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Amit Pandya Ellen Laipson
Editors

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The Henry L. Stimson Center
1111 19th Street, NW, 12th Floor
Washington, DC 20036
Telephone: 202-223-5956
Fax: 202-238-9604
www.stimson.org



TRANSFORMATION OR TRANSITION: THE PACE AND NATURE OF CHANGE IN THE ARAB GULF

Emile El-Hokayem and Ellen Laipson

How the Middle East adapts to the rapid economic and social changes caused by globalization is one of the defining challenges for the twenty-first century. The capacity of the Middle East to cope with change will affect energy security, threats from terrorism and radical Islam, and other aspects of international peace and security. In one critical part of the Middle Eastern region—the Persian Gulf area, comprising the six states of the Gulf Cooperation Council (GCC)—economic and social change has occurred quickly and with profound consequences; there has also been more gradual and incremental change in how matters of national security are considered and acted upon. An analysis of these phenomena—the transformation of social and economic life and the more modest transition in security culture—provides a perspective from which to consider prospects for state-society relations and for regional cooperation or conflict. The analysis also gives special attention to the rise of transnational issues as drivers of change and as public policy concerns.

TWO DISTINCT PROCESSES OF CHANGE

Rapid Social and Economic Change

Within a few decades, Gulf societies have undergone rapid transformation that rivals if not outstrips that of Western societies since Renaissance times. Rapid state formation and the growing importance of oil for the world economy have put significant strains on what were essentially fragmented social groups; at the same time, the nascent and imbalanced relationship between state and individual has created conditions that have prevented a more harmonious and gradual national development. As young, still maturing polities faced with complex development challenges, the Gulf states have had to adapt to a fast-changing environment while managing the expectations of their societies. Considerations such as regime survival, availability of oil revenues, patriarchal and tribal structures, and religious and social traditions have greatly complicated the tasks of adaptation, modernization, and institution building. Until recently, cautious leaders employed traditional forms of consultation and public administration as the means to preserve social peace and were not persuaded that rapid development was desirable.

The Gulf states differ in their histories. Some arose through territorial expansion (e.g., Saudi Arabia), and others from gradual consolidation of power by a family (e.g., Kuwait and Bahrain). But they experienced similar development conditions (e.g., external security guarantors, oil resources, and the persistence of strong religious and social traditions and expectations), which have largely determined state-society interactions. The states, awash with oil revenues and relying on social intermediaries whose power varies depending on the country (the clerical establishment in Saudi Arabia, major families in Kuwait, and established families in Bahrain and Dubai), have regulated most aspects of social life. By providing jobs and benefits, the states have shaped expectations and constrained behaviors. In their early years, Gulf regimes focused on building infrastructure, extending education and health services, and consolidating power while weathering the domestic repercussions of regional storms (communism, pan-Arab nationalism, Iranian assertiveness, and instability linked to the Arab-Israeli conflict).

What could have been a slow and incremental process was disrupted by the 1973 and 1979 oil shocks, which led to frantic and disorganized growth and social disturbances. The citizenry, exposed to these harsh changes, responded in various ways, with a minority expressing clear dissatisfaction with the countries' new direction. Unrest in Saudi Arabia, exemplified by the 1979 takeover of Mecca's Grand Mosque by Islamic fundamentalists, reflected this deep frustration with the nature and pace of change, which the kingdom quickly addressed by restoring more religious and traditional values at the expense of modernization. In this case, a small segment of the society questioned the foundations of the state's developmental strategy by threatening the legitimacy of the regime.

Another rupture point came in the 1990s with a drop in oil prices. This led to a serious reassessment of the role and responsibilities of a state that no longer enjoyed endless resources. State mismanagement, demographic pressure and the related labor problem, and shrinking oil revenues ended the complacency and prompted governments to initiate a process of modernization aimed at redefining the role of the state and improving economic performance. Elites quite boldly suggested new approaches to public policy, which challenged conventional thinking and vested interests. While this challenge did not generate social disorder, it called into question the nature of state-society interaction. With the demise of the omnipotent welfare state, loyalty to the state had to be cultivated differently, mainly by improving state performance and building business-friendly, job-generating economies.

The various leaders in the Gulf region have sensibly concluded that the social and political costs of economic mismanagement and underperformance outweigh those of rapid growth. They have also decided that ambitious development strategies have the potential to transform their societies in positive ways while meeting the challenges of globalization. Such strategies must be moderated, however, by the building of a societal consensus about how to sustain the development choices and deal with their unintended outcomes and implications. While few citizens of

the Gulf region could reasonably long for the living conditions of a few decades ago, many, even as they enjoy unrivaled economic security, express a sense of alienation due to the rapid change. From the changing role of the state to the growing number of foreign workers, their living environment is undergoing drastic transformations.

Prior experiences seem to have helped today's development in the Gulf states avoid past pitfalls. Yet the current growth is reminiscent of the situation in Argentina at the start of the twentieth century. Argentina was a rising and promising economic power, attracting capital, labor, and talent. But the speed of the economic growth soon outpaced the governance capacity of the Argentinean state, resulting in devastating social and economic dislocation. Like many analogies, this one is imperfect. The strategic, political, economic, and social context in which the Gulf states operate today differs dramatically from that of Argentina years ago. But a common thread in the two situations is the gap between governance capacity and economic development, occurring at a time when there is an urgent need to capitalize on a uniquely favorable economic moment.

