

**WEALTH AND THE PERSISTENCE OF AUTHORITARIANISM IN THE GULF STATES:  
ECONOMIC PRIVILEGE OR A CULTURAL PHENOMENON?**

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**Abstract.** *During the Arab Spring the idea of the Middle East as an authoritarian exception appeared to be no longer valid. Yet the Gulf states seem to be safe from political turmoil. This paper examines the persistence of authoritarianism in the Gulf states. It has been suggested that various factors explain the resiliency of authoritarianism in the Gulf monarchies, the most prominent the rentier-state-system hypothesis. This paper examines whether the cultural and Islamic values of the Gulf states have led to the entrenchment of authoritarianism; it also seeks to understand whether high living standards and economic growth in the Gulf states have helped these regimes to maintain their authoritarian power and to avoid strong opposition. The paper argues that in the near future these states seem likely to survive and maintain popular consensus, unless they face substantial economic crisis or an external circumstance such as war or political pressure. However, the longer-term threat to the security of the Gulf states is their dependency on natural resources which are declining while their populations are growing rapidly. Hence, modifying the rentier system's social contract is essential to maintain stability in the long term.*

**Keywords:** *Gulf states, United Arab Emirates, Qatar, Kuwait, democracy, rentier economy, authoritarianism*

## **Introduction**

In the late 1980s and early 1990s, the world witnessed the fall of several authoritarian governments, mainly in Eastern Europe, Latin America, and Asia. Yet the Middle East countries, including the Gulf states, were untouched, thus establishing a zone of “autocratic exception”. Unexpectedly, in 2011 many Arab states faced popular uprisings through the ‘Arab Spring’ domino effect. As a result, several Arab rulers fell, including Ben Ali in Tunisia, Mubarak in Egypt, Qaddafi in Libya, and Ali Saleh of Yemen; Bashar al-Assad of Syria has been fighting for survival but has remained in power thanks to Russian and Iranian support (Alrifai & Alleile 2021). Therefore, during the Arab Spring the idea of the Middle East as an authoritarian exception appeared no longer valid. Yet the Gulf states seem to be safe and stable, with the slight exception of Oman (Al-Kiyumi 2013 ), Kuwait (Al-Wasmi 2013), where the protests were contained, and Bahrain which faced a strong popular uprising from its Shia majority, pushing Saudi Arabia to deploy its forces to support the Bahraini regime in March 2011 (Al Jazeera 2011).

Why are the Gulf states different from the other Arab countries? Various factors have been claimed to explicate the resiliency of authoritarianism in the Gulf monarchies, the most prominent the rentier-state-system hypothesis; they are rich in natural resources. According to some researchers, such as Beblawi and Luciani, the rentier-state system is the main reason for authoritarian persistence in the Gulf states. Another factor is the critical need for the West to maintain stability in the Gulf, as the main oil provider for the world (Kéchichian 2004: 40).

This paper examines whether the cultural and Islamic values of the Gulf states lead to the persistence of authoritarianism, considering researchers such as a Bernard Lewis pointing out the incompatibility of fundamental Islam and democracy (Cook & Stathis 2012: 175). Certainly, religion per se is not sufficient to explain the absence of democracy in the Gulf countries—Islam has many interpretations and there are cases where Islam and democracy coexist. Therefore, the paper also explores whether the high living standards and economic growth in the Gulf states have helped regimes to maintain their power and to avoid a strong opposition. It focuses on the resistance to democratic change in three small Gulf states (Qatar, the United Arab Emirates [UAE], and Kuwait) in context of their similarities—all are city-states with relatively small populations. They are also characterised by high living standards and GDP growth and their dependency on foreign workers.

The paper will look at the political and economic situation of the three Gulf states following the so-called Arab Spring uprisings. It will then examine the reforms in the political system of these states. Lastly, the paper will assess the rentier state system from a political-economic perspective and propose recommendations for how these states should tackle future challenges related to this form of social contract. This represents a contribution to literature because the move from the old social contract represents a prerequisite to maintain peace and stability in these states in the long run, in the light of the declining natural resources and the high population growth of these states.

## **Demographic and Economic Background**

Demographics and the economy are important for understanding the persistence of authoritarianism in these states. According to World Bank Group data, all Gulf

Cooperation Council (GCC) countries saw massive growth in their populations from 1960 until 2019. In our three cases, the population of Kuwait was 269,029 in 1960, and 4,207,083 in 2019; Qatar's population was 47,384 in 1960, and 2,832,067 in 2019; the UAE's population was 92,418 in 1960, and 9,770,529 in 2019. The life expectancy of the citizens of these states has also improved during the same period, signalling an improvement in living conditions and the health system. In Kuwait life expectancy was 59.34 in 1960, and 75.39 in 2018. In Qatar it was 61.09 in 1960, and 80.1 in 2018. In the UAE it was 51.53 in 1960, and 77.81 in 2018.

