

# Can the Gulf Cooperation Council Survive the Current Crisis?

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Four months into the standoff initiated on June 5 by the so-called Anti-Terror Quartet of Bahrain, Egypt, Saudi Arabia, and the United Arab Emirates (UAE), the initial flurry of diplomatic and economic sanctions on Qatar has given way to a series of highly inflammatory informal measures. The shift from formal to informal is most likely a reflection of the quartet's failure to secure the support of the United States or broad sections of the Arab and Muslim worlds for isolating Qatar. Whereas it is too early to say whether this miscalculation will rebound on the dynamic leadership styles of the crown princes of Saudi Arabia Mohammed bin Salman and of Abu Dhabi Mohammed bin Zayed, the highly personalized and bitterly acrimonious nature of the dispute threatens to inflict generational damage on the social fabric of Gulf societies. Thirty-six years of incremental technocratic cooperation is at risk as the Gulf Cooperation Council (GCC) faces its most severe crisis since the bloc came together at great speed in response to external threats to regional security in May 1981.

## I. Technocratic Success

From its foundation in 1981, shortly after the 1979 Islamic Revolution in Iran and the start of the Iran-Iraq War in September 1980, the GCC has functioned as a loose collection of six states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) that struggled to reach consensus on fundamental issues if they appeared to threaten national sovereignty. By contrast, greater progress typically was made in

technocratic cooperation on apolitical issues that, over time, facilitated the growth of a distinctly *khaleeji* (Gulf) identity throughout the GCC. It is important to note that the GCC is not a political or military alliance; therefore, it is not a supranational decision-making body like the European Commission. It wields no authority in foreign policy nor in making or enforcing treaties; indeed, its member governments retain sovereignty over most aspects of policy. As the GCC hurriedly came together in three months between February and May 1981, key issues of institutional design were not dealt with, and they have remained unaddressed ever since.

Shortly after the creation of the GCC, the six states signed a Unified Economic Agreement pledging them to harmonize and coordinate oil and industrial policies, design a uniform system of tariffs, and work toward the free flow of labor and capital across their common borders. Progress toward these goals has been slow and halting as two decades elapsed before a customs union and common market were launched (in 2003 and 2008, respectively), and a further decade before agreement could be reached, in 2014, on imposing a common external tariff of five percent. The 2014 agreement was seen to provide the springboard for deeper regional economic integration with the 2016 formation of a Commission of Economic and Developmental Affairs at the GCC Secretariat in Riyadh.

## Unresolved Structural Challenges

While these achievements provided a strong technocratic basis for regional cooperation, they

left unaddressed a set of deeper structural challenges that consistently have undermined the alignment of policymaking within the GCC. Public sector dominance of GCC states' labor markets contributed to low cross-border mobility, as did low levels of internal trade within the GCC and the persistence of different legal and regulatory frameworks among the six Gulf states. A "competitive bilateralism" in trade deals and arms sales also frustrated attempts to create a collective GCC platform as agreements occurred between individual states rather than with the bloc. For example, Saudi officials reacted with fury to Bahrain's negotiations with the George W. Bush Administration for a bilateral free trade agreement with the United States in 2004, with the foreign minister, Prince Saud al-Faisal, stating that such agreements "weaken not only the solidarity of the GCC as a whole but also each of its members."

Beyond the technocratic "nuts and bolts" of regional cooperation, the GCC has failed to make headway on major issues that touched on sensitive areas of political, security, or foreign policy control. A prime example occurred in 2009 when nearly two decades of work toward a single currency and monetary union foundered in acrimony after the UAE suddenly withdrew from the project, less than a year before it was due to launch in 2010. The UAE had campaigned hard to host the GCC Central Bank in Abu Dhabi and reacted with anger to the May 2009 decision to site the bank in Riyadh instead. The UAE minister of economy, Sultan bin Saeed Al Mansoori, stated bluntly that "the

non-selection of the UAE for hosting the GCC Central Bank did not take into consideration the state's importance and its economic development."

The Emirati withdrawal from the GCC's flagship initiative illustrates the core-periphery imbalance at the heart of the GCC between Saudi Arabia, on the one hand, and the five smaller Gulf states, on the other. Most other Gulf states have had territorial disputes with Saudi Arabia at varying points over the past century, from Kuwait in the 1920s to Abu Dhabi and Oman in the 1950s and skirmishes on the Saudi-Qatari border in 1992 and 1993, and, far more recently, a brief clash between Saudi and Emirati vessels in 2010. Each of these incidents has served as a reminder of the power imbalance between the kingdom and its neighbors and contributed to a reluctance to see the GCC become too Saudi-centric in the eyes of its smaller members. Kuwait resisted attempts both in 1982 and 1994 to create a unified internal security mechanism, while in 2013, Oman flatly refused to be a part of the closer political integration championed at that point by Saudi leaders.