Rulers in the Gulf region are not oblivious to the difficulties of making state formation, governance capacity, and economic development complement one another. They realize that for their growth strategy to be accepted, it needs to produce economic outcomes that will eventually outweigh the benefits provided by state welfare. They calculate that only diversified economies, generating additional revenues from sources other than oil and gas, can create sufficient numbers of jobs and provide sustained financial security. They acknowledge that an economic slowdown or breakdown, however unlikely at this time, could prove fatal to their legitimacy and authority. They realize that economic development brought a measure of (still) manageable social dislocation to their societies before they could develop adequate safety nets. Finally, they expect the right-sizing of the state and the concomitant growth of the private sector to positively affect state-society relations and citizens' expectations and behaviors. In the future, merit and performance, not loyalty and nepotism, will determine one's place in society.

The economic agenda of the Gulf states is therefore profoundly transformative, both better calibrated and more determined than the rapid and uncertain attempts at democratization. But visionary leaders will still need to work to build societal consensus about the way forward. The Gulf region suffers from a notable absence of systematic and institutionalized dialogue between rulers and ruled, resulting in the sense of alienation that many citizens experience. The transformational agenda is reshaping the fundamental social bargain between the ruling elites and the various social groups whose support was essential in the early days of state formation. While leaders of the Gulf states are confident that prosperity will lessen social tensions, it is clear that states with a more open political space (e.g., Bahrain and Kuwait) will need to demonstrate that economic transformation serves societal interests.

Significant parts of the state bureaucracy and diverse social and religious groups that currently play a pivotal intermediary role have much to lose from a transformation of the state-society relationship. This is a factor in Saudi Arabia, for example, where educational reform, perhaps the kingdom's most urgent need, is resisted by the religious establishment, which fears the undermining of its position in Saudi society.

Opposition also stems from groups and individuals who see the economic and social change as an existential threat to their identity, essentially their religious one. What they reject is less the logic of the change than its transformational nature, which is likely to bring individual and gender empowerment, educational reform, social openness, and increased interaction with non-Muslim actors. In the perception of radical groups, the change presupposes an acceptance of values and models foreign to their cultures. Whether connected to the larger Islamic revivalist movement, including its most violent stream, or grounded in more local and regional dynamics, these groups feed on a combination of insecurity and idealism and seek a different kind of change.

In the middle is a large segment of the citizenry that is asked to accept and adapt to new societal conditions. While acknowledging the need for reform and not resistant to change in and of itself, this segment views the emergence of new players and rules with apprehension. Finally, political reformers perceive the modernization agenda as a way to entrench ruling elites and postpone indefinitely any serious efforts at democratization. They are, however, torn between their reformist inclinations and the sobering fact that state rulers are often more sympathetic to their demands than are the citizens. A liberal Saudi businesswoman conceded that Saudi women's best ally against an oppressive system is the king, even though he is not a democrat.

Gradual Change in the Security Arena

Responsibility for decision making on matters of national security has long been considered the exclusive purview of the state. Legal considerations, questions of sovereignty, and the requirements of secrecy have reinforced a tendency to view security matters as comprising a special zone within public policy that is characterized by less transparency and less participation by societal stakeholders than are other policy concerns, such as education and transportation. In the age of globalization, however, this narrow concept of a national security community is evolving, both in the Middle East and elsewhere in the world, toward greater inclusiveness in terms of actors and agenda. Change, albeit modest to date, is occurring in the nature of the participants in debates and decisions that affect national security within Arab states. Also, a growing range of topics is being included on the security agenda.

States use a wide range of organizational structures to manage, coordinate, and plan national security policy. Many countries, and not exclusively Western ones,

employ some variation of the structure of the National Security Council of the United States; that is, they convene a forum limited to senior national officials responsible for diplomacy, military and defense matters, and international finance, where bureaucratic disputes can be resolved and division of responsibilities for implementing policies can be determined. Iran and India, for example, both have national security councils, and the leaders of those bodies, who report to various executive leaders, often speak authoritatively on matters of national security policy.

In many large, stable democracies, there is also a wider national security community that includes other stakeholders, including those outside government. Senior journalists, think tank analysts, academics, and former policy officials are included in this broader community and can be an important source of ideas about and feedback on official policies, as well as informal interlocutors with foreign governments seeking to understand the views and likely actions of the state. The concept of a national security community may be manifested more in the United States, with its strong tradition of revolving-door expertise (as individuals move in and out of government), than in European and large Asian states. But one effect of globalization is the increasing expectation that nonstate stakeholders will be involved in all aspects of public policy, including security-related matters. Thus, it is only a matter of time before the concept spreads to other societies.

Even the concept of *national* security seems to establish too narrow a boundary for the issues under consideration. Security issues now cover a wider menu—from traditional state-centric issues, such as geopolitical or military threats to the territory of a state, to transnational security challenges, such as public health crises or environmental degradation. And solutions for the latter challenges must be found at the supranational, regional, or global level. Increasingly, security experts and humanitarians are discussing *human* security, bringing security down to a micro level.