These countries also experienced a remarkable increase in GDP and GNI during this period. Kuwait's GDP was US\$2 097 billion in 1965, and US\$134 629 billion in 2019. Qatar's GDP was US\$301 791 301 in 1970, and US\$175 838 billion in 2019. UAE's GDP was US\$301 791 301 million in 1970, and US\$421 142 billion in 2019. Regarding GNI per capita, Kuwait's in 1995 was US\$20 520 in 1995, and US\$33 590 in 2018. The UAE's GNI per capita rose from US\$31 400 in 2000 to US\$43 470 in 2019. Qatar is the only state in GCC to see an outstanding improvement in GNI per capita in a relatively short period. It was US\$28 400 in 2002 and US\$61 180 in 2019, one of the highest in the world.

All Gulf states except Saudi Arabia and Oman have more foreign residents than citizens. Foreigners represent the majority of Kuwait, Qatar, the UAE, and Bahrain (Mishrif 2018: 10), at more than 80 per cent of the population of Qatar and the UAE (International Labour Organisation). Hence, it is worth noting that GNI per capita in these countries includes foreign workers, who represent in many of these countries the majority of the population and who are usually paid lower wages than citizens. GNI per capita for citizens is double or even triple the above figures. The gap between locals and foreigners has thus increased the value of citizenship in these states (Hertog 2010: 305).

### **Islamic Values versus Democracy**

Establishing a link between culture and authoritarianism is not limited to Islamic societies. For instance, many authoritarian dictators in East Asia have claimed that the inimitable culture of these states and their "Asian Values" make them "unsuitable for democracy" (Inglehart 2000: 95; 2003: 56). Similarly, some claims routinely describe democracy as a Judeo-Christian notion that is incompatible with Islam (Göle 2006: 14). However, Taiwan and South Korea in Asia and Turkey and recently Tunisia in the Muslim world represent a counterpoint to this extreme claim. Hence, the argument for the universal applicability has held sway in recent years.

Democracy itself is a disputed notion; Islam too is very diverse and contains many interpretations which does not permit it to be analysed as a single bloc. Consequently, both Islam and democracy are conceptually loose enough to produce multiple interpretations and models that would be permit their cohabitation (Cook & Stathis 2012: 176). Hofmann (2004: 654) proposes that even if the majority of the Muslim countries are not democratic, that does not suffice to establish that Islam is anti-democratic or Muslims are not supportive of democracy. Furthermore, Hofmann's (2004) study on post-communist countries in Eastern Bloc concluded that the Muslims of these states have less nostalgia than Christians to the former authoritarian regime.

Regardless of whether Islam is compatible with democracy, it is unquestionable that in the Gulf states Islamic values still play a key role in daily life. Many scholars

argue that a state that is predominately Muslim is less likely to be democratic than a non-Muslim state.<sup>1</sup> Thus, religion and culture may be important factors that impede or at least delay democratic change in the Gulf states. Hence, because of its significance in Islamic and tribal societies, it is essential to understand the concept of leadership in this context. Islam defines leadership as the “behaviour of the occupant(s) of the position of leadership in political, economic, or social fields. Leadership should be occupied only by competent people”. The leader, who was called in the past caliph or Commander of the Faithfull, is responsible for the people’s welfare (followers); hence as long as this Muslim leader is able to maintain this welfare, the people are required to obey his rule (Abdalla and Al-Hamoud 2001: 508). Adding to this point, Bedouin tribal culture is consolidated in the GCC countries, despite decades of economic and urban development. In that culture, loyalty and obedience to clan and tribal leaders is very important; Gulf rulers are also clan leaders. As an example of the importance of tribal ties, in 1900 the Al Thanis, the royal family in Qatar, represented almost half of Qatar’s indigenous population (Hanieh 2011: 6–7). Consequently, opposition to the rulers of Qatar comes from other factions of the Al Thani family, while some influential families, such as the Darwish and al-Mana, have established strong ties with the Al Thanis and play an important role today amongst the Qatari economic elite (Hanieh 2011: 8).

These states have comparable power structures: they have hereditary rulers whose families control the state apparatus; they all have abundant oil income, which has made them rentier economies. Additionally, these societies are multicultural; however, they are extremely segregated by class, gender, religion, citizenship status, and status as native or foreigner. The Gulf societies are characterised by an even more consumerist lifestyle than most wealthy Western states (Ouis 2002: 316).

