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RESEARCH PAPER

The Impact of the Oil Crisis on Security and Foreign Policy in GCC Countries: Case Studies of Qatar, KSA and UAE

Fahad Hussain M A Al-Marri | Nov 2017

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Abstract

The Gulf Cooperation Council (GCC) is a group of six Arab Middle East countries that form a union to cooperate on economic and security matters. All six countries are largely dependent on oil revenues to meet their national budget. Their monarchical regimes and the large oil revenues that flow as a result of the region possessing at least 30% of the proven oil reserves of the world have led to the development of a mostly rentier state model in which money derived from their hydrocarbon exports are redistributed to citizens as a means of ensuring their loyalty. However, the growing population of GCC (which is predominately youthful) as well as the lower and more volatile price of oil has made the maintenance of such a model unsustainable.

Lower and more volatile oil prices have also influenced the security and foreign policies of GCC countries. Since 2014, the price of oil has dropped at times by up to 70% from its peak. Although there has been a small recovery in prices, this has not been sufficient to reach the breakeven prices at which GCC countries expect to export their oil and balance their budgets. This has led to some changes in the rentier state model of collecting vast oil revenues and redistributing them to citizens in the form of guaranteed well-paid public service positions as well as cuts to various subsidies such as water, electricity and gasoline. In Saudi Arabia, cuts to subsidies led to a 60% increase in the chargeable rate for water and electricity to some high value properties and industries. Saudi Arabia is one of the world's biggest arms purchasers but has cut its military budget by 15%. Given the austerity measures being pursued by GCC countries in order to meet budgetary requirements, it is expected that other GCC countries will also cut their military budgets. Cutting military budgets and possibly cutting aid to neighbouring countries such as Egypt indicates how low and volatile oil prices are affecting the foreign and security policies of the GCC.

Key Words: Security, Foreign, Policy, Oil, Crisis, Price Volatility, Interventionist.

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Abbreviations

CHS – Commission on Human Security EU – European Union

GCC – Gulf Cooperation Council

GDP – Gross Domestic Product IMF – International Monetary Fund KSA – Kingdom of Saudi Arabia

MENA – Middle East and North Africa

MOF – Ministry of Foreign Affairs

OPEC – Organization of Petroleum Exporting Countries UAE – United Arab Emirates

UN – United Nations

UNDP – United Nations Development Fund VAT – Value added tax

1. Introduction

This paper explores the current economic model of the six Gulf Cooperation Council member countries and will address the ways in which the Oil Crisis has affected the security and Foreign policies of big military spenders, Saudi Arabia, the United Arab Emirates and Qatar. Changes in the political dynamics of the Middle East, and the world at large, require security and foreign policies that can be funded adequately. The study should have serious implications for policy planning within the GCC as the current model is unsustainable.

Figure 1.1 – Map of GCC Countries



Source: <http://www.gcc-sg.org/en-us/Pages/default.aspx>

1.1 Background and Context

A continuation of the current oil crisis, resulting from a 70 percent collapse in the price of oil since 2014 (BBC 2016: 1), is likely to have both security and foreign

policy impacts in the GCC countries. The GCC, which includes Saudi Arabia, Kuwait, Qatar, Oman, Bahrain and the United Arab Emirates, primarily depends on hydrocarbon products to meet their budgetary responsibilities.

Security policy has developed over the years to comprise a nation's 'military capabilities, economic strength, social development, technological and scientific progression as well as obligations to international organizations (United Nations 1986: v). However, this traditional concept of security has expanded further to embrace human security, which involves the protection of human populations from war crimes, genocide, crimes against humanity and ethnic cleansing (Nasu 2011: 15). This supports Baldwin's (1997) argument that the policy agendas of nation-states have been evolving to include topics such as human rights, economics and social injustice among others. This indicates that security policy can be tied to foreign policy given that Mushtaq and Choudhry (2013: 1) argue that foreign policy involves national interests, such as the 'preservation of territory, national security, economic development, trade relations and the resolution of issues'. Similarly, Wallace (1971: 11) argues that foreign policy is a 'stable set of attitudes towards the international environment, an implicit or explicit plan about a country's relationship with the outside world'. Foreign and security policies are therefore of paramount importance to a nation. The GCC countries have sought over the years to be dynamic in the development of their policies to meet contemporary security and foreign affairs demands.

Kinninmont (2015: vi) proposes that politics in the GCC is likely to be transformed significantly in the coming decades due to demographic change. 60 percent of the population is under the age of 30 which is gradually putting a strain on the traditional political structures. Lower oil prices mean there will be insufficient revenue raised by most of these countries to be able to sustain the current political-economic transaction that has existed for decades. The rentier state model, whereby oil money is redistributed to the population as a means of maintaining their loyalty cannot

continue in its current shape if the price of oil continues to be low and volatile. With three of the six GCC nations requiring the price of oil to be at least US \$100 per barrel in order to balance their budgets (Kinninmont 2015: vi), the ongoing low price of oil presents a funding challenge to the GCC countries.

There is a link between the availability of funding and the development of foreign and security policies. Whittaker et al. (2011), in seeking to provide an understanding of the development of national security policy in the US, indicates the lengthy processes and the high costs associated. This supports Lee and McInnis's (2003: 7) argument that the complexity of the development of foreign and security policy requires consideration of factors such as the socio-economic environment as well as the political and economic structures.

For example, following World War II, oil from the Gulf States became the backbone of Western economic growth in exchange for security (Ulrichsen 2013: 3). While Kuwait provided 51 percent of British oil, similar transactions took place between the Americans and the Saudis (Ulrichsen: 2013). It can be seen that even before the GCC was formed, individual states ensured that their foreign and security policies were rooted in their national interests. According to Barakat and Zyck (2012: 2), the rapid rise of global oil prices in the 1970s provided the means for Gulf States to project considerable influence in the international arena. Because of the vast profits the Gulf States were securing from the rise in the price of oil, between 1974 and 1979 Saudi Arabia, Qatar, Kuwait and the United Arab Emirates allocated six to eight percent of their GDP as assistance to developing Arab and Islamic countries. Ulrichsen (2013: 5) indicates that while the Gulf States have played a pivotal role in economic globalization through oil, they have a long record of integrating into South- South frameworks.

Changes in global alignment as well as the prevailing oil crisis will impact the security and foreign policy of GCC countries. This is apparent from the US pivot to the Asia-Pacific, which turns its foreign policy away from the Middle East, for which the US is the main source of security (Ulrichsen 2013: 5). According to Denmark (2013: 2), this does not

mean that the US government is disengaging from the Gulf. Rather, it is a reorientation of US foreign and security policies to meet the challenges emanating from Asia. This is not dissimilar to GCC-EU cooperation. While the process of establishing a free trade agreement for the GCC has so far been limited, it is possible for the EU to have a consistent source of oil supply from the GCC.

The issue of low oil prices and the impact on GCC security and foreign policy is a dichotomy. On the one hand, there is evidence that declining oil revenue could lead to aggressive regional policies such as those of Saudi Arabia and other Gulf States committing billions of dollars to the Sisi government in Egypt (Gause 2015: 1). Low oil prices and declining revenues in the mid- 1980s and the years that followed are said to be the reason behind the political crisis in Algeria that led to the death of thousands of people. The invasion of Kuwait by Saddam Hussein in the 1990s is also said to be linked to declining oil revenues and the desire to increase Iraq's income stream (Gause 2015: 2).

On the other hand, low oil prices could also serve as a means for reducing tension between countries such as Saudi Arabia, Iran or Russia, leading to a new style of foreign and security policy within the GCC. This viewpoint is supported by Baffes et al. (2015: 4) who assert that the oil price drop, while having some adverse consequences, could lead to the types of cooperation that have not been seen for many years. It is for this reason that Young (2015: 4-7) indicates that GCC foreign policy could be either an outside-in or an inside-out approach. The outside-in approach is based on traditional realism and involves regime survival that includes working with neighbors within the Middle East and North African (MENA) region while having a superpower such as the United States as a military protector. The inside-out approach, on the other hand, begins with an evaluation of the strength of the state itself.

Whatever the policy approach, the heavy reliance on oil and gas export revenues for national welfare as well as foreign and security budgets (Abi- Aad and Panzer 2015: 1; Colombo and Ragab 2015: 1) indicates how the oil crisis could affect the security and foreign policies of GCC countries.