### **Widening Fault Lines**

Problematically for the GCC, the current crisis with Qatar is only likely to magnify the sense of concern among ruling circles in Gulf capitals about their vulnerability to pressure to fall into line behind a more regionally interventionist Saudi Arabia. The elevation of Mohammed bin Salman to crown prince of Saudi Arabia, several

weeks into the standoff, and the close bond he has formed with Crown Prince Mohammed bin Zayed of Abu Dhabi, suggest that the thrusting assertiveness of Saudi-Emirati policymaking looks set to define an “inner core” within the Gulf for years, if not decades, to come. Officials in Kuwait and Oman have long sought a careful balance in regional and international affairs and led attempts, in February 2017, to reach out to Iranian President Hassan Rouhani to identify measures to de-escalate Iran-GCC tensions. Both may now wonder if they might come under greater pressure to adopt more hawkish positions they long have tried to avoid.

A related challenge for the future viability of the GCC is that the institution seemingly has been bypassed at every stage of the crisis since its inception in 1981 with the hacking last May of the Qatar News Agency. From the listing of initial grievances against Qatar to the formulation of the 13 conditions and the Kuwaiti and American attempts to mediate, both the GCC and its secretary-general have been conspicuously absent from the debate. Mechanisms within the GCC that might have acted as channels for the expression and resolution of the dispute have been unused as policies have been made in national capitals and bypassed the GCC altogether. Moving forward, Qatari officials would be forgiven for rethinking the utility of belonging to an organization that was either unable or unwilling to prevent three of its members from turning on a fourth.

The lack of new formal measures against Qatar as the crisis unfolded has meant that the quartet

has relied instead on a combination of informal tactics that risk damaging beyond repair the bonds of social cohesion and ties of trust between Qataris and their three neighbors. The vitriolic attacks on Qatar in sections of the quartet’s media routinely refer to the “Qatari regime” in language hitherto unprecedented against a fellow ruling family in the Gulf. Recent attempts to present Sheikh Abdullah bin Ali Al Thani—a Qatari business man who frequents Saudi Arabia and is a younger brother of a former emir ousted by the present emir’s grandfather in 1972—as the “legitimate” ruler of Qatar represent an inflammatory attempt to intervene in the domestic affairs of another GCC member state; ironically one of the main charges on the list of grievances made against Qatar by the quartet.

All parties to the standoff appear to be unwilling to back away and risk losing face in doing so. It is reasonable to assume that the stalemate will continue for many months to come; it took eight months to resolve a previous coordinated withdrawal of ambassadors from Doha in 2014, and in the 2000s Saudi Arabia withdrew its ambassador from Qatar for five years in anger because Al Jazeera offered airtime to Saudi political dissidents. The longer the crisis continues, the greater is the risk of irreversible long-term damage if quartet officials push more overtly for regime change or if their Qatari counterparts seek to hit back with the same tactics. A zero-sum mentality is becoming deeply entrenched between the quartet’s determination to never again allow Qatar to challenge the status quo in the Gulf and

the Arab world and Qatar's conclusion that the overriding lesson of the crisis is the need to diversify still further its political, economic, and security relationships with regional and international partners.

### **A Weakened GCC**

The prospect of a prolonged internal crisis leaves the GCC greatly weakened. The organization is likely to survive, at least on paper, but to become far less relevant as policymaking is driven in individual capitals by a set of younger decision-makers who—unlike the elders they succeeded—appear to have far less affinity with the GCC than the generation that created it in 1981. Emir Sabah al-Ahmad al-Jaber Al Sabah of Kuwait sounded a plaintive note as he lamented the damage done by the crisis to the GCC precisely because he—along with Sultan Qaboos of Oman—represents the last of an older cohort of Gulf rulers who sought consensus over confrontation and witnessed firsthand the regional turmoil that propelled the GCC to come together in the first place.

In the immediate term, the GCC is likely to divide informally into an inner core of Saudi Arabia, Bahrain, and the UAE, counterbalanced by an outer grouping of Kuwait, Oman, and Qatar. The centrality of Mohammed bin Salman in Riyadh and Mohammed bin Zayed in Abu Dhabi looks set to prioritize their highly personalized style of policymaking over the institutional considerations that have provided the technocratic underpinning of the GCC. The increasingly unpredictable—and fast-paced—

nature of change in these key Gulf capitals is evident in the prosecution of the Yemen war and the economic measures taken to counter falling oil prices and government revenues. And yet, decisions that increasingly are taken at the national level call into question the viability of ongoing projects that, at least until May 2017, were at the forefront of further attempts to draw closer together at a time of economic uncertainty throughout the region.