Most states in the Arabian peninsula have implemented modest changes in governance processes over the past decade. This incremental reform has occurred despite the discrediting of democratization associated with Iraq and despite the deep resistance to reform by power centers in major Arab states such as Egypt and Syria. The demand for change comes from business elites who are concerned about sluggish economic opportunity, from some intellectual elites who profess Western values, and from popular, largely Islamist movements. The goals of these groups are not necessarily compatible, and the very different visions of Islamists and Western-oriented businesspeople have allowed leaders to avoid moving too far in one direction or another.

Many of the modest changes that have taken place in civilian aspects of governance relate to such issues as eligibility to vote and types and frequency of elections. Many analysts believe that changes that focus on process are often cosmetic and do not reflect profound and durable shifts in popular values and behavior. Little evidence exists of a demand for change in the security sector, although experts on democratization processes insist that security-sector reform needs to be part of

systemic change in any society in transition. Political change in Indonesia in the 1990s, for example, led to profound restructuring of the security sector, which strengthened the prospects for sustainable democratization.

In the Middle East, security sectors remain very close to incumbent power and are not likely to initiate reforms on their own. In recent years, however, security-sector reform has entered the vocabulary, and local security establishments have engaged with international actors, from donor states to bilateral security partners to NATO, to discuss ways to improve their effectiveness as well as their accountability. The international community has worked most closely with countries where the security deficit is greatest: Iraq, the West Bank and Gaza, and Lebanon. In places where security at the state level is strong, such as the Gulf states, the engagement has been more subtle and indirect. NATO's Istanbul Cooperation Initiative (ICI) offers countries in the Gulf area a range of training and collaboration options and also has an important public diplomacy component, to make sure that military or security cooperation does not generate an adverse popular reaction. This concern on the part of NATO and regional governments in itself reflects a recognition that the relationship between state and society is subtly changing in the Middle East region.

THE EVOLVING SECURITY AGENDA: FROM TRADITIONAL TO NONTRADITIONAL SECURITY

Regional security experts, within government and outside, are very receptive to the nontraditional security agenda. In fact, the Middle East may be closer to the global norm in this aspect of security discourse than on other, more traditional topics. The receptiveness can be explained by the physical realities of the Middle East: demographic growth, water shortages, oil and its geoeconomic and geopolitical effects, and other resource issues have long been at the forefront of public policy concern. It can also be explained by the more limited political space in this largely non-democratic region: topics such as the environment have been considered relatively safe by nervous and mistrustful regimes. They would rather that academics hold conferences to discuss sea levels than ones to discuss electoral politics or human rights. (Of course, environmental topics can become sensitive politically, especially when they involve government capacity to address long-term problems that are not susceptible to quick fixes.)

It is interesting to observe where traditional and nontraditional security discussions intersect. There is no better instance than Iran's nuclear ambitions, peaceful or otherwise. Nongovernmental experts in the small Gulf states near Iran have openly expressed their concerns about potential accidents at and environmental hazards of Iran's seaside nuclear facility at Bushehr. These experts worry about nuclear safety provisions and the prospects for a Chernobyl-type disaster in the ecologically fragile Gulf region. Others maintain that this concern is a surrogate

for the real issue: Iran's hegemonic ambitions would be accelerated if it achieved full nuclear fuel-cycle capability and eventually nuclear weapons. They suggest that the nontraditional security concern is merely a cover for the more traditional one, which is not expressed for fear of disrupting the Arab-Iran entente.

An alternative interpretation is that the nontraditional issue (a nuclear accident at a power plant) is a real and legitimate concern of a public that is better informed on that aspect of Iran's nuclear program than on its weapons ambitions; it is also better able to raise this as a public policy concern. This concern does create space for elites to discuss Iran's nuclear plans in ways that are not confrontational; one can imagine Track 2 initiatives between Iranian and Arab experts on a relatively benign nuclear agenda related to energy and safety issues, which would, in the right circumstances, feed into more official interactions and permit more effective discussion of the nuclear challenge.

Maritime safety and security is another realm in which nontraditional and traditional security meet. The International Institute for Strategic Studies (IISS) in London recently held an annual conference in Bahrain, involving all the GCC countries, Yemen, Iran, and Iraq. Each year, one session is devoted to transnational threats, such as rising sectarianism, demographic change and movement, and transnational crime. The discussions of maritime cooperation have revealed a porous threshold between traditional and nontraditional security concerns: one can cause or be caused by the other, and the military and political responses needed to manage or mitigate either kind of threat are often similar. In December 2007, the commander of the US Central Command (CENTCOM) told the IISS conference that cooperation between the United States and regional navies focuses holistically on a range of threats, from traditional military threats to threats from human trafficking, drug smuggling, environmental degradation, and terrorism.