1.2 Significance of the study

This study aims to understand and explain how the security and foreign policies of GCC countries are likely to be affected by ongoing oil price volatility. Given that these countries have the largest reserves of both oil and gas in the world and the fact that they are located in one of the most turbulent regions of the world, understanding how the drop in oil prices affects their security and foreign policy would provide a source for policy planners to ensure the safety of the region.

1.3 Research Objectives

There are two main objectives of this research:

1. To *determine* if there is a relationship between the low price of oil and the security and foreign policy of GCC countries.
2. To determine possible actions that GCC countries could undertake to alleviate the possible challenges presented by the impact of low oil prices on their security and foreign policy.

1.4 Research Questions

The main question of this research is: *In what way does the current oil crisis affect the security and foreign policy of GCC countries?*

In order to answer this, I ask:

1. *What are the main challenges facing GCC countries as a result of the ongoing low price of oil?*
2. *How does the oil crisis impact on the foreign policy of GCC countries?*
3. *How does the oil crisis affect the security policy of the GCC countries?*

1.5 Methodology

This research was undertaken using by collecting both qualitative and quantitative data about the GCC states. Secondary research involves the 'use of data collected earlier by other researchers or for other purposes than research'. This can include official statistics, administrative records and other archives (Hox and Boeije 2005: 596). The focus of the data collection in this work involves three main themes: 1. how oil and gas revenue supports the budgetary arrangements of GCC countries; 2. the ongoing oil crisis brought about by low oil prices, and 3. how the low oil price affects the foreign and security policies of GCC countries.

There are two main advantages to using secondary research methods. First, it 'provides a cost-effective way of gaining a broad understanding of the research questions' (McCaston 2005: 1) and secondly, 'technological advances have led to vast amounts of data that have been collected, compiled and archived' which can be easily accessed using available technologies like the internet (Johnston 2014: 319). Accessing information and data relevant to this research has included the use of scholarly journal articles, textbooks, eBooks, available policy papers from the GCC and publications from international organisations such as the United Nations and the World Bank among others. It also involved the use of sources such as Google Scholar and Science Direct along with other available databases that are relevant to the subject of foreign and security policy.

1.6 Limitations

The limitations associated with this research are related to the secondary method as well as the time required to undertake research on a topic that is changing each day. Given the volatility of the oil market and the differences between GCC countries, the results of this research will be limited by the available data. Another limitation includes ethical considerations 'such as the issue of confidentiality, non-maleficence and fidelity' (Long-Sutehall et al. 2010).

1.7 Ethical Challenges

Ethical considerations are very important to any research. Therefore, this research will take into account ethical considerations such as ensuring that the work does not negatively impact those who have produced the primary data and information used in the work. According to Brighton (2010), research must be conducted in such a way that its design and reporting ensure quality and honesty. Given that this dissertation involves the use of secondary methods, information and data will be diligently referenced.

2. Theoretical Debates of Foreign Policy and Security Issues

2.1 Introduction

This section seeks to provide a conceptual framework of the debate on the theoretical discourse on foreign policy and security issues. It draws from realism, neorealism, liberalism and neoliberalism as lenses through which to view the debate regarding foreign and security policies. Foreign policy can be distinguished from domestic policy in that it is formulated to be implemented in the external environment of the state (White 1989: 5). According to Tayfur (1994: 114) this is related to security issues as it is a boundary issue between domestic policies and the international environment. The traditional realist concept of security is that it is freedom from any objective military threat to the survival of the state because the international system is anarchical (Buzan et al. 1998: 3) in Walt (1991).

According to Wallace (2005: 429), part of the core responsibility of any sovereign state is the development and implementation of its security and international relations policies. Competing demands and globalization means that such policies need to be grounded in sound theoretical frameworks that are regularly reviewed. According to Walt (1998: 1), some policymakers and practitioners question the use of theories in underpinning foreign policy. However, given the plethora of information flowing in today's world, making use of theories helps make sense of the abstract and concrete worlds of policy. The use of theory requires an understanding of the nature of foreign and security policies. Rizwan (2009: 1) suggests that foreign policy is the way states behave toward other states. In other words, it concerns the principles and practices that regulate the way that states act internationally. Security and foreign policies are linked insofar as the state is central in the provision of both. Nasu (2011: 15) indicates that the concept of security policy is elastic and diverse because it depends on the perception of threats, the protection of values as well as the means of protection.

2.2 Conceptual Framework of Foreign and Security Policies

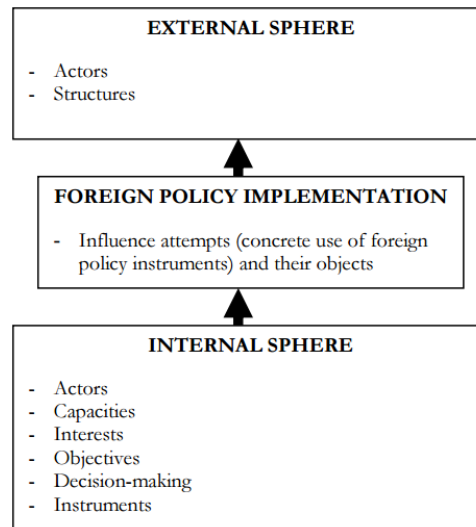
At the center of both foreign and security policies is the state. However, it is important to ensure that the definition of such policies is underpinned by analysis that provides an understanding of the different actors. It is for this reason that Keukeleire and Schunz (2008: 3) indicate that it is logical to presuppose there is a distinction between inside (domestic) actors and outside (foreign) actors – the environment faced by the actor in conjunction with some political relationship between the two. As is often the case in the analysis of classical foreign policy, to understand the relationship between the three components of foreign policy, the process-oriented approach can be adopted (Smith et al 2008: 5).

The internal sphere of foreign policy can dictate the decision-making process along with the psychological, political and social context in which the decision makers are situated when designing foreign policies (Gross Stein 2008: 130). In other words, foreign policy differs based on the social context of the decision makers, the purpose of the policy as well as the procedure by which foreign policy decisions are made. This means that when GCC member states make foreign policies, the social context of these states influences the outcome of such policy developments. Similar decision-making processes have been found to exist within policy development around security (McInnes 2004: 43). Additionally, foreign policy requires analysis of the external environment which includes both state and non-state actors (Carlsnaes 2008: 113).

Keukeleire and Schunz (2008: 2) argue that the globalization of non-state actors such as the United Nations and multinational bodies has increased the need for foreign and security policies to take these actors into consideration. The final component of this framework is the political relationship which is based on the design and implementation of such policies (Smith and Clark 1985: 120). The design period is when decisions are prepared and the implementation is when the actors 'confront' their environment. It is because of this that Dahl and Stinebrickner (2003: 34) indicated that foreign policy

provides the means for a political relationship in which influence is exercised. Figure 2.1 below provides an indication of the possible outlook for traditional foreign policy analysis.

Figure 2.1 – Schematic of Traditional Foreign Policy Analysis



Source: Keukeleire and Schunz (2008: 4)

It can be observed from the above schematic diagram that when nation states are making decisions about their foreign and security policies, they have to consider not only their own circle but also the wider global cycle. This can be seen in Koch's (2010: 26) argument that the GCC was established in 1981 as a direct result of the deteriorating regional security environment. Within the space of two years, the region witnessed the 1979 Iranian Revolution as well as the 1979 Soviet invasion of Afghanistan, and the 1980 outbreak of the Iraq-Iran War. According to Koch (2010: 26), the issue of security cooperation was especially developed in the years that followed the formation of the Peninsula Shield Forces in December 1986. This is telling given that the original idea of the GCC did not involve any consideration of regional security but an ordinary coordination, integration and cooperation process. This indicates how environmental factors can be considered in the development of both security and foreign policies.

2.3 Discussions of Relevant Foreign Policy Theories

According to Hudson (2005: 1), foreign policy analysis is characterized by actor-specific focus which is based upon the argument that whatever happens between nation states and across nations is grounded in human decision-making either individually or as a group. Whether decisions are made individually or as a group, the motive is always based on sustaining the interest of one nation or a group of nations. The study of such foreign policy phenomena can be traced to various theoretical underpinnings, especially realism. It should, however, be indicated that no single approach to foreign policy can fully capture the complexity that exists within contemporary global politics.