Most obviously, the decision of three member states to close their borders to the movement of Qatari people and goods is a dagger aimed at the very heart of the common market that came into operation in 2008. Intra-GCC trade, while still a low proportion of overall figures, increased significantly over the nine intervening years even as attempts to create a common energy market, electricity grid, and infrastructure network were only partially successful. If the electricity grid is left unaffected by the political dispute, it could become a means of rebuilding mutual confidence by demonstrating the practical benefits of closer interconnectivity among GCC states. The same is true of the Dolphin arrangement whereby Qatari natural gas is piped to Abu Dhabi for use throughout the UAE and onward transmission to Oman. The fact that Qatari officials have not retaliated by shutting the pipeline offers a further element of hope that bilateral energy interests will provide at least a minimal incentive to improve relations at some future point.

Other initiatives, such as the planned GCC-wide railway project, will not necessarily be affected by the current dispute as they were already on ice, for economic reasons, before the Qatar crisis erupted. The railway project highlighted the difficulty of aligning country-level approaches as each state individually awarded contracts and based decisions on national rather than GCC-wide interests. The negative impact of the Qatar standoff on the GCC is far more likely to impede further economic integration just as the GCC was preparing to implement a shared Value Added Tax (VAT) in 2018. On February 1, 2017, Bahrain became the sixth and final GCC state to sign a unified agreement to introduce VAT, but local implementing laws have still to be worked out; and the freezing of diplomatic relations with Qatar will hardly facilitate the finalizing of integrative mechanisms for sharing information and collecting data across the political divide.

Qatar already broke ranks with the GCC consensus when, in early August, the government announced plans to revise its residency law to grant permanent residency and extend some of the economic benefits hitherto reserved for citizens of GCC states to certain classes of non-citizens. In this, as with Qatar's other post-June 5 moves to diversify trade relations and shipping routes and restore full diplomatic relations with Iran, it is becoming evident that the standoff is pushing Qatar away from the GCC, rather than reining Doha in according to the quartet's demands. The divisions within the GCC that have come so visibly to the surface will intensify the

centrifugal forces moving power and influence inexorably back into national capitals and to the hands of leaders.

### **Policy Implications and Recommendations**

External observers will fear that the GCC is broken both as a practical unit and an aspirational reality. Just as the intangible impact of the anti-Qatar rhetoric will reverberate across the social and political landscape for years to come, the tangible effects of the crisis will be felt in the marginalization of the GCC as a fully functioning entity. With decision-making authority in the hands of a young new generation of rulers more willing to take risks and shed the consensual approach of their predecessors, it is hard to see the GCC papering over the cracks any time soon. For international stakeholders with political, economic, and security interests on both sides of the divide, there is mounting concern that the standoff has gone on for too long and represents an unnecessary distraction from more urgent considerations. These include defeating any lasting threat in Iraq and Syria from the Islamic State, identifying a diplomatic solution to the war in Syria, and avoiding the total collapse of Libya and Yemen. The fact that Bahrain decided to remove Qatari military personnel headquartered on its soil and serving with the US-led coalition against the Islamic State is an example of the impact of the Gulf crisis on international and regional conflicts.

The prospect of a generational rift in a hitherto rock-solid web of political and security

partnerships in the Gulf is of deep concern to US and European policymakers. Moreover, the apparent inability of any of the parties to back down means they might continue to support informal policies that veer dangerously close to meddling in domestic political and ruling family affairs. Aside from creating bad blood that will take years to overcome, any such moves risk providing openings for new actors to participate in dialogues about regional security in ways that may exacerbate tensions even further.

US officials should consider carefully how best they can assist in using their leverage in Gulf capitals to dial down the rhetoric, prevent informal escalation, and contribute meaningfully to mediation efforts. With the US government focused on domestic issues and struggling to coordinate policies between the White House and critical government departments, ambiguous messages from Washington have rendered US leadership in the Gulf questionable and unclear. They have also heightened the importance for the Trump Administration to unify its policy approach so that the United States can use its influence in the region more strategically and avoid unnecessary confusion in Gulf capitals.

The visit of the emir of Kuwait to Washington, DC, and his meeting with President Trump on September 7 offers an opportune moment to integrate regional and international mediation efforts, identify the parameters of potential compromise, and utilize the auspices of the Kuwaiti leader to urge the disputant parties to

rein in the destabilizing actions of sub-state actors.

Finally, attention should focus on ways to rebuild trust and mutual confidence both between governments and among the nationals of GCC states. It would behoove all actors to examine how the rise of nationalist sentiment in individual Gulf states can coexist with the notion of *khaleeji* identity; this is to ensure that belonging to a collective entity is seen to be worth retaining, even as incipient Gulf nationalisms come to the forefront as never before.