arabia, Bahrain, and the UAE announced the withdrawal of their ambassadors from Doha to protest Qatari meddling in the internal affairs of the other countries. Apparently, there had been a row about this last year, which had led to a "peace agreement" in late November 2013. But Qatar was not living up to its side of the bargain. The root cause of the crisis was Qatar's support of the Muslim Brotherhood, although this was unstated. Indeed, the November 2013 pact had never been revealed and the announcement of the withdrawal of ambassadors only emerged in a communique issued at the end of a meeting of GCC foreign ministers in Riyadh.

In this year's crisis, it is worth noting that the action was taken by the camp of Saudi Arabia, the UAE, and Bahrain. Kuwait, apart from mediating, and Qatar and Oman stood to one side. This largely reflects the division in early 2011 when substantial contingents of the Saudi national guard and UAE police arrived in Bahrain to support the government in quelling internal unrest. Kuwait's involvement was to send a small patrol vessel, while Oman sent a liaison officer. Qatar stood to one side.

Bilateral Relations with the United States

Saudi Arabia: Riyadh and Washington are at odds over the challenges facing the region. Riyadh emphasizes the dangers of a potentially nuclear Iran and is unhappy with the current diplomacy. Riyadh also supports the military-led regime in Cairo. The meeting outside Riyadh last month between President Obama and King Abdullah does not appear to have gone well. On top of this, the kingdom is facing a succession crisis that may be erupting into a family feud. King Abdullah is 91 years old this year and his half-brother and designated replacement, Crown Prince Salman, is 78. Neither man is in good physical health. Last weekend King Abdullah failed to have a public meeting with the visiting King of Spain. There are concerns about Salman's mental abilities. Competition to replace either man will likely be intense from sons and nephews, many of whom are more privileged than they are able. Stability in the kingdom is maintained by conservative attitudes and generous distribution of subsidies and government jobs. If the oil price falls, the government's ability to maintain these handouts will be lessened. Uncertainties for the future include a drop in oil exports as more energy is consumed at home. The populace has become used to highly subsidized prices for gasoline and electricity. Re-educating them will be a challenge.

Kuwait: Washington is angry at Kuwait for its imposition of rules that allow funds collected in the sheikhdom and elsewhere in the Gulf to reach jihadist groups fighting in Syria against the regime of Bashar al-Assad. Feuds in the ruling family are erupting publicly, challenging the authority of Kuwaiti ruler Sheikh Sabah al-Ahmad al-Sabah, 84 years old, with a lifetime of government service and experience but now in poor health.⁵ The authority of the al-Sabah ruling family is limited by the high standing of other prominent families and a political system that makes for gridlock. Once the most modern emirate in the Gulf, Kuwait has been overtaken by Qatar and the UAE, partly a consequence of never really recovering from the shock of Saddam Hussein's invasion in 1990. There must be a concern that, next time, American forces will not come galloping to the rescue. When Sabah retires or dies, the ruling family will nominate possible replacements but the final choice will be a compromise with the members of the national assembly.

Bahrain: Washington and Manama disagree about the way forward to resolve a political crisis that blew up in 2011 when government forces quashed demonstrations of mainly Shiite protestors, leading to the resignation of Shiite members of the national assembly. At the same time, the U.S. military is grateful for Bahrain's provision of port facilities for the U.S. Navy and its hosting of the headquarters of the U.S. Fifth Fleet. There appears to be a debate within the Bahrain royal family on whether compromises should be made. The lead conciliator is Crown Prince Salman, but he is opposed by hardliners, including the minister of the royal court and the commander-in-chief of the Bahrain Defense Forces, collectively known as the Khawalid. Some members of the royal family are angry at U.S. pressure and appear willing to risk the withdrawal of facilities provided for the U.S. military. King Hamad bin Isa al-Khalifa vacillates between the two factions. Failing political reforms, the more likely outcomes include more violence and fresh involvement by Saudi security forces. The House of Saud is anxious that violence in Bahrain does not spread to the kingdom and that political reforms do not encourage demands for matching gestures by Saudi Shiites. An outside possibility is that Saudi Arabia will seek political union with Bahrain.

Qatar: The relationship between Doha and Washington is close but tense. Qatar seems to almost enjoy annoying the United States, provoking Saudi Arabia, and being conciliatory towards Iran. The "enfant terrible" of the GCC, a status achieved under Sheikh Hamad (who abdicated in June 2013), is an even more accurate label for his son and successor, Sheikh Tamim bin Hamad al-Thani, who is just 33. In regional terms, the interesting question may be how long will Saudi Arabia put up with the situation. The al-Thani is a large clan but many members are excluded from real political power. Riyadh has caused trouble in the past and could do so again.

United Arab Emirates: The ruler, Sheikh Khalifa bin Zayed al-Nahyan, is unwell and has essentially already handed over the strings of power to his crown prince and half-brother, Sheikh Muhammad bin Zayed, who is pro-American but, like many Gulf leaders, deeply skeptical of the Obama Administration. MbZ, as he is known, represents the new generation of Gulf leadership. He seems to fear the expansion of Iranian influence but is well aware that his biggest danger is a military confrontation with Iran, which would ruin the commercial viability of Abu Dhabi and Dubai.

Oman: Sultan Qaboos usually shuns GCC meetings and can take positions unhelpful to the U.S. — that is, of course, until he can be helpful to Washington by facilitating secret talks with Iran before the diplomacy on the

⁵ <http://www.washingtonpost.com/blogs/monkey-cage/wp/2014/05/08/kuwaits-royals-are-taking-their-feuds-public/>

nuclear deal opened up. Although not as rich as other GCC member states, Oman's strategic position, on the southern side of the Strait of Hormuz, makes it vital for Gulf energy flows, even if the U.S. becomes effectively energy independent.

Although the GCC states have had and continue to have a dependence on the United States, it is doubtful that they think they can rely on Washington for much longer, certainly not forever. The sensible way forward would be to develop their unity. There remains the prospect of cutting unpalatable deals with Iran. The GCC states would take a position of coerced neutrality, much as Finland did as a neighbor of the Soviet Union after the Second World War.⁶ So far, perhaps with the exception of Oman and perhaps Qatar, this option is being rejected. But it makes for a worrying future.

Recommendations

1. U.S. links with the GCC states have been maintained and nurtured by State Department-led diplomacy and the efforts of the U.S. military with their GCC counterparts. But this is now insufficient. The Obama administration needs to articulate a more supportive overall policy concerning the Iranian nuclear and Syrian civil war issues in particular.
2. A U.S. special envoy to the GCC should be appointed to work with the GCC leadership so they can develop policies to resolve the challenges of aged leadership and a smooth transition to a new generation.
3. Given the possible repercussions from the tensions between some of the member states of the GCC, the U.S. should take the role of “honest broker” to at least lower the degree of antagonism.

⁶ <http://online.wsj.com/news/articles/SB10001424127887323495104578312642205201714>