2.3.1 *Realism and Neorealism*

At the centre of most international relations studies is realism; the dominant theoretical tradition during the Cold War. Its dominance was based on the fact that it provided simple and powerful explanations for how alliances, war, imperialism, obstacles to cooperation and the diverse international phenomena were generated. Additionally, the focus of realism was on competition among states, especially that which existed between the United States and the Soviet Union (Walt 1998: 1). It should be noted that such rivalry and competition among nations continues in various forms today. For example, after the invasion of Kuwait by Iraqi forces in 1991, the Peninsula Shield Force of the GCC was unable to confront the Iraqi forces, leading to the United States and its allies having to perform the task. There were plans to redevelop the Peninsula Shield Force but this was met with hesitation among the smaller GCC states who feared that revamping the force could lead to Saudi Arabia (which hosted and provided the bulk of the Force) using it to dominate them as means of intimidation. This consequently led to indecision about the redevelopment of the Force (Koch 2010: 29).

It should be noted that realism is not a single theory and that it evolved considerably during the Cold War with a central theme that states, like human beings, possess an innate desire to dominate others and that this usually led to war. Because of this,

classical realists like Hans Morgenthau were proponents of a multipolar world in which many nations were powerful enough to create a balance of power situation that deters war (Walt 1998: 1).

In contrast to classical realism, neorealism ignored human nature to focus on the effect of the international system. According to Waltz (2004: 3), the international system consists of a number of great powers, each of which are seeking survival. This is due to the anarchical nature of the system since there is no central authority to protect states from others. States have to survive on their own with weaker states balancing against more powerful ones. This view supports that of Koch (2010: 30) who asserts that the failure of the GCC to develop its own central cooperative security force like its previous Peninsula Shield Force has resulted in the United States and the United Kingdom assuming the role of possible 'protectors'. In other words, these nations are balancing against the might of the United States and the United Kingdom. It should be noted that despite the popularity of realism in international relations, it has been criticized for its inability to accommodate change and also because it is seen as an exclusionary practice that is only interested in control and domination (Korab-Karpowicz 2013: 13).

Despite these challenges, another realist sub-school, the defensive realist, indicates that *Groupism*, which provides for group identity, can result in the reduction of anarchy because it provides security for the group, thereby making it harder to conquer and subjugate (Wohlforth 2008: 39). The consolidation of the GCC relationships and support to Bahrain during the uprising of the Arab Spring (Colombo 2012: 1) can be seen as defensive realism by the GCC. The contrast to this sub-school is offensive realism in which conflict-generating structures are a possibility and given the lack of central authority, there is the potential for another state to develop a fiendish technology that could threaten the security of other states (Wohlforth 2008: 39). The perception that Iran's nuclear technology posed a threat to its GCC neighbors remained even after Iran signed a deal with the US. As a result other powers, including GCC members, advocated maintaining sanctions against Iran (Kinninmont 2015: 2). It can be seen from the

discussion above that the development of foreign policy requires a theoretical basis given the many changes that continue to take place in the international arena.

2.3.2 Liberalism and Neoliberalism

Another theoretical underpinning that has profoundly affected international relations and foreign policy is liberalism and the broad family of liberal theories that has followed. According to Walt (1998: 2), a strand of liberal thought argues that economic interdependence 'would discourage states from using force against each other because warfare would threaten each side's prosperity'. Another strand of the liberal theories provides that international institutions such as the IMF and the International Energy Agency could support unselfish behavior by states for the greater good of enduring cooperation. This view is supported by Kapeller and Puhlinger's (2012: 3) argument that different strands of liberalism have tried to connect political and economic freedom. However, the interests of states remain a limiting factor in the ideas of liberalism. For example, the recent crisis brought about by the downturn in oil prices has not seen the Organization of Petroleum Producing Countries (OPEC) collaborate to support the price drop. Instead, individual nations chose to take different approaches to the crisis, leading to a lack of consensus regarding solutions because individual states pursued their own interests (Faucon et al. 2015: 1).

According to Duvall (2007: 2), neoliberalism is an ideological coupling of liberalism with policies related to capitalist economic policies which promote the free market, cutting public spending, privatization, deregulation and the complete elimination of the concept of public good or community. Despite the reference to liberalism and liberal economic ideology, neoliberalism according to Venugopal (2015: 167) is ambiguous, incoherent and controversial. This is due to the many conceptual frameworks of neoliberalism including Harvey's (2005: 2) assertion that it involves political economic practices that indicate the need for human well-being through the liberation of individual entrepreneurial freedoms characterized by strong private property rights, the 'free market and trade'. According to Thorsen and Lie (2006: 1) even the original developers

of neoliberalism such as Hayek, Friedman and Nozick presented separate theoretical frameworks to 'neoliberal evaluation and policies'. According to Blomgren (1997: 224), while it seems as if Friedman supported the policies of deregulation, privatization and tax cuts, a deeper look into his work indicates the concept of natural law based on the social nature of human beings.

Similar thoughts were advanced by Hayek (1973), as Thorsen and Lie describe (2006: 13), based on the idea of natural law, which is situated in the notion of spontaneous order of social life. Natural law is more suited to securing the well-being and individual liberty of people than the artificial. According to Thorsen and Lie (2006: 13), Nozick advocates a similar policy framework as Friedman and Hayek; however, it is grounded in the idea that human beings have immutable natural rights that are separate from state roles.

A plethora of theories of international relations and how they affect foreign policy development and implementation have led to the concept of foreign policy being one of the most debated topics in this area (Mushtaq and Choudhry 2013: 1). Given that realism indicates that there is rivalry between and among states for dominance, the issue of security policy cannot be divorced from the foreign policy debate.

2.4 Theoretical Analysis of Security Development

In light of the various schools of thought in international relations and the importance of security for protecting states, the focus of security studies was primarily concerned with security against military threats, especially the prospect of a nuclear attack (McInnes 2004: 43). However, the work of Buzan (1983: 15) indicates that there are three levels of security: global, state and individual. In discussing the notion of security, McInnes (2004: 45-48) argues that there are several theories upon which analysis can be based, including, but not limited to, neo-realism, neo-liberalism, the English School, the Copenhagen School and the Social Constructivist approaches.

For the first two theories, the state-centric model remains at the heart of the international system and the security process. It is pertinent to note that in the neo-realism paradigm, security refers to the military and it is obtained through self-help as well as the balance of power. Neo-liberalism, on the other hand, focuses on international cooperation in the mitigation of conflict with the mitigation of conflict leading to security for all (McInnes 2004: 45). The state-centric nature of these theories has been challenged by Smith (2000: 129) who indicated that society should be the referent object in security.

The English School of thought in security focuses on the fact that international law exists and provides the rules by which acceptable behavior as well as justice and humanitarianism are based. This is extended to the Copenhagen School which provides that it is society and not the state that is the center of security, although there has been criticism of this approach given that whatever happens, the state remains the point of identity (McInnes 2004: 46). McSweeney (1996: 34) criticizes the societal security concept because it is mostly subjective and he argues that it is much reasonable to adopt the objective position of the traditional concept of security. The social constructivist approach to security is derived from the premise that strategic culture is interpreted through a cultural lens that is influenced by factors such as political beliefs, institutions, geography and history and that these are specific to each social group. Therefore, the social constructivist approach to security indicates that 'the social world does not exist independent of the actors within it but is constructed by them inter-subjectively' (McInnes 2004: 47). According to Smith (2000: 20), for social constructivism, the state-centric nature of security is a construct that can be changed. It is for this reason that Nasu (2011: 15) argues that 'security is an elastic and diverse concept that can be understood in different forms, depending on the objects'. The object could be the perception of threats, the protected values and the means by which such values can be protected (Baldwin 1997: 23).

2.5 Human Security

The traditional state-centric concept of security is changing with the focus switching to individual security as well as their protection and empowerment (UN 2009: 5). It is in this light that the United Nations Commission on Human Security indicates that human security involves the protection of 'the vital core of all human lives in ways that enhance human freedoms and human fulfilment'. It involves the protection of fundamental freedoms which form the essence of life, protection from pervasive threats and situations, and uses processes that build on the aspirations and strengths of people as well as the creation of 'political, social, environmental, economic, military and cultural systems that together give people the building blocks of survival, livelihood and dignity' (CHS 2003: 4).

According to the UN (2009: 6) human security is people-centric, multi-sectoral, comprehensive, context-specific and prevention-oriented. The people-centric aspect ensures that security is about the individual, as indicated by the neoliberal concept of individual freedom, whereas the multi- sectoral nature of security sees insecurity related to economic, food, health, environmental, personal, community and political security (UNDP 1994: 22). It can be seen from the multifaceted nature of human security that the essence of security is a much wider conception and that while the state remains very important in this process, the development or analysis of policies must go wider than the state security focus.