EXAMINING CHANGE AND AGENTS OF CHANGE

This section considers four ways in which change (socioeconomic change and change in the security sector) is occurring in the Middle East, both within formal government structures and with key nonstate actors. Together, these four examples—relating to the business community, the parliament in Kuwait, the contribution of a Gulf think tank to the official positions of the GCC, and the creation by pan-Arab television of space for discussions about security matters—illuminate the process and product of change in the Gulf region.

The Business Community: Promoting the Benefits of Globalization?

Partly out of self-interest, the business community in the Arab Gulf states is emerging as a powerful ally of the leaders in the transformational drive. The business community is the first beneficiary of more open trade and investment policies

and of measures that provide greater flexibility in the labor market. Business leaders are also increasingly visible as advocates of broader liberalization measures, and they bring important knowledge about and insights into the demands and opportunities of globalization.

High oil prices, access to the world economy, new economic policies, and increased efforts at building regulatory frameworks are creating attractive opportunities in the Gulf states for businesspeople long dependent on government spending and limited domestic and regional market opportunities. Indeed, wealthy merchant families have been part of the fabric of Saudi Arabia, Kuwait, Bahrain, and the United Arab Emirates (UAE) from the early days, as well as a backbone of state authority, as state contractors, job providers, and regime allies with a stake in its survival and prosperity.

But the newly identified value and heightened profile of the business community extend beyond its contribution to economic growth. Indeed, Gulf leaders have come to see the business community as a key instrument of change. More flexible in regard to labor conditions, closer to their workers and their concerns, and more adaptable to globalization, business leaders can play an ideal intermediary role between a state seeking to disengage itself from some activities and a citizenry that aspires to a higher living standard. More in tune with global standards and opportunities, business leaders are increasingly empowered to inform key economic and social decisions and allowed by the political leadership to spar with entrenched state bureaucracies. Their growing institutional role is illustrated by their presence within advisory and executive bodies such as the Saudi Majlis al Shura and the UAE's various executive councils, where they provide counsel and guidance to leaders hungry for novel ideas.

By acting as an implementer of economic policies, the business community is helping political leaders redefine the relationship between state and society. The state remains involved through capital and strategic guidance of the economy, but increasingly relies on independent, more efficient actors to implement its vision. The business community also contributes to leading and managing state-owned and semiprivate companies, some of which have become world-class players. The investment, real estate, telecommunications, and hotel sectors of the Gulf states are quickly differentiating themselves from other institutions, with distinct management practices and objectives.

The business community also contributes to building a better image of the Gulf states and tying the region more closely to global decision-making networks. The sudden appearance of the Gulf region on the world scene in 2001 was accompanied by a higher profile for Gulf rulers, business leaders, and companies in the global media and in prestigious forums such as the World Economic Forum. New organizations funded by Gulf businessmen now routinely host international meetings where the rich and powerful gather to discuss world affairs and the critical role of the Gulf states.

The issue of foreign labor illustrates the tensions among the ambitious economic policy of the Gulf states, the business community's interest in growing quickly, and the society's anxiety about its future. The Gulf states are growing ever more dependent on foreign labor because of the lack of adequate and competitive labor locally. Their citizens, long satisfied with the state benefits they received regardless of employment or performance, now see foreign workers as a threat to their status and identity.

The Minister of Labor of Bahrain complained in mid-2007 that "the increasing number of foreign workers in the region erodes the national character of the GCC states." This concern was quickly contradicted by a prominent businessman, who protested that the minister's statement "is an oxymoron at best and hypocritical at worst—the status quo is that the unskilled labor pool is not in any position, even if it wanted to be, to erode the GCC's national character of the country. It is kept as far as possible out of mainstream life." This exchange, widely reported in the regional press, led to other debates positioning state bureaucracies and social leaders against the business community over the role of foreign labor and more generally addressing the conflicting interests of the society and business elites.

Governments in the region struggle to balance societal anxieties about foreign labor with the core economic realities of continued dependence on it. The staggering economic growth in the Gulf region could not have been achieved without foreign labor, and the prosperous consumer culture is completely dependent on a large service sector with many foreign workers. Governments work with the business community not only to regulate and control the movement of foreign labor and define the requirements for foreign workers, but also to train local people and challenge employers to gradually hire more local workers instead of foreign ones. Each Gulf state has a different priority for nationalization: for example, in Saudi Arabia, the focus is on the health-care sector, in Bahrain on the service sector, and in the UAE on banking and insurance.

The business community is not a public advocate for workers' rights, but it has discreetly promoted standards that ensure a reliable and healthy labor force. The business community contributes to the nationalization effort, and many progressive business leaders are deeply concerned about the training and employment of local youth, both for business reasons and for social and political stability.

Parliaments: The Kuwaiti Parliament's Expanding Oversight of National Defense

Kuwait, the victim in 1990 of an Iraqi avarice that led to a new era of Gulf instability, has, perhaps paradoxically, made the most progress in democratization and is widely cited as being in the vanguard of political reform in the region. One expert calls Kuwait the "counterexample" to Arab stereotypes of stagnant political systems, seemingly immune to processes of change.¹ The monarchy is not at risk, but the politics of the country continue to evolve. The parliament is now able to

“substantially influence” public policy, in the view of one recent monograph, and its most important roles in security-related matters are its power to summon ministers for questioning and its right to scrutinize the defense ministry’s budget.² The parliament has 65 members—50 members directly elected by the citizens and 15 cabinet members. Most of the cabinet members are appointed by the emir, but at least one must have been elected to the parliament.