Many young citizens in the Gulf states studied abroad in Western universities; moreover, most GCC residents, especially the elites, spend their vacations in Europe and the United States (Ouis 2002: 319). Yet, their exposure to Western culture has not hugely impacted the traditional values of Gulf societies. Islam is exceptionally entrenched, and there are no indications that a secular mentality has infiltrated political life (Ouis 2002: 321). Islam relies on interpretation and negotiation to legitimize or delegitimize certain practices. For instance, to enforce use of the *hijab* (veil), some cite Quran verses that demand that the Prophet’s wives cover their faces; meanwhile, others argue that these verses asked only the Prophet’s wives to cover their face and thus the mandated use of the hijab does not apply to all women (Ouis 2002: 318). As a result, the *hijab* represents the division of these societies into traditionalists and modernists, but the modernists represent the less dominant side. Nonetheless Ouis’ claim that citizens of these states were not exposed to Western culture may be inaccurate or at least outdated. In the 2000s many Western and American universities opened branches in Kuwait, Qatar, and the UAE. These universities attract a lot of local students which raises the prospect of a gradual transfer to Western ways of thinking to the culture and values of the Gulf’s youth. Hence, even if the traditionalists

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<sup>1</sup> See: Fukuyama, Francis. (1992). *The End of History and the Last Man*. New York: Avon; Waterbury, John. (1994). *Democracy without Democrats?* In *Democracy without Democrats? The Renewal of Politics in the Muslim World*, Salamé, Ghassan (ed). London: I. B. Tauris; Huntington, Samuel. P. (1984). Will more countries become democratic? *Political Science Quarterly* 99(2):193–218.; Huntington, Samuel. P. (1996). *The Clash of Civilizations and the Remaking of World Order*. New York: Simon & Schuster; Kedourie, Elie. (1994). *Democracy and Arab Political Culture*. London: Frank Cass; Pipes, Daniel. (1983). *In the Path of God: Islam and Political Power*. New York: Basic Books.

still have the upper hand in society, the modernists are growing and their role in the future will determine change in these states.

### **The Gulf's Rentier System**

Many scholars, most notably Luciani (1988: 458), view natural resources such as those of the Gulf states that reduce the burden of taxation to be a curse for democracy. They argue that democracy is impossible to achieve without taxation, which plays an important role in the emergence of Western democracy (Herb 2005:297). Luciani (1988: 460) notices that in the majority of Gulf states the demands for democracy is weak or non-existent. He argues that oil income did not help democratization but rather helped regimes to silence demands for change.

To understand the nature of the regimes in the Gulf states, we need an initial understanding of the rentier-state system. This system, thanks to the huge production of oil, has helped these regimes to maintain their rule without facing serious internal danger. Beblawi argues that there is “a difference between ‘earned’ income and effortless ‘accrued’ rent,” and he defines a rentier as:

... more of a social function than an economic category, [he is] perceived as a member of a special group who, though he does not participate actively in the economic production, receives nevertheless a share in the produce and at times a handsome share. The distinguishing feature of the rentier thus resides in the absence of a productive outlook in his behaviour. (Beblawi 1987: 50)

The creation of the Gulf oil-producer states in the 1970s, and the enormous wealth that oil brought to them, have been accompanied by the rise of the “rentier political system,” which Beblawi defines as “a special case of a rentier economy — only few are engaged in the generation of this rent (wealth), the majority being only involved in the distribution or utilization of it.” A “rentier economy” is

an economy where the creation of wealth is centred around a small fraction of the society; the rest of the society is only engaged in the distribution and utilisation of this wealth. (Beblawi 1987: 51)

The Gulf states are highly dependent on oil income, which represents more than 95 percent of their exports and finances and more than 90 percent of their budget. However, only about 2–3 percent of their citizens work in the oil industry. The governments of these states directly control the rents in this sector. Thus, these states fit Beblawi’s definition of rentier states and rentier systems (Beblawi 1987: 53; Herb 2005: 298).

The former prince of Kuwait, Sheikh Abdullah al-Salem al-Sabah (d.1965), was the first to declare that some government wealth should be shared with the people (Beblawi 1987). The idea of distributing a portion of oil revenue to the citizens originated in Kuwait and then spread to all the Gulf states (Beblawi 1987). However, the role of these governments is not limited to distributors of wealth. The governments also provide their population with free or low-cost services such as education, health care, social security, and defence. The quality of these services is typically superb, compared with other developing countries (Beblawi 1987). Control over natural resources has thereby helped these states to stabilize their population via this relation of dependence and submission. The governments were able to buy loyalty and maintain social and political stability by redistributing a portion of the natural resources’ rents. The original slogan of democracy, “No taxation without representation,” is

virtually worthless in the Gulf-state context; oil income is enormous, so these states do not need to impose taxes on their citizens, thus making the issue of accountability less pressing. There is no taxation and no representation (Tourabi 2011). In addition, these governments are the principal employer. Most citizens who do not work in the private sector or own their own business are hired by their government, regardless of their qualifications. The productivity of these citizens is typically extremely low, and their main duty is to fulfil their working hours (Beblawi 1987: 55).