2.6 Summary

Foreign and security policies have internal and external spheres as well as implementation dimensions. The GCC countries have over the years tried to develop foreign and security policies either as a group or as individual countries. This is unsurprising given that theories of international relations connected to the formation and implementation of foreign and security policies point to both individual and cooperative paradigms. Realist theories provide that foreign and security policies are

rooted in the interest of the state. Liberal theories, on the other hand, provide that cooperation among nations and supranational organisations is key to successful international relations as it furthers the communal greater good.

3. Security and Foreign Policy of GCC Countries

3.1 Introduction

In this section, a general overview of how the security and foreign relations theories discussed in section two relate to the GCC's foreign and security policies in general is discussed. This is in conjunction with a presentation of the three case studies of foreign and security policies of Qatar, Saudi Arabia and the United Arab Emirates. The choice of these countries is predicated upon the fact that the author originates from Qatar and that Saudi Arabia is the largest country in the region with the largest military force as well as a strong foreign policy stance both in the region and the rest of the world.

In seeking to provide an overview of the foreign and security policies in the GCC, Young (2013: 13-21) argues that over the years, the GCC has taken an interventionist route, as is clear from Saudi Arabia's direct intervention in Yemeni domestic politics since 2003. Additionally, in 2011 the Peninsula Shield Force intervention in support of the Al Khalifa regime in Bahrain was as a milestone in GCC security and foreign policy cooperation. While the Peninsula Shield Force support in Bahrain was led by Saudi Arabia, it included Emirati military personnel and equipment as well as Qatari forces alongside other GCC countries. According to Ehteshami and Hinnebusch (2013:3), current foreign policy development in the Middle East is situated within a complex state of realism. This supports Young's (2015: 5) assertion that the current foreign policy direction in the GCC is punctuated by 'balancing realist concerns for state power and survival with domestic environments accommodating diverse constituents and structural considerations of the international system'

These events lead Young (2015: 6-7) to argue that the GCC foreign policy outlook has both an outside-in approach and an inside-out approach. The outside-in approach views the external environment, both international and regional, as a constant threat although the level of sophistication that is applied to foreign policy engagement is based on institutions at the internal state level. The expectation in such situations is that Saudi Arabia with its larger population and greater resources would be the greatest activist in foreign policy development among the GCC countries. However, Qatar and the UAE do not fit this description and have been particularly active on the international stage in terms of regional and international activism.

3.2 Relation of Theories to GCC Foreign Policy

The significance of the theoretical underpinnings of foreign policy can be seen in the development and implementation of GCC foreign policy objectives. Work by Chatham House (2014:1) indicates that while the GCC remains a cohesive regional grouping, self-interest as indicated by realism and neorealism continue.

There is no clear consensus on a GCC-wide foreign policy in dealing with questions such as Iran, political Islam and protests in the region. This is highlighted by Young (2015: 4-7), who argues that GCC foreign policies where they converge may be an outside-in approach or an inside-out approach. The outside-in approach is based on classical realism, which in the case of these Gulf States is the preservation and survival of regimes including working with neighbors within the Middle East as well as in North Africa while having major world powers such as the United States or the United Kingdom as a military protector.

The inside-out approach is based on each state evaluating its own strength and using that in the international arena. The state-centric nature of realism can also be seen in the way in which the GCC countries have divergent foreign policies with Qatar, for example, having ambitious foreign policies, especially since the Arab Spring including providing political mediation and being a key source of foreign aid (Khatib 2013: 418).

This supports the view of Kamrava (2013: 539) who argues that Qatar has emerged as one of the world's most proactive mediators of the decade. This proactive approach is motivated by international prestige and survival strategies which can be related to the realist theories discussed above.

It can also be said that GCC countries coming together at the height of the Iran-Iraq War and their continual cooperation despite some differences can be linked to liberalism and neoliberalism. According to Baabood (2003: 254), the GCC forum provides a politics of scale in which regional integration and cooperation is economic stability and continual prosperity. The United Arab Emirates as a federation has continued to work together to ensure that its economic stability is not threatened by division. It can be seen from this discussion whether it is the GCC countries as individuals or as a group, their foreign policies are positioned within their self-interest or cooperation.

3.3 Security Theories and GCC Policy

According to Ulrichsen (2009: 2), the Gulf remains an extremely volatile region that faces multiple and interlinking threats to internal and external security. Security in the region has been linked to political and economic legitimacy as well as the emergence of the concept of security cooperation. The process of globalization, along with rapid developments in information technology and communications, continues to affect the security of nations and the GCC is also affected by this. GCC security policy is in the process of transforming from being dependent on cooperation to being self-reliant and assertive in defense of common interests, both domestically and regionally (Harb 2016: 2). In other words, GCC security policy involves various theoretical underpinnings, including the different realist approaches, in conjunction with some liberal thoughts as well as the social constructivist development connected to culture. According to Harb (2016: 3-4), the protracted conflict in Yemen and Syria has provided impetus for these countries to change their dependence on world powers for their security. According to Baabood (2003), the GCC has over the years sought to develop security cooperation so

that these oil-rich countries are not threatened by challenges from within nor from elsewhere.

3.4 Qatar, KSA and UAE Security and Foreign Policies in GCC

Despite the opposing outside-in and inside-out approaches to foreign and security policy, the GCC countries do display differences in approaches to these policy dynamics. It is, however, true that the activist approach that has emboldened the GCC states resulted from the militarization of both their security and foreign policies. According to Young (2013: 19), since the turn of the millennium the GCC states have accrued huge arsenals of sophisticated weapons that have developed their military capabilities. Furthermore, they are keen to test these capabilities.

Table 3.1 below indicates spending on weaponry by the six GCC countries along with Iran between 2000 and 2009. The table shows that in most cases these countries have increased their military budgets every year and that while Saudi Arabia remains the largest country and economy in the region and spends most on weapons, the UAE, which is one of the smallest economies spends a considerable amount as well.

Table 3.1 – Military Expenditures of Some Gulf States 2000 – 2009

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bahrain	368	387	462	531	535	529	576	609	651	721
Iran	7409	8175	6148	7195	9109	11296	12233	10158	9174	...
Kuwait	4023	3954	4080	4396	4732	4580	4550	5109	4660	4589
Oman	2621	3049	3140	3303	3713	4476	4786	4849	4617	4003
Qatar	...	...	1588	1602	1476	1569	1657	2020	...	...
KSA	23523	25053	21995	22157	24632	29680	33809	38946	38223	39257
UAE	10940*	10575*	9725*	10201*	11016*	10254*	12098*	13052*	...	...

Source: SIPRI Military Expenditure Database, <http://www.sipri.org/databases/milex/> SIPRI Factsheet (Figures in US\$m. 2008 prices and exchange rates)

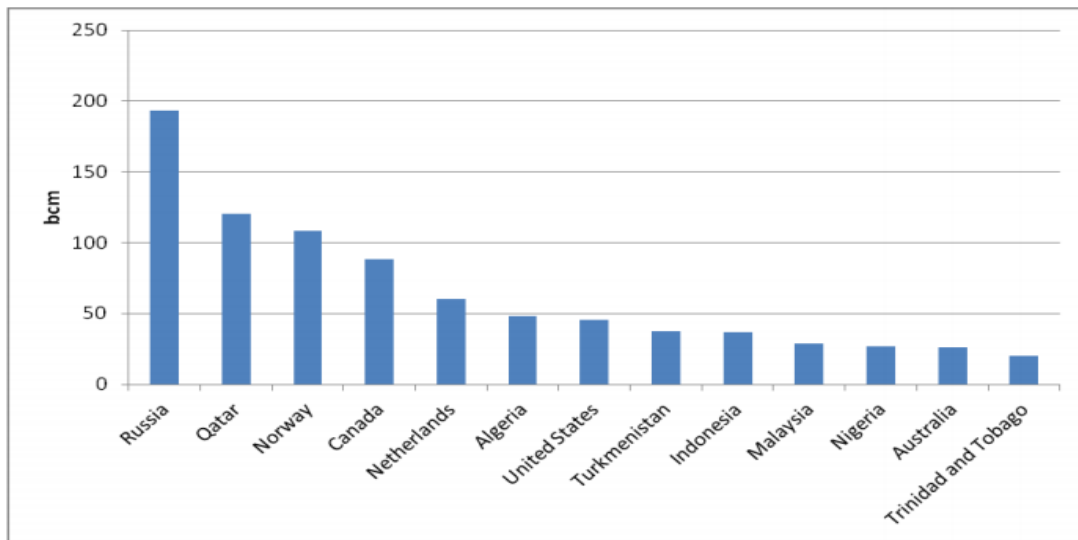
... = unavailable data; *SIPRI estimate.