The worldview of the Kuwaiti parliament is not consistently progressive, nor do the members of parliament, including the large Islamic bloc, seek reform as an end in itself. Some have suggested that the increasingly active parliament, ironically, serves more as a brake than as an accelerator of deep reform, because many of its members seek to preserve a traditional way of life and are concerned that the royal family is too Western or modernist in its outlook. There are few signs that the parliament actively seeks a larger role in security matters, but it looks at defense through an anticorruption lens and has already made an impact by questioning arms procurement plans and seeking greater transparency in defense-related matters.

Over time, increased public awareness of the role of the parliament and the balance of power between the royal family and other political actors will affect security-related discussions and decisions in Kuwait. Women received the right to vote in 2006 and are expected to begin to participate in the informal but politically influential *diwanias* (private gatherings where prominent citizens discuss public affairs). Assuming there are no existential threats to the regime comparable to Saddam Hussein’s attack in 1990, Kuwaiti elites and government decision makers will likely engage in a more open and democratic consideration of security policies, including Kuwait’s security relationship with the United States, its arms and energy deals with other superpowers, its role in the GCC, and its relations with Iran.

NGOs: The Gulf Research Center and Its Advocacy of a WMD-Free Zone

The Gulf Research Center (GRC) is a nongovernmental organization (NGO) that has been promoting the idea of the Gulf region as a zone free of weapons of mass destruction. The GRC is a privately funded, independent, transnational think tank, located in Dubai, chaired by a Saudi national, and staffed by experts and administrative cadres of multiple nationalities. Its focus is international relations in the Gulf region, and it has worked innovatively on topics such as the rising Asian powers and their relations with the Gulf and the environment.

The Arab world has long proclaimed its desire to see the region free of weapons of mass destruction, a desire partly motivated by the superiority of Israel’s advanced arsenal and overall military capabilities over the Arab states’ capabilities. This strategic view has been incorporated into Arab League summit proclamations for many years, invoked when Arab states discuss their adherence to the Nuclear

Non-Proliferation Treaty (NPT) and other international agreements, and considered doctrine, even while these states pursue their own WMD programs. The gap between rhetoric and realpolitik relates to the deep frustration at the international community's inability or unwillingness to address the Israeli nuclear program as a source of regional imbalance and instability.

In 2004, the GRC took up the issue and tried to bring it to a more concrete and achievable policy level by focusing on the position of the GCC. The GCC, created in the early 1980s and focused primarily on coordination of economic policies for its six member states, is an organization that is weaker than its strongest member, Saudi Arabia, in terms of setting the regional agenda or pushing for specific policies. But because it holds a supranational position, it can consider positions independent of the official policies of its members, thus creating a more open space for GCC states to debate difficult issues.

In 2002 and 2004, the GCC's annual summit spoke of a WMD-free zone for the whole Middle East, including the Gulf region. In December 2004, the GRC held a workshop entitled "Voices from the Region: The Gulf as a WMD-Free Zone." The workshop focused on practical ways to get closer to the long-stated policy goal, starting with the GCC states, which are less directly engaged in the Israeli-Palestinian conflict and feel less encumbered by that conflict in formulating security positions. The following year, the GRC collaborated with the Stockholm International Peace Research Institute (SIPRI) and with the British NGO Verification Technology Information Centre (VERTIC), which is dedicated to helping countries fulfill their international obligations to verify their compliance on WMD-related issues, to further discuss and vet this bold policy initiative.

The GRC's efforts to promote a WMD-free zone bolstered the GCC's internal deliberations, and the initiative was essentially adopted as an official GCC position. From late 2005 through spring of 2006, GCC officials repeatedly expressed their support for such a Gulf initiative, often with reference to Israel's nonparticipation in the NPT and in the context of the security requirements of the larger region.

The GCC's willingness to consider a WMD-free zone that covered only part of the Middle East was a direct challenge to the Arab League, guardian of Arab world dogma with regard to Israel. There is a fascinating exchange of letters between Arab League Secretary General Amr Moussa and his GCC counterpart, Dr. Abdul Rahman al-Attiya, in which they spar over the utility and long-term implications of the Gulf states' establishing a security position independent of the coordinated pan-Arab position. It is clear that the Arab League was very displeased by the willingness of the GCC to set its own course, a willingness possibly motivated by greater concern over Iran's nuclear program than Israel's. After letting the idea of a WMD-free zone sink in with government bureaucracies and watching it evolve into a public policy debate, the GRC is now exploring the possibility of turning it into a framework to regulate the Gulf states' civilian nuclear ambitions and create certainty about the real intentions of the various regional actors.

It is worthwhile to note the capacity of a moderate, well-connected NGO to introduce a new idea and find a regional organization receptive to it. Given the small number of Gulf elites, it is possible that personal connections and relationships facilitated the process, and generational change in the professional staff of the GCC institutions could also have played a role. Younger, modernist-oriented Gulf leaders, in NGOs and in regional organizations, are willing to challenge the conventional thinking and the ingrained passive approach to hard security problems that have characterized the GCC.