Although the government is the major rentier in the Gulf states, it is not the only one. Many citizens participate in the economy in ways that depend on their social class; for instance, foreign firms need to find local agents to serve as partners to deal with bureaucratic issues to sell their products in these states (Beblawi 1987: 55–56). Furthermore, a powerful concept originated in the Gulf states: *kafil*, (the sponsor) and *kafala* (sponsorship). In this model, all companies and some foreign workers (depending on their nationality) need a local sponsor to work or to establish businesses. In return, these sponsors get a part of the foreign companies' and workers' profit or income (rent). Thus, citizenship of GCC states has become a source of income for many locals (Beblawi 1987: 56). *Kafala* (sponsorship) provides locals with extra income through patronage, helping to maintain power over foreign labour (Jensen 2018:71), permitting companies to control their own workers and reducing the welfare burden on the Gulf states (Johnston 2017:318).

Meanwhile, the labour market in the Gulf states is dominated by foreign workers, while most locals are unable to fulfil skilled jobs (Hertog 2010: 297). Although these states are rich because of their natural resources, their productivity is exceedingly low (Hertog 2010: 290). In addition, there is a noteworthy presence of brokers (gatekeepers) who control access to *sheikhs* and rulers. To win government contracts, foreign companies use these brokers to guarantee their businesses; in return, these brokers receive large sums of money, which concentrates wealth in the hands of a few people and renders the brokers a kind of nobility (Hertog 2010: 305–306). The brokers are so powerful and play a key role in decision making in the Gulf states for many reasons, such as “the informal and opaque nature of the regime cores in all Gulf states, the large number of the ruling family members, and the weakness or absence of more formal mechanisms to access the elite” (Hertog 2010: 291).

As a result, this system creates a special economic situation that shapes the relationship between the citizens and rulers. This system is beneficial for both rulers and citizens. The former use it to maintain their grip on the state and latter benefits from high paid governmental jobs and privileges. Hence the peculiar economic situation in the GCC state decreases the importance of religion and culture in the persistence of authoritarianism in this region.

## **The Gulf States in the Aftermath of the Arab Spring**

The rentier system faced an unexpected challenge during the so-called Arab Spring. Will these states ignore the turmoil in the neighbouring Arab countries, or will they adjust their strategies to face the political storm? However, the failure of the Arab Spring after the civil wars in Syria and Libya, and after the coup of General Sisi in Egypt, ended the hope for democratic change in the region—except for in Tunisia.

After the beginning of the Arab Spring, many petitions in the Gulf states asked the rulers to begin a serious reform process (Ulrichsen 2011). As a result, the

governments started to fear protests. A group of people started a Facebook campaign in Qatar and Dubai to organize an anti-corruption protest, which inspired governments to take new measures to monitor social media (Reuters 2011). Meanwhile, a group of angry protesters stormed the Kuwaiti parliament and demanded the removal of their corrupt government (The Telegraph 2011). Thus, “when necessary”, these governments repress their citizens through media censorship, imprisonment, and forcing political opponents into exile (Hanieh 2011: 3). It is worth mentioning that repression increased after the Arab Spring in the GCC states (Mainuddin 2016: 176).

In *Democracy in America*, comparing the French Revolution and the American Revolution, Alexis de Tocqueville notes that the radicality of change depends on the relations between a state and its citizens. In pre-revolutionary France, the state was so dominant and left so little room for compromise that the only solution was radical change. According to de Tocqueville (2000: 147), unlike in America, during Louis XIV’s reign, who had once been able to claim *L’État c’est moi!*, France witnessed the greatest governmental centralization that could be imagined. Meanwhile, the comparative weakness of the federal government in America helped American social and political forces to achieve their goals without the necessity of a strong uprising before and after America’s revolution.

The French case provides a more apt model to understand the Arab Spring. As Tourabi (2011) noted, the so-called revolutions of the Arab Spring aimed to create radical change in their societies; they aimed to end the long-lasting status quo. Yet neither the American, the French, nor the relatively successful uprisings of the so-called Arab Spring mirror the situation of Gulf societies because the latter are still able to buy legitimacy using their sizable oil income. Their wealth represents a very important marker in the relations between the Gulf states and their citizens. As a result, the Gulf states can resist change thanks to their substantial patronage networks that are able to maintain the *status quo* (Cook & Stathis 2012: 181).