Source: Young (2013: 20)

3.4.1 Foreign and Security Policies of Qatar

Qatar has the third largest proven natural gas reserves in the world and it successfully exploited this source of revenue over time. The World Bank's estimates for its economic outlook in 2016 however, are less than favorable. Table 3.2 below indicates some decline in the fiscal balance as well as its real GDP growth. Despite this, the country continues to play major roles on the international stage because of the wealth emanating from its hydrocarbon reserves, as indicated in Figure 3.1.

Figure 3.1 Ranking of Natural Gas Exporters



Source: Krane, J. and Wright, S. (2014)

Its role in regional conflict resolution as well as support for the US-led coalition in Libya in conjunction with its support for opposition forces in Syria has rendered the country atypical of many small countries in the discussion of international relations (Young 2013: 21).

Table 3.2 – Key Economic Indicators for Qatar

	2014	2015e	2016p	2017p
Real GDP Growth (%)	4.0	3.7	3.3	3.5
Inflation Rate (%)	3.3	1.7	2.1	2.8
Fiscal Balance (% of GDP)	17.1	0.4	-5.0	-1.9
Current Account Balance (% of GDP)	23.6	-0.8	-6.9	-3.5

Source: World Bank (2016: 1)

Qatar is considered a microstate in the examination of theories of international relations. Such examination most often focuses on the fact that small states like Qatar have foreign policies that are situated within the realist paradigm of self-preservation based on gaining power by aligning with a larger and stronger country like the United States in what is referred to as 'bandwagoning' (Kaussler 2015: 1). According to Abdullah (2014a: 30), following independence in 1971, Qatar's foreign policy was generally in agreement with Saudi foreign policy until the mid-1990s when the country developed an independent policy of its own. This new foreign policy is 'open' and it relies on soft power instruments such as the 'media, diplomacy, education, culture, sports, tourism, economics and humanitarianism' (Abdullah 2014b: 3).

According to the Qatari constitution, its foreign policy is based on the principles that coalesce around strengthening international peace and security through the encouragement of peaceful resolution of international disputes and the supporting the right to self-determination (Wipo 2009: 3). It is in this regard that Qatar assumed a mediator role in regional conflicts such as those in Sudan, Palestine, Eritrea and Lebanon, among others. Qatar was also instrumental in the release of Bulgarian nurses and a Palestinian doctor in Libya. Qatar has not only played a mediatory role; its foreign policy has moved from neutrality to influence using its soft power and its relations in the region.

Although Qatar continues to develop an independent foreign policy position within the GCC, it has done this through an 'activist foreign policy' which yields both economic and political gain for the country and ensures its security (Kaussler 2015: 1). This foreign policy coupled with security has seen Qatar develop strong relations with the US, leading to the establishment of two US bases in the country (Salem and de Zeeuw 2012: 1). It has also seen Qatar participate in the ad-hoc coalition that intervened in Libya during the removal of Col. Gaddafi. As is apparent from the discussion above that while it is true that Qatar has made strides in carving out some independent foreign and security policies, its size means that in a way it continues to 'bandwagon' through the realist approach to foreign policy by seeking security protection from a larger and more powerful country like the United States. The classic pyramidal power inventory depends on instruments, resources and capabilities (Hill 2003: 136). However, Qatar lacks most of these power inventories and thus depends on its 'soft power' and implicit influence to build its foreign policy that supports its security policy (Barakat and Zyck 2012: 2).

3.4.2 Foreign and Security Policies of the Kingdom of Saudi Arabia

Like other GCC countries with extensive hydrocarbon reserves, Saudi Arabia's foreign and security policies since 2006 have been based on intervention and mediation. It is, however, distinguished by its 'mantle of Islamic leadership' employing the city of Mecca as a foreign policy tool (Kamvara 2013: 5). Like Qatar, Saudi foreign and security policies are situated within the realist paradigm with the objective of supporting regional actors whose goals are aligned to those of Saudi Arabia and its Western allies. Additionally, Saudi policies include protection of the vulnerable security of the Arabian Peninsula and the Persian Gulf from internal and external threats without excessive reliance on military protection from the United States (Foley 2010: 340). Saudi Arabia is also focused on countering Iranian influence and its ambitions in the region threatening countries like Iraq, Lebanon, Syria and Bahrain, as well as ensuring that inter-Arab conflict and frictions are kept to a minimum.

According to Tekeyh (2015: 1), Saudi foreign and security policies have evolved from reliance on world powers such as the British and the Americans to an assertive self interest in the use of its armed forces in safeguarding its territory as well as protecting its regional interests. Saudi foreign and security policies, while global in nature, have a regional focus on the Middle East. A public lecture at Harvard by HRH Prince Turki Al Faisal indicated that Saudi foreign policy over the next decade will include concerns about Iranian nuclear development as well as Iranian claims to be the defender of Shiite Muslims, which has led to Iranian meddling in Iraq and Bahrain as well as in the Shiite communities in Syria, Yemen, Kuwait and Lebanon (Al Faisal 2013: 3). This supports Elashmawy's (2014: 2) argument that Saudi foreign policy is geared towards developing regional stability for the GCC in order to ensure that its own prosperity as the largest oil exporter is not threatened. According to Watanabe (2014: 2), 'Saudi foreign and security policy is intimately connected to the maintenance of domestic bargains upon regime legitimacy and domestic stability'. This is confirmed by Obaid (2014: 4) who indicates that the objectives of Saudi security policy partially involve defending the homeland, counterterrorism, bolstering the defense of partner states, deterring the spread of weapons of mass destruction, cyber and space security as well as the strengthening of inter-agency partnerships, among others.

3.4.3 Foreign and Security Policies of the United Arab Emirates

Like Qatar and Saudi Arabia along with other GCC countries, the United Arab Emirates' (UAE) foreign and security policies sit within the realist paradigm of self-preservation. According to Hellyer (2001: 161), the objective of UAE foreign policy is enhancement, through partnership with governments, individuals and organisations, of the 'prosperity, stability and independence of the country and its citizens'. With large hydrocarbon reserves and production, the UAE is a strategic member of OPEC. However, the country has diversified its economy so that hydrocarbons now only contribute 30% to 35% of its GDP; significantly less than in other GCC countries.

The country's foreign policy priorities include the security and stability of the Middle East region and identification with Muslims around the world. Its policy is also

informed by its location overlooking the Strait of Hormuz through which the bulk of oil exports pass. The United Kingdom and the United States have played major roles in shaping the foreign and security policies of the UAE. The country has assumed regional security cooperation with the United States for many years. According to Katzman (2013: 11), US-UAE defense cooperation provides the means for the US to use the UAE's large Jebel Ali port with the purchase of arms from the US seen as the means of cementing US commitment to UAE security.

3.5 Summary

It can be seen from the discussions in this section that various regional and global developments have continued to affect the way in which GCC foreign and security policies have evolved. Regional conflicts such as those in Iraq and Yemen as well as the struggle for dominance between Saudi Arabia and Iran have seen GCC members develop interventionist foreign and security policies while ensuring that cooperation, especially with the US as security guarantor, remains firm.

4. The Role of Oil and Gas in the GCC

4.1 Introduction

Section three provided an overview of security and foreign policies in the GCC. Foreign and security policies do not exist in a vacuum; they are state institutions and as Chang (2011: 476) argues, countries with good institutions have usually developed after developing their economies. Foreign and security policies therefore depend on the economies of the GCC countries which are heavily dependent on oil and gas exports. Section four thus provides an overview of the role of oil and gas in the GCC socioeconomic environment and how the recent volatility in the price of oil is likely to affect their foreign and security policies. This is also linked to other MENA countries given that the GCC foreign and security policies have developed from situations in

neighboring countries; in reaction to the Arab Spring in Egypt and Bahrain or the Iranian nuclear situation and so on.