The Media: Talk Shows Addressing Security Topics

One of the most dramatic changes in the Middle East in the past two decades has been the revolution in media and access to information. This is one aspect of globalization that the region, despite efforts by incumbent powers, has not been able to resist. Ample funds are available for the development of new media outlets that take a regional, not national, approach to news. Journalists who work for the new media are free from the constraints of reporting on a single nation-state, where security controls by the royal or presidential palace are strong and inhibiting.

The standard bearer of what scholar Marc Lynch calls the “new Arab public” is Al-Jazeera, created in Qatar in 1996 with considerable technical and training support from the British Broadcasting Company (BBC). Al-Jazeera’s lucky break came after the September 11, 2001 attacks, when it scooped more experienced media outlets with a tape from Osama bin Laden. Al-Jazeera also covered the US attack on Afghanistan with reporters on the ground. Many other Arab satellite stations have mimicked Al-Jazeera, but it commands an important lead in viewership, with an estimated 40–50 million viewers in the Arab world. Since 2006, it has expanded to a new global audience with Al-Jazeera International, which broadcasts in English. Its closest competitor is Al Arabiya, a Saudi-financed station that is considered more sympathetic to Western perspectives.

Early critics accused Al Jazeera of being deeply ideological and feeding Arab viewers a steady diet of anti-Western vitriol. Deeper analysis of the content of its programming over time suggests an increasingly more professional and effective performance. Its political talk shows, with provocative titles like “The Opposite Direction,” “Open Dialogue,” “More than One Opinion,” and “No Limits,” present lively debates, which are sometimes heated and emotional. Viewers are obliged to form their own opinions and can interact online or through other means with the presenters. These programs stand in sharp contrast to the decades of state-run programming featuring pro-government proclamations. Instead of being one-way channels, the media are now two-way channels. Governments can learn a lot about popular sentiment by monitoring the talk shows and tracking media interpretation of events and government action, while viewers can increase their understanding and appreciation of public policy challenges. Al-Jazeera also takes on the existential issue of religion with its show “*Sharia wa Hayat*,” or “Religion and Life,” fea-

turing the Egyptian cleric Youssef al-Qaradawi, characterized by experts as a socially conservative, populist democrat who challenges incumbent power. The talk shows generally discuss with remarkable candor the role of women, family matters, and divergent interpretations of the Quran and legal commentaries.

The security-related content of these talk shows is limited, but the new Arab media are pushing the boundaries. Coverage of Iraq, for example, is in vivid contrast to coverage of Arab-Israeli issues, which is subject to a rigid dogma. The talk shows feature a wide range of views on Iraq and raise painful questions about Arab impotence with respect to Western power in ways that touch on core security concerns. The agenda of the shows may not get to the most sensitive questions about such issues as the transparency of security decisions, the legitimacy of power and authority, and the roles and shortcomings of the armed forces in key countries. But, over time, the format and style of thinking and engaging with other topics of concern to TV viewers could affect the way society and nonstate organizations participate in security debates, leading to a broader ability and willingness to engage on public policy matters. There is no question that the new media are transforming aspects of Arab political culture, but they cannot do it alone; for the process of change to be meaningful, there must be institutions that can respond to citizens' greater awareness and ability to engage in public policy matters.

CONCLUSION

The process of change in the Middle East is uneven, but there is no doubt that the region—and the Gulf area in particular—is in a period of important transition. Regimes have trouble embracing the notion, touted by some in the West, that some short-term instability will build stronger, more resilient systems over time. No incumbent government believes that the uncertainties of change, of empowering citizens whose ideas, interests, and behavior are not well understood, are worth the risk. But governments have slowly acknowledged that change has occurred in how citizens obtain information and that education and employment patterns need to adapt to a globalized world. Governments of Gulf states have all become “advocates” of reform, although their attitudes and behaviors suggest a wide range of underlying beliefs and expectations. Some observers of the region see the Middle East as a cynical laboratory for a kind of superficial reform that is leading nowhere and puts form over substance. They also see leaders trying to appease foreign donors and security partners, rather than addressing in more profound ways the evident deficits in legitimacy and accountability.

Many actors in the region are becoming, intentionally or not, agents of change. The business community, benefiting from extraordinary oil wealth and the opportunities for development and growth that wealth provides, are both self-interested and altruistic agents for change. The region is now home to an increasingly global expatriate community—not only politically passive laborers from South and

Southeast Asia, but also Western academics and investors who find new receptivity to establishing Western-style educational, industrial, and media institutions. The interaction between this new wave of foreigners and local elites is generating new behavior and new expectations for change.

On the security front, a new security community does not yet exist in the Gulf region, but there are small signs of change, particularly in the way that security issues are discussed, who has knowledge and influence, and how wide a range of issues is considered under the security rubric. This incremental process does not guarantee that nongovernment players can or will challenge power, but it does raise the quality of the debate for citizens who seek to be informed and could, over time, shape choices for leaders and politicians. The wider lens on the security agenda that is embraced by nongovernment experts in the region can also make an important contribution to public policy through its public education function.