Post the Arab Spring, the GCC states have pursued a policy of resistance, while introducing limited changes and increasing repression (Mainuddin 2016: 179). Indeed, repression per se does not guarantee that a full-scale uprising or armed rebellion will be thwarted as witnessed in Syria and Libya. However, the Gulf states still have for the time being enough resources to silence the largest portion of its citizens. In other words, a stick and carrot approach is used in these states, though the carrot is much larger than the stick.

## **Democratization and Reforms in the Gulf Monarchies**

The success of uprisings and mobilization to topple a political regime requires, in most cases, external support—funding, media coverage, and training of activists etc. This was clear during the colour revolutions in Eastern Europe, where the West helped these uprisings via NOGs and funding programmers; without this help, these uprisings would not have succeeded (Simecka 2009: 3). However, external powers of the Western countries have not genuinely cared to establish democracy in the Gulf states so long as their access to oil is guaranteed; moreover, the Gulf states represent a valuable market for Western goods and weapons (Kéchichian 2004: 40). Nonetheless, GCC states made some efforts to democratize after the American invasion of Iraq in 2003 and its establishment of a putatively democratic system. During this period Gulf rulers who feared the democratic threat began a series of modest reforms (Kéchichian 2004: 40). However, these limited reforms, as with the reforms that followed the Arab

Spring, were driven by the necessity of reducing internal pressure, rather than a belief that these reforms are important for modernising these states.

Anyhow, the parliamentary experience in Kuwait started in 1962, and the Kuwaiti parliament has witnessed the rise of Islamism since 1986. However, the role of the Kuwaiti parliament was insignificant until the American invasion of Iraq, when the rulers began to empower the parliament through political reforms. Nevertheless, still the rulers did not give the right to vote to the *bidun* (people who live in Kuwait and have no other nationality but are not considered citizens). The Shia minority represents another problem for the government. Although their situation in Kuwait is better than that of Shia in other Gulf states, they still face discrimination. Moreover, rulers of Kuwait still see Iraq as a potential threat to their regime. Although the regime in Iraq is considered democratic and pro-West, many Iraqi people still think that Kuwait is part of their land which was wrongly detached during the British Empire (Kéichichian 2004: 42).

The parliamentary election in 2003 in Kuwait was seen as a good indicator of democratic change. However, the Islamist victory was considered a sign of the weakness of the so-called liberal groups; that is, the parliament (Majlis al-Umma) is not easy to handle by the government. The Islamist groups are considered conservative forces that oppose openness in Gulf societies, which means they will probably slow the reform process (Kéichichian 2004: 53). Hence, they are the main group who reject the liberal democracy model, because they consider it a Western concept (Cook & Stathis 2012: 180).

Despite this, Kuwait is considered the most democratically advanced country among the Gulf states, and Kuwaiti parliament members exercise their power to question ministers and even force them to resign (Nonneman 2006: 12). Though the parliament has a greater role than councils in the other Gulf states, any bill passed by the Kuwaiti legislative must be approved by the Emir to become law and targeting the Emir and the royal family is not tolerated (Mainuddin 2016: 167). Moreover, the Emir has the power to dissolve or suspend parliament (Hanieh 2011: 3). For instance, in 2016, the Emir, Sheikh Sabah Al-Ahmad Al-Sabah, dissolved parliament and set the country on the path toward an early election (Al Jazeera 2016). The current Emir, Sheikh Nawaf Al Ahmed Al Sabah, issued a decree in February 2021 suspending the Kuwaiti National Assembly for one month starting on February 18, 2021, because of tensions between the parliament and the government (Gulf News 2021). In the last Kuwaiti National Council election (in 2020), fifty members were elected; yet no woman won a seat (Al Qabas 2020).

Qatar has no real organized opposition; furthermore, political parties are not allowed (Nonneman 2006: 9). Nonetheless, Qatar started political reform in 1999, when the first municipal election was held and women were allowed to both vote and run for office, though no women were elected (Nonneman 2006: 9). Qatari citizens, including women, voted in 2003 to approve a new constitution that called for a parliament composed of forty-five members, thirty to be elected and fifteen to be appointed (Kéichichian 2004: 43). Yet the elections of this *shura* (consultative) council were delayed, and it was only on November 3, 2020, that Emir Tamim bin Hamad announced that Qatar would witness the first free elections for the Consultative Council in October 2021 (Al-Shafi 2021).