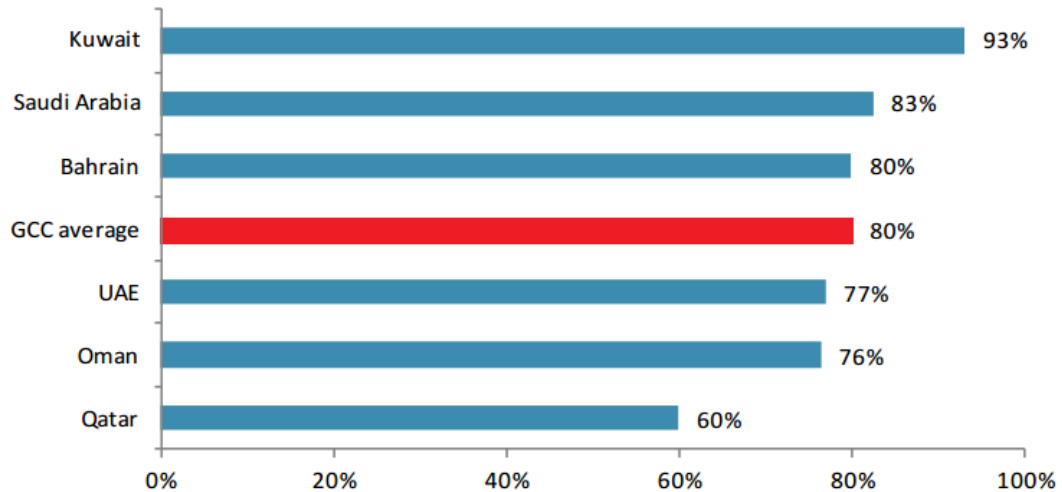
According to El Gindi (2016: 1), the GCC countries have the highest proven reserves of both oil and natural gas around the world and these energy resources play critical roles in the development of these countries compared to many other countries in the world. At least 30% of the world's proven oil reserves are located in the GCC countries, leading to the GCC governments' extensive dependence on hydrocarbon revenues for balancing government budgets (Nagraj 2016: 1). The monarchical governmental structure has also led to GCC countries becoming, for the most part, rentier states. According to Gray (2011: 1), rentier states generate the majority of their income from rents or externally derived unproductive payments. Rents may be royalties from oil or gas exports or other fees. The income generated is distributed to citizens relieving them of taxation but absolving the government of the offer of concessions such as democratic bargains or political accountability. Volatility in the price of oil since 2014 has led to proposed changes in such rentier behavior which would have implications for both foreign and security policies in the GCC with proposals for gradual taxation and the removal of various subsidies. The role of oil and gas in the socioeconomic as well as political dynamics of the GCC is therefore undergoing significant changes.

4.2 The Role of Oil and Gas in the GCC Socioeconomic and Political Environment

Albeit to varying degrees, the GCC countries are gradually diversifying their economies but the role of oil and gas in these countries continues to punctuate their socioeconomic and political environments. According to Bhargava (2015: 1), the oil and gas sector contributed between 80 and 85% of the GDP of GCC countries in the last three years. Therefore, the GCC governments must prepare for fluctuations in the prices of these energy sources considering that they affect political and social issues. This view is shared by Salacanian (2015: 3) who states that oil production constitutes around 80% of GCC export earnings and government revenues. Al Masah (2013: 6) indicates that in 2008, Kuwait had the largest share of government revenues from oil at 93%. Figure 4.1 below

indicates the extent of GCC countries' dependency on oil-derived income for government revenues in 2008.

Figure 4.1: Oil Revenue as a Percentage of Government Revenue in the GCC in 2008



Source: Al Masah (2013)

With enormous oil wealth, the GCC countries have guaranteed their citizens an informal social contract in which support for governments has led to expectations of higher standards of living using rentier state theory. According to Dun and Bradstreet (2016: 2), the GCC countries ensured that their citizens had well-paid public service jobs in addition to subsidies for basic necessities. According to Ghafar (2016: 2), like other oil producing countries such as Venezuela, Russia and Algeria (during the Arab Spring), higher oil prices enabled the GCC countries to spend lavishly on defense, education, infrastructure, subsidies and public sector wages. For example, the late King of Saudi Arabia, Abdullah commissioned the building of a US \$100 billion desert megacity before his death. More than 90% of the Kuwaiti workforce have public sector jobs. Other examples of high spending when the oil price was at elevated levels include GCC countries spending more than US \$113 billion on military hardware due to geopolitical security concerns as

well as an increase in their social welfare budget to US \$150 billion during the Arab Spring in an attempt to cushion the political impact of the uprising in the region (Ghafar 2016: 2). However, the rentier state model that GCC countries implemented during the oil price boom can only continue in its current form if oil prices increase.

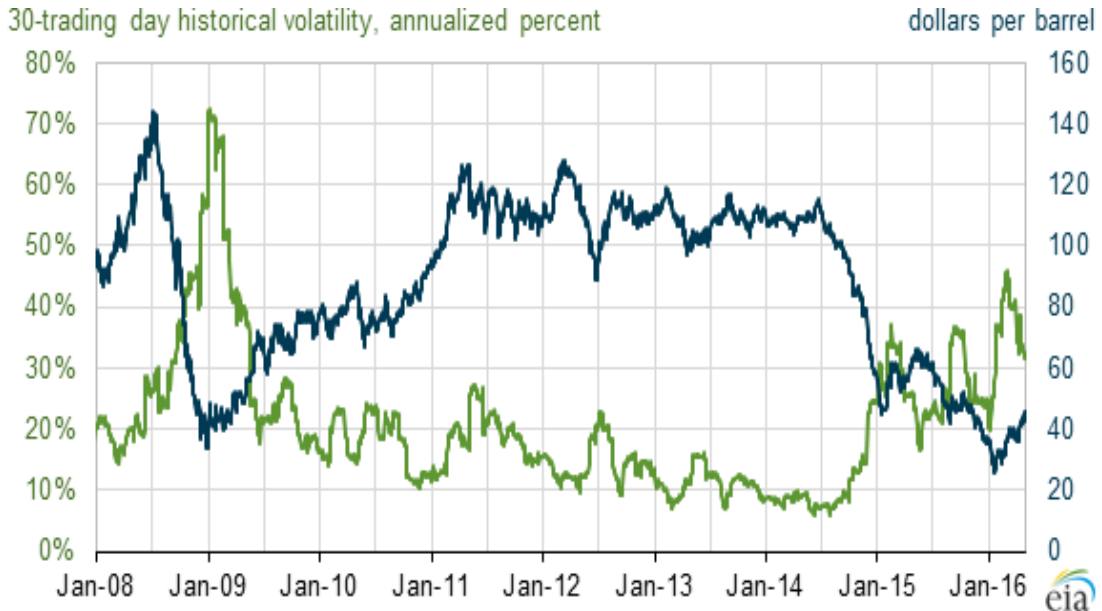
4.3 Economic Impact of Oil Price Volatility on GCC Economies

According to Sauter and Awerbuch (2003: 2), there is a negative correlation between oil prices and asset values which means that the financial risk of fluctuations in the oil price can be observed. Stoff and Kahn (1993) and Sauter and Awerbuch (2003: 2) also argue that oil price volatility can have considerable influence on economic output. This was confirmed by Yang et al. (2002: 107) when their research showed that oil price volatility between 1999 and 2001 led to a 0.7% loss of GDP growth in the US economy. Therefore, the current volatility in oil prices heralds potentially negative effects on GCC economic growth, thus raising the possibility of adverse effects on foreign and security policies. According to Ghafar (2016: 2), the current 'fall in oil prices wiped out US \$350 billion of GCC revenue in 2015 alone, forcing the GCC governments to reassess income sources and spending'. The interventionist policies of the GCC in the areas of security and foreign policies require vast financial resources that have come from oil and gas revenues that have dwindled since 2014.