Legislatures, with the notable exception of the Kuwaiti parliament, are not yet important players on security-related matters, but the role of parliaments is gradually changing. In most Middle Eastern countries with elected parliaments, questions about the behavior of executive authority tend to focus on domestic issues but are moving into issues such as human rights and political prisoners, which cut close to the sensitive domain of state security matters.

The new media, particularly pan-Arab media outlets that do not have a national focus, more directly challenge the status quo and are affecting citizens' awareness of security matters. The new Arab media are often criticized for taking a narrow and politically correct approach to chronic regional problems (the Israeli-Palestinian conflict in particular), but there is increasing professionalization, and the coverage of Iraq and the Israel-Hizbullah war in 2006 suggests that the Arab media will, over time, affect Arab perceptions of security issues and preferences for solutions. Talk shows are taking new risks and can become important platforms for information and ideas about national, regional, and human security topics, raising the level of public knowledge and awareness and helping citizens set new boundaries for discussion and debate.

Nongovernmental think tanks with public policy expertise are an emerging factor. Like the new media, think tanks that have a regional focus, and are not limited to the study of a single country, are more independent and tend to have more impact. Even nationally funded think tanks increasingly want to engage on regional or transnational topics, partly because those issues are considered safer than sensitive national debates and partly because cosmopolitan elites in these organizations want to relate to the work and the priorities of their extraregional counterparts. Think tank leaders from the Gulf states, Egypt, and Lebanon participate actively in international forums, and their own institutional agendas have been adapted to the global agenda. Middle Eastern think tanks can make important contributions outside the region; the challenge is to ensure that their own governments take advantage of the knowledge and analyses they provide.

Role of Leadership

The transformational agenda on social and economic development was initiated by a new kind of leadership, at once visionary and charismatic, best embodied by the ruler of Dubai and quickly replicated elsewhere. This style of authority is gradually replacing patriarchal, deferential governance in several Gulf sheikhdoms, with the notable exception of Saudi Arabia. The second generation of rulers continues to pay more than lip service to traditional ways of ruling but clearly prefers to earn legitimacy by establishing a record of economic performance. The sons of the founding fathers of the area's sheikhdoms have indeed emerged as key drivers of modernization, gaining strong recognition even beyond their borders. At home, they increasingly emphasize efficiency and competence in rewarding government work and increasingly recognize the role of the private sector as a full-fledged partner in progress, not a secondary actor.

The leaders in the region are also rethinking the role and reach of the state, a momentous transformation for societies organized around a once omnipotent and omnipresent authority. Some rulers are determined to move away from state-driven, rent-based, heavily subsidized economies and patriarchal governance. From example, this process is slowly leading to a new, narrower definition of state responsibilities and a privatization of services (health, education, and possibly utilities at some future stage) in the UAE.

Improving government efficiency and responsiveness requires comprehensive state reform. Parallel state institutions are seen as a better vehicle for change than large, entrenched, and often inefficient bureaucracies. In Dubai, for instance, the Executive Council plays that role so successfully that it has become the benchmark for other states. In Abu Dhabi, the Program Management Office is essentially a parallel and often overriding government bureau charged with promoting and coordinating the restructuring of local government. Qatar has established a policy shop tasked with implementing the vision of the emir through the many branches of government, including quasi-governmental agencies such as the Qatar Foundation.

The diverse nature of those who own and lead this transformation agenda reveals the depth of the divide. Surrounding the visionary rulers are successful businessmen, brilliant bureaucrats, motivated financiers, and foreign consultants who see integration into the global economy as the best way to address the important challenges of demography and competitiveness.

Role of the State

There is no doubt that the role of the state is evolving. The Gulf states, particularly the small littoral city-states from Kuwait to the UAE, are actually quite young and still in formation. They are quickly moving to the postmodern concept of an agile state with strong corporate partnerships, open to sharing the implementation of

state policies with smart and well-vetted nonstate players. This concept embodies both a recognition of the limits of state power and an embrace of an up-to-date notion of how to achieve good governance without building inefficient and cumbersome governments.

The theme of governance capacity has become a recurring and dominant one in discussions about the future of the Gulf states. *Governance capacity* is defined here as the state's ability to initiate, accompany, and regulate social, economic, and political change in a timely, efficient, and fair manner, through institutions, mechanisms, and rules that enjoy legitimacy and credibility. Governance capacity will determine the legitimacy and sustainability and, eventually, the fate of the transformational visions of the Gulf states' new generation of rulers.

As evidence of their seriousness, the Gulf states are quickly building regulatory frameworks, physical infrastructure, and other important supports to sustain the incredible economic development of the past few years. These efforts are greeted warmly by the international economic system, which regularly issues rankings and forecasts praising the competitive and business-friendly environment fostered by Gulf region authorities. Their economies stand in stark contrast to other Middle Eastern economies, many of which are plagued by high unemployment and other economic woes.