The UAE is considered the least developed of all the Gulf states in terms of political participation. Its federal system gives each of its seven emirates' *sheikhs*

absolute power within his own emirate. Nonetheless, some emirates, such as Sharjah, have introduced appointed consultation councils. At the national level, the state has the Federal National Council (FNC), but it has limited power and cannot pass or block bills—that power still resides with the rulers. All FNC members used to be appointed; however, in 2004, the president of the UAE, Sheikh Khalifa bin Zayed Al Nahyan, announced that half of the members would be elected by the council of each emirate, and he promised that the power of these councils would be expanded (Nonneman 2006: 12). Consequently, the UAE saw the first FNC election in 2006 and involved an electoral college composed of 6,000 members. This number increased to 224 279 in 2015, and 337 738 in 2019. However, candidates are only allowed to run as independents. Moreover, the current FNC has forty members, half of whom are appointed. According to the recommendation of the president of the UAE, Sheikh Khalifa bin Zayed, women—both elected and appointed—should occupy half of the council seats (The Federal National Council 2021). The FNC (Majlis al-Ittihad al-Watani) remains a consultative council without an effective power (Mainuddin 2016: 171), but the UAE's rulers have promised that this power will increase gradually in the future.

Aside from this positive discrimination regarding women in the UAE, the women are relatively absent from high politics in the Gulf states; nonetheless the illiteracy gap between the two genders in these states are low or non-existent, which is a good sign for future democratic change (Fish 2002: 34).

Reform in these Gulf states is not serious or at least is slow and limited; the rulers continue to have the last word regarding political developments. The municipal elections in Qatar and the UAE did not accompany power for the elected members. Even in Kuwait, the ruling family is still the absolute arbiter and completely controls the government; political parties are still banned (Nonneman 2006: 29).

### **Rentier State as a Social Contract from a Political-Economic Perspective**

Recently, all the Gulf states have invested in other sources of income to limit their dependence on oil exports and to respond to the fast-growing population. This is inspired by the decline of natural resources and the rapid growth of their population, as well as the falling of the oil price in recent years which impacted the revenue of these states. Hence, moving from oil and gas to a more diverse economy represents the main economic challenge for GCC states (Mishrif 2018: 5). In 2010, the UAE introduced the UAE Vision 2021 and, in 2019, Abu Dhabi introduced another economic strategy, Vision 2030, to achieve economic diversification and move towards a knowledge-based economy (Jensen 2018: 69). The strategy is to generate new jobs by facilitating foreign investment and supporting free markets in imitation of the Dubai model, as a replacement for the rentier-state. Oil contribution in Dubai's GDP has declined from 5.48 per cent in 2000 to 1.4 per cent in 2013 (Mishrif & Kapetanovic 2018: 89). Indeed, Dubai's model represents an example that the other GCC countries can follow in their economic development (Mishrif 2018: 17). However, there are concerns that the rapidity of growth in the Dubai model, especially after the real estate crash in 2008–9, is a double-edged sword (Hvidt 2011: 88). Despite the success of Dubai without relying on oil in its economic model, it had to receive massive financial aid from the oil-rich Abu Dhabi during the economic crisis in 2008–9. As result, oil indirectly remains a necessary element to sustain long-term economic development and stability in Dubai (Mishrif & Kapetanovic 2018: 90). Similar to the UAE, Qatar has

a National Vision 2030 and Kuwait has a Vision 2035 for the “New Kuwait” (Ministry of Foreign Affairs-Kuwait 2021). Although it is too early to judge the effectiveness of these visions and their potential to create a new social contract between states and citizens, these strategic plans promise to diversify the economy, decrease the dependence on natural resources, and to attract foreign investments in the next two decades.

Thanks to the oil revenue from exporting oil and gas since the 1940s, GCC governments were able to enter a social contract and ensure economic and political stability by distributing the income to their citizens through high-paid public jobs and by extending privileges to some elites’ businesses in the private sector. More than 80 percent of public jobs in Qatar, UAE, and Kuwait are filled by citizens (Gulf Research Center), and workers in the public sector enjoy high wages and benefits compared with private sector workers. Meanwhile, GCC governments have provided some privileged business owners a share of the economic rent through government contracts and exclusive licenses, which allow them to generate excess income and profits and help them to build conglomerates in the sectors of construction, finance, and services (such as hotels and telecommunications).

It is important to account for this social contract before investing in reform policies. This contract guarantees to the Gulf states’ citizens their share of the country’s oil revenue, which will not be easy to renegotiate even if revenues decline in the future. In addition, business conglomerates are not willing to limit their access to exclusive government contracts or to reduce their share of the profits. Therefore, any GCC economic reforms should develop alternative ways of sharing the oil wealth to ensure that the social contract continues.

Thus, the big question that GCC states are asking is: What should a country do to sustain its public services, when oil revenue declines heavily and when it cannot afford its public sector workforce? GCC states are addressing this question by improving public goods and services—such as education, health care, utilities, banking, finance, telecommunications, tourism, and transportation. Undoubtedly, for these countries providing education to all citizens is a major achievement. However, this accomplishment has not resulted in major shifts, as the focus has been on the outcome rather than the quality. (Kabbani & Ben Mimoune 2021).

The conglomerates and state-owned enterprises have played an important role in developing both the public and private sectors and in stimulating modernization, innovation, and economic growth. However, the bureaucratic barriers are preventing small and medium-sized businesses from growing and competing nationally and internationally. On the other hand, the support of the public sector—including subsidies, privileges, licenses, contracts, and financing—has allowed conglomerates and state-owned enterprises to expand internationally, yet these public firms would not be able to compete internationally without government assistance (Kabbani & Ben Mimoune 2021). This paper does not suggest dissolving state-owned enterprises, as they remain important to the economic structure of these states. However, these states can be leaders in creating a more competitive environment that supports small and medium-sized businesses.

The absence of an active and engaging private sector and competitive market environment is due to the dominance of state-owned enterprises and private sector conglomerates, which are connected to the ruling elites.<sup>2</sup> Moreover, most of the

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<sup>2</sup> For more on ruling elites and businesses, see Kamrava, Mehran; Nonneman, Gerd; Nosova, Anastasia, et al. (2016). Ruling Families and Business Elites in the Gulf Monarchies: Ever Closer? Chatham House Research Paper, November, *The Royal Institute of International Affairs*, November,

conglomerate owners are themselves members of the ruling elite and hold government positions, giving them privileged access to government contracts, licenses, and funding. To economically diversify and ensure growth, GCC states should encourage SMEs (small and medium-sized enterprises) and startups (Kabbani & Ben Mimoune 2021). Government incentives and regulations should encourage SMEs by reducing barriers to entry, reallocating government contracts, and facilitating SMEs' access to state funding (Saudi Arabia General Authority for Statistics 2019).

Politics also plays an important role in GCC economies because political instability can jeopardize economic growth. For example, the blockade of Qatar disrupted supply chains, investment flows, and business contracts. This increased risk and uncertainty affects domestic investors and weakens international firms' incentives to invest in the region. This blockade came at high cost, not only to Qatar but to all the countries in the region (Kabbani 2017). Separating economic interests from politics is crucial for maintaining a healthy and predictable investment environment and in turn achieving long-term sustainable growth.

As mentioned, GCC citizens enjoy privileged access to high-compensation public sector jobs as part of the social contract. This privileged access has reduced the quality of education and prevented the workforce from developing the skills needed to increase economic productivity and growth (Hertog 2016). Nationals are less incentivized to improve their knowledge and skills, as they typically seek the minimum credentials needed for high-wage public jobs. Meanwhile, private sector jobs are dominated by skilled foreigners who earn much less than the lowest-paid worker in the public sector. Private companies avoid hiring locals because of their high salary expectations, lack of their qualifications and skills, and their rejection of long hours (Jensen 2018: 81–82). Hence, private companies are not eager to hire nationals unless obliged, as they regard them as a burden (Herb 2019a: 4). These conditions have given citizens the expectation of working in high-wage government jobs and weak motivation to improve their skills and knowledge which would increase productivity and growth. This situation could create a huge number of unemployed youths in the event that oil revenues decrease, which would decrease the overall number of public sector jobs (Herb 2019b: 8). There are attempts to respond to this challenge; for instance, the UAE is trying to challenge the social contract by encouraging their citizens to improve their work skills so that they can work productively in the private sector. Nevertheless, it still remains the case that 90 per cent of Emirati workers are hired by the public sector while only 1 per cent work in private sector (Jensen 2018: 72).

Undeniably, some GCC states are trying to align public sector wages and benefits with those of the private sector, but they have not yet succeeded. One solution might be creating a transparent welfare system that provides fair wages and social benefits, explicitly linked to workers' share of the economic rent. Any policy reforms should take the social contract seriously to economically diversify and create sustainable economic growth, especially in an environment of declining oil revenue. The COVID-19 pandemic has increased the urgency of solving this problem, as it has accompanied lower global oil prices and lower demand, disruptions in the supply chain, and a move toward clean and green energy. Certainly, this has put more pressure on GCC governments to diversify their economies.

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<https://www.chathamhouse.org/2016/11/ruling-families-and-business-elites-gulf-monarchies-ever-closer>, (accessed 10 April 2021).

Equally importantly, GCC states should work to accelerate innovation, increase private sector involvement, and, rather than cutting budgets, invest heavily in infrastructure that would accommodate and encourage private investments. Moreover, greater regional economic cooperation and integration among the GCC states would increase economic and political stability, reduce uncertainty, and thus incentivize domestic and foreign private investment. Public sector/private sector cooperation, in the form of more incentives for young people to take private sector jobs and develop skills and knowledge, would increase productivity and competitiveness regionally and globally.

## **Conclusion**

It's clear that the GCC regimes considered here—Kuwait, Qatar, and the UAE—will not face the same fate as the regimes that collapsed in the Arab Spring, because Gulf states are not subject to the same economic crises that the other Arab states experienced. If their states can produce gas and oil to generate wealth then, thanks to the high oil income, the conditions are not likely to inspire challenge in the near future. Nonetheless, these states are neither anti-revolutionary nor against change; according to Koch (2011), these regimes are facing demands from their citizens that will force them to adopt a more stable political system that will ensure their survival.

However, Ulrichsen argues that the unique strategic importance of these states to the West will not inspire these to abandon support of these rulers or endanger their power. Gulf states host American military bases and rely on the United States as a security provider and arms seller. Thus, unless these rulers face economic crises that creates popular discontent, they will not seriously redistribute political power (Ulrichsen 2011). Kuwait, Qatar, and the UAE are rich and have small native populations. Nonetheless, Sultan al-Qassemi, an Emirati journalist, warned that locals are increasingly concerned about the slow reform process. Locals represent the minority in the UAE and are afraid of the increasing expatriate population and the possibility that millions of foreigners will make their own political demands for rights in the future (Khalaf 2011). These concerns might suggest that the citizens in the Gulf states would prefer reform to revolutionary change.

In addition, this paper showed that Kuwait, Qatar, and the UAE are stable and that in the immediate future popular uprisings are unlikely. These states still rely on natural resources, and, with the exception of Kuwait, they are still trying in vain to introduce new political reforms and to institute elections.

Although data is hard to come by, GCC citizens are satisfied because of the high standards of living which they continue to enjoy. One source of available data is from the Pew Research Centre, which found that Kuwaiti citizens' satisfaction with their country's direction decreased from 84 percent in 2002 to 52 percent in 2007 (Pew Research Centre a). However, in 2007, 87 percent of Kuwaitis still believed that the economic situation in their country was good (Pew Research Centre b). Hence, where there is evidence, it suggests that change will not take place unless an economic crisis pushes citizens to ask for more reforms. The citizens of these states rely on their government for social services such as health care and education. Additionally, the tribal nature of the GCC societies and the Islamic value of submission to rulers have helped the regimes maintain power without significant challenge.

This paper also showed that the persistence of authoritarianism in the Gulf states is due to a mix of factors concerning economic privileges and culture. Nonetheless culture and religion are less influential than wealth in explaining the stability of these regimes and the persistence of their authoritarianism.

While no regime can expect to remain in power forever, present indicators suggest that these regimes are likely to survive and maintain a popular consensus for the foreseeable future, unless circumstances change due to a substantial economic crisis or external factors such as war or political pressure.

However, at present there are no external factors significantly challenging the GCC regimes—which was not the case in the countries that experienced the Arab Spring, as the latter received external support from some of the Gulf states and Western powers in the form of sponsorship of political movements, activists, and in some cases arms (as in Syria and Libya). Moreover, because of the importance of the Gulf region to the world economy, the importance of the supply of oil and gas, and the strong economic and military ties between these states and Western powers (mainly the United States), there is little motivation to destabilize these regimes and the region. Hence, external factors—including superpowers, neighbouring countries, business partners, and international organizations such as the International Monetary Fund and the World Bank—have not pushed the Gulf states to move toward democracy. In the meantime, the failure of the Arab Spring to bring democratic change to the Middle East was a relief for the rulers of the Gulf states, who did not fear a democratic wave; as a result, they did not feel the need to reach compromises. Iran may be perceived as an external threat to the GCC countries; but it is also a reason for convincing the Gulf states to spend a huge amount of their wealth on Western—mainly American—arms.

Without a doubt, the tensions between Qatar and the other GCC states showed that we cannot take for granted good relations among the GCC states. For instance, the Islamists represent a critical threat to some of these states such as the UAE, which has opposed the Muslim Brotherhood, whereas Qatar has openly supported them (Roberts 2017: 544). After the death of pro-MB Ras al-Khaimah Emir Saqr bin Muhammad in 2010, the UAE has launched a war against the Emirati Muslim Brotherhood (MB) affiliated group the Islah (reform) and has declared both Islah and MB as terrorist groups (Roberts 2017: 554). As a result, Qatar is perceived by some Gulf states (mainly Saudi Arabia and the UAE) as a threat, and the latter are accusing the former of supporting Islamists—mainly the Muslim Brotherhood—to destabilize them. This has been one of the main reasons for their blockade against Doha.

Indisputably, the real threat to the security of the Gulf states in the longer-term is their dependency on natural resources. Hence, modifying the rentier system's social contract is essential to maintain stability. Political reforms must be accompanied by economic reforms, and both citizens and ruling elites must accept compromise to allow future generations to prosper.

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