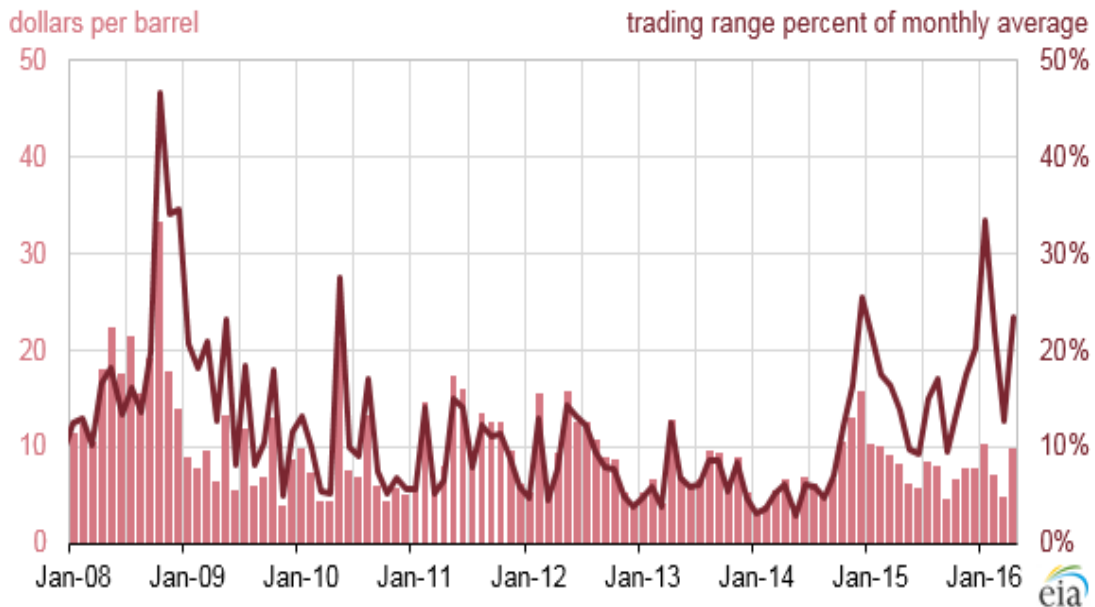
Figures 4.2 and 4.3 indicate that while the price of oil has been subject to volatility over time, the volatility since 2014 and the decreasing prices were more pronounced. Before the current price slump oil prices were well above US \$100 per barrel. According to Mcmanmon and Preciado (2016: 1), oil price volatility is often reflected in market uncertainty about both the current and future value of the commodity. Some of the reasons for volatility in oil prices include future production levels in key-producing countries, global economic growth, particularly in China and other emerging economies, growth in US demand following higher consumption levels in 2015 and inventories of crude oil and storage capacity constraints. Volatility can also increase when there is an

unexpected interruption in the oil supply, like the situation during the first Gulf War in 1990 and the 2011 Libyan crisis (Mcmanmon and Preciado 2016: 1).

Figure 4.2 Crude Oil Price and Price Volatility (Jan1, 2008-May 2, 2016)



Source: Mcmanmon and Preciado (2016) Figure 4.3 Monthly Trading Range for Brent Crude Oil (Jan. 2008 – Apr. 2016)



Source: Mcmanmon and Preciado (2016)

According to the World Bank (2015: 156-157), the reason for the crisis in the oil price is trends in supply and demand. There has been a trend of higher supply and lower demand in the oil market because of the slowdown in China's economy and other high oil consumers. In the United States, technological advancements in shale oil production have increased output to 0.9 million barrels per day since 2011. Global demand for oil has remained weak and the oil intensity of global GDP has almost halved since the 1970s with increasing energy efficiency.

Additionally, there have been changes to the objectives of the Organization of Petroleum Exporting Countries (OPEC). In previous years, Saudi Arabia was the swing producer with the spare capacity for either upward or downward supply. However, since 2014, Saudi Arabia and the other OPEC countries have decided to maintain production and supply after failing to agree on production cuts. The maintenance of OPEC's 30 million barrels/day output has led to oversupply, forcing the price of oil downwards.

A further reason for the oil price crisis is the wrong reading of geopolitical concerns about supply disruption. It was presumed that the Islamic State's takeover of Mosul, along with the Libyan crisis following the overthrow of Col. Gaddafi would lead to a disruption in the oil supply but these issues did not materialize. Similarly, the sanctions and counter-sanctions imposed after the June 2014 conflict in Ukraine failed to affect the natural gas market (World Bank 2015: 157).

The recent volatility in the oil price can also be attributed to the appreciation in the US dollar against other major currencies by about 10% in the last few years. According to Zhang et al. (2010: 5), 'US dollar appreciation tends to have a negative impact on the price of oil, given that this can lead to falling demand in countries that experience downward purchasing power of their currencies.' The effect of the low oil price in oil-exporting countries like those of the GCC is that they experience a slowdown with the sustained low oil price leading to a weakening of activities in these countries as well as spillovers to their trading partners and countries that receive remittances from the GCC (World Bank 2015: 161). The economic ramifications of the low oil price in the GCC has

also meant spending cuts, including a reduction in subsidies for certain goods and services. This has led, for example, to an increase in the price of utility rates, a doubling of fines for water-wastage and increasing postal costs in Qatar. These price increases came in the wake of Bahrain, Oman and Saudi Arabia also cutting subsidies offered on gas to pay for the budget shortfall due to the lower oil prices (Cafiero 2016: 1).

According to Gulamali (2015: 1), Saudi Arabia faces the most challenging fiscal difficulties given that its budget deficit was 20% of GDP in 2015. The GCC countries are also reversing some of their rentier state tendencies of zero taxation to impose 5% VAT that is slated to come into force in 2018 (El Gindi 2016: 5). It must be stated that while lower oil prices have posed challenges for the GCC economies, Bhargava (2015: 1) sees this as an opportunity for these countries to accelerate the diversification of their economies to lower their dependence on oil and gas. According to Al Masah (2013: 3), the UAE among the GCC countries has shown the way in terms of diversifying its economy with oil exports now accounting for just 33% of its exports in 2012 compared to 90% for Saudi Arabia, 82% in Qatar and 70% in Oman. Such a large dependence on oil has consequences for the security and foreign policies of the GCC.

4.4 Falling Oil Price and Possible Effects on GCC Foreign and Security Policies

As indicated in the introduction to this section, security and foreign policies do not exist in a vacuum. They are part of the fabric of a country's socioeconomic and political dispensation. For example, according to the United Nations Commission on Human Security, human security is the protection of the vital core of human lives in such a way that human freedom and fulfilment are enhanced (CHS 2003: 4). In other words, security policy must be situated within the wider socioeconomic and political dynamics. This is also true for foreign policy given that Harb (2016: 2) indicates that GCC foreign and security policies are becoming self-reliant, proactive, effective and assertive. These changes in the direction of GCC policy can be seen in their challenge to Iran regarding its role in Syria, Iraq and Lebanon. According to Harb (2016: 3), GCC countries have

adopted an interesting array of responses to Iran's policies in the region that suggest their independence and firmness.

Such new interventionist policy requires GCC economies to be able to afford the price of intervening while continuing to support their domestic constituents. According to Kinninmont (2015: vi), the politics of GCC states will be markedly transformed in the coming decades because 60 percent of their populations are classified as 'youth' and these people are not satisfied with the traditional political structures. The traditional structure can only continue if the price of oil is consistently at or above US \$100 to deal with the funding needs of the rising population. According to Sartori (2016: 12), some of the security policy implications for GCC countries in the face of the lower oil prices include the risk of instability due to worsening economic conditions and hostility from the domestic population. Other challenges in the area of security policy include the risk of instability that is linked to the breakup of the rentier socio-political pact between citizens and the state. It is also possible that the limited financial leverage of GCC governments could affect their ability to either fight the threats posed by armed militias or be a part of a coalition that counter the Islamic State group. The foreign policy of the GCC in which oil- and gas-rich countries provide support to regional partners in the form of political, financial and military support is likely to be hampered. For example, GCC support to Egypt amounted to a US \$12.5 billion grant at the beginning of 2015 but by 2016 it was a US \$3 billion loan. Sartori (2016: 17) argues that GCC countries are likely to face tough strategic dilemmas in deciding whether to prioritize domestic needs or the foreign policy of external assistance.

4.5 Summary

This section focused on the role of oil and gas in the GCC countries and as discussed in the various sections above, commodities are vital in the rentier states that have been created. However, the declining price of oil since mid-2014 has seen the price of oil drop by as much as 70%, putting pressure on the rentier state where oil and gas wealth are

used to placate citizens. As oil prices decline, there is a need for these countries to adapt their strategies.