Importantly, the Gulf states have started to upgrade and expand their judiciaries, a very sensitive move given the weight of religion and tradition in legal matters in the region. Abu Dhabi has initiated a significant overhaul of the emirate's courts, choosing the new name "Judicial Department" to replace "Sharia Court." Even more significant is Saudi Arabia's overhaul of its judicial sector. The scope and depth of judicial reform make its policy significance hard to overstate. By increasing the efficacy and transparency of their judicial systems and procedures, the Gulf regimes are gradually establishing better foundations for rule of law and thereby transforming their relationships with their citizens.

Role of the Citizen

The Gulf region exhibits an emergence of new actors, new processes, and new ways of thinking. Globalization and the information culture provide new ways for like-minded elites in the region to engage and interact with their counterparts outside the region. A new and different security dialogue between experts in the region and those outside it involves a broader set of actors and a wider range of issues. It is still too early to say whether this dialogue will affect government decision making, the careers of independent experts on regional security issues, and the prospects for new approaches to regional security challenges. But clearly some of the precursors of a new national security culture are being put in place in this region as well as in key countries in the Levant.

The key to sustainable change in the region will ultimately be citizens' ability and willingness to participate as engaged stakeholders in national and regional policy

shaping and policy making. Leaders, progressive as they may be, cannot be the sole agents of change. In the Gulf region, one sees discrete groups that are developing new forms of behavior and of engagement with centers of power. Kuwait and Bahrain have the most overtly contestational politics, with groups and individuals challenging the prevailing political culture. All of the states of the region have nationals with radical agendas, including allegiance to Osama bin Laden, but they are for the most part underground or overseas. Regimes are largely effective, since 2001, in controlling the most extreme elements of the population, even though there remains a nontrivial risk of violence against regimes and Western presence in most Gulf countries.

Prospects for radical upheaval in the region appear modest for the short to medium term, whereas the gradual change promoted by key societal groups—elected officials, media, the intellectual class, businesspeople, and labor leaders—is taking place at a different pace in each of the GCC states. Factors that may accelerate the process and create more demand in Gulf societies for citizens' participation include discussions of electoral rights, the enfranchisement of women, and the citizenship status of resident aliens and the presence, in the littoral states at least, of a growing cosmopolitan expatriate community. The process of change will face considerable resistance from traditional social groups and from incumbent power, which still sees political reform as a privilege it can offer rather than a right or entitlement. In the absence of a new and strong consensus for significant structural change, and in an age of remarkable economic growth that is affecting most parts of society, the capacity of the individual citizen to effect change may remain more modest in the Gulf region than in other regions in political transition. But it is the next logical step for a reform process that has produced important social, cultural, and economic change over the past two decades.

The Transnational Impact of the Oil Boom in the Gulf Region: Sovereign Funds

Contributing substantially to the Gulf states' increasing financial power and integration into the global economy is the rapid growth and the importance of their sovereign funds. With more than US\$1.5 trillion in assets, two-thirds of which is invested in Europe and the United States, the sovereign funds of Abu Dhabi, Dubai, Saudi Arabia, Kuwait, and Qatar are adding a new dimension to the economic boom in the Gulf region. Fueled by high oil prices since 2002, these funds have tripled their size in the past few years and are fast becoming major economic actors, able to intervene rapidly to seize opportunities and make strategic acquisitions around the globe. This newfound power stirs concerns abroad over transparency, governance, and intentions of these investment giants, but also shows the extent to which the Gulf states see themselves as part of the global economy.

Though not traditional instruments of state power, these sovereign funds address multiple purposes. They help the Gulf states diversify their sources of income. They serve as crucial reserves for the future. They give the Gulf states an important role in the global economy and its direction. They allow the Gulf states to cultivate contacts, influence, and prestige abroad. Abu Dhabi's Investment Authority and Mubadala Development Company are cases in point and models that other sovereign funds and investment arms seek to replicate. Managing over US\$800 billion in assets, they are quickly branching out from cautious investments into more aggressive but also more strategic placements abroad, as well as financing ambitious domestic business and industrial projects launched by the Gulf states.

The transnational nature of sovereign funds is already having an effect on development in the wider region. The funds are drivers and beneficiaries of regional integration in the Middle East. One analyst has noted that they show a bias toward investing in Muslim and developing markets. With more than US\$60 billion invested in the Middle East and North Africa, sovereign funds will increasingly be seen as an extension of the power of their governments, even when their decisions are made strictly on the basis of return on investment. As Middle Eastern countries progress toward liberalization, privatization, and regulation, they create friendly environments for transregional investment, fueling faster economic growth rates from Morocco to the Gulf region. Already in Morocco, Egypt, and Syria, high unemployment is being addressed through foreign investments in telecommunications, construction, tourism, and industry.

The real long-term effect of sovereign funds in the Middle East is still difficult to evaluate. Foreign direct investments from Europe and the United States, driven by trade opportunities and the need for cheap products for their large markets, will continue to create more jobs and create more sustainable economic development, especially in North Africa. And sovereign funds will continue to favor investing in the politically stable, economically affluent United States, Europe, and East Asia. But as the Gulf region emerges as a pivotal economic zone, its demand for goods and services and the extra liquidity of these funds may also fuel growth in resource-poor, labor-rich countries in dire need of fresh capital.

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Chapter 12

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