5. The Impact of Oil Prices on Foreign and Security Policy in the GCC

5.1 Introduction

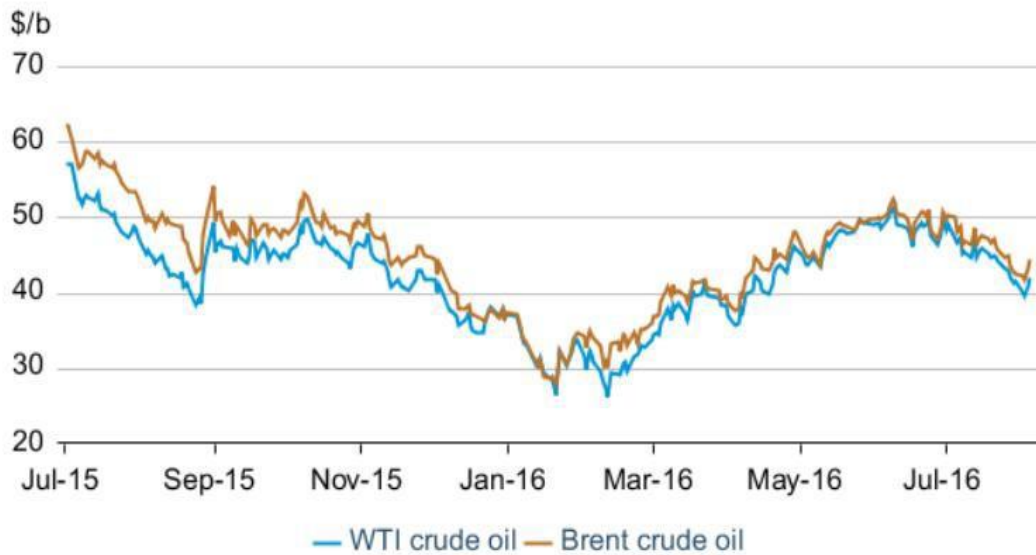
Section four provided an overview of how recent volatility in the price of oil is likely to affect the foreign and security policies of the GCC countries. In this section, I argue that the declining oil price and heightened volatility that comes with low prices can have potentially negative effects on the foreign and security policies of GCC countries by analyzing the available data and information. As the previous section explains, by 2008, oil revenue comprised of an average of 80% of GCC government revenues (Al Masah: 2013). This means that most of the revenue that the GCC governments used in the formulation and implementation of their foreign and security policies emanates from exporting oil. It can also be argued that the rentier state is based on the price of oil remaining as high as possible.

5.2 GCC Foreign Policy Analysis with a Downturn in Oil Prices

Figures 5.1 and 5.2 show that there is a considerable difference between the breakeven price (price that supports a balanced budget) of oil for GCC countries and market prices during 2015. For example, while for Bahrain the breakeven price was US \$130 a barrel, the real price of oil between June and December 2015 ranged between a high of US \$60 dollars and a low of US \$27. Even at the highest price in June 2015, it was less than half the breakeven price that Bahrain required to ensure that it balanced its budget. Furthermore, at the lowest price, it was just one-fifth of the breakeven price required by the country. While these variations are different for each of the six GCC countries, as can be seen from the figures below, it indicates that the volatility of oil prices has a

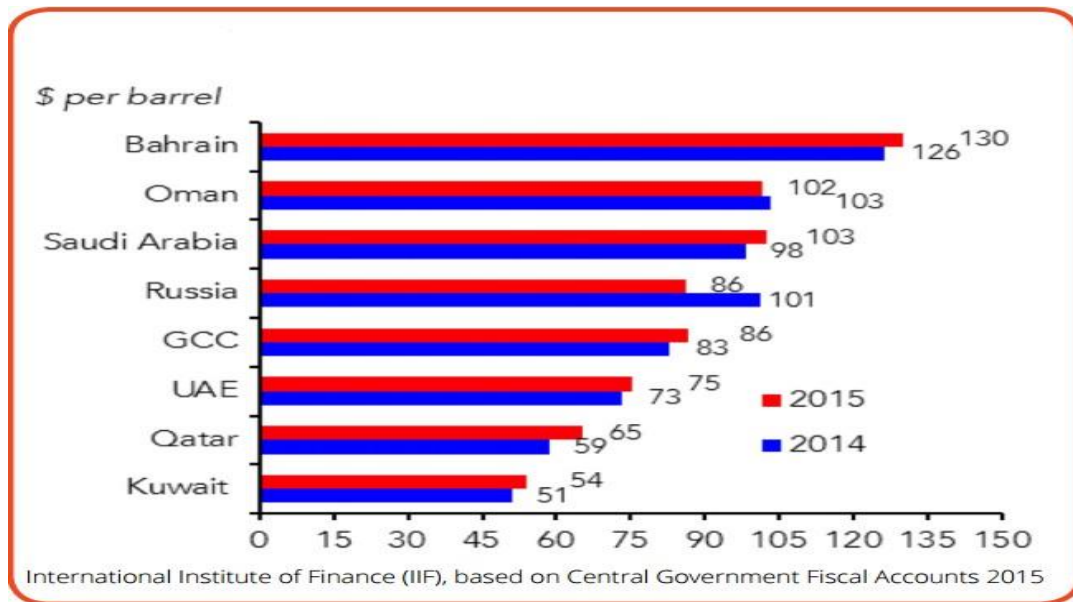
significant impact on the socioeconomic and political dynamics of these countries. Oil price volatility, as seen in section four, can have a significant impact on economic output (Sauter and Awerbuch 2003: 2). This is clear from Ghafar (2016: 2) who indicates that current volatility in the price of oil has wiped US \$350 billion from the revenues of the GCC countries.

Figure 5.1: Oil Prices June 2015 – June 2016



eia Bloomberg L.P.

Source: Preciado (2016)

Figure 5.2: Fiscal Breakeven Price for Oil in 2014 and 2015

Source: Aggarwal (2015)

It is difficult to predict the exact impact of the volatility of oil prices on GCC foreign policy. However, given that such policies require money to formulate and implement, it can be assumed that there would be some negative impacts. Young (2015: 6-7) argues that while the GCC countries have divergent foreign policies, it is also true that they all have a two-sided approach including the outside-in and inside-out approaches. The outside-in approach perceives a constant threat both from its own region and from the international setting, while the inside-out approach begins with the domestic environment and its effect on regime survival. The outside-in approach has seen a small country like Qatar develop a reputation as a foreign policy and mediatory actor in different conflicts. Khatib (2013: 418) argues that Qatar has been a negotiator in conflicts such as Afghanistan, Iraq, Ethiopia, Lebanon, Sudan and Yemen. In all of these situations, Qatar has prided itself on engaging the warring factions while pushing for them to reach political settlements. Additionally, Qatar has been known to provide humanitarian assistance while undertaking such mediatory roles. Qatar's mediatory roles in various conflicts are based on the foreign policy principle rooted in its constitution

that indicates the need to strengthen international peace and encourage peaceful resolutions to disputes around the world. Such initiatives are likely to be adversely affected by oil price volatility because Qatar and other GCC countries cut spending to cope with the need for budgetary decline.

Qatar has been implementing various austerity policies that impact its 'soft power' policy in order to deal with the low price of oil. According to the World Bank (2016a), state-owned institutions such as Qatar Museums and Al Jazeera are reducing programming and/or laying off expatriates, while the budget of Qatar Foundation has been cut by 40%. Additionally, significant cuts have been made to Western academic institutions in Education City. In December 2015, Sidra Medical Research Centre cut hundreds of jobs and officials have put the brakes on plans to roll out a national health care scheme. Also, the Qatari Tarsheed initiative has introduced a penalty for households that light buildings at night.

Furthermore, Devarajan and Mottaghi (2016) assert in a World Bank report that Qataris are expecting cuts in electricity subsidies later this year and price rises are likely to affect expatriates the hardest. To finance budget shortfalls as a result of low oil prices, Qatar has recently implemented measures such as hiking up utility rates, doubling fines for wasting water and increases to the cost of the Qatar postal services for the first time in eight years. In January 2016, the state-owned fuel company Woqod increased the price of gas by 30% with the subsidy cut going into effect just hours after the announcement. The last time that Qatar executed such gas price rises was 2011 (Cafiero 2016). Such budget shortfalls and austerity measures are likely to affect Qatar's outside-in approach of mediation and the economic support it offers to other countries.

Similarly, the outside-in approach can be seen from the foreign policy outlook of Saudi Arabia where mediation and intervention have been the hallmark of its foreign policy. Its leadership in the intervention in Yemen is a pivotal foreign policy shift. Saudi foreign policy thus transformed from reliance on the United States, the United Kingdom and other Western powers into self-reliance and more assertive approach (Tekeyh 2015: 1).

Under the 'mantle of Islamic leadership', Saudi foreign policy has also involved intervention in the defense of Sunni Muslims in Iraq, Bahrain as well as communities located in Syria, Kuwait, Yemen and Lebanon (Al Faisal 2013: 3).

To continue to play these interventionist roles, the oil price needs to be at about US \$100 or more given that the breakeven price for Saudi Arabia in 2014 and 2015 was US \$98 and \$103 respectively. Recent oil price volatility, as can be seen in Figure 5.1, shows that Saudi Arabia is likely to run budget deficits, thereby challenging its interventionist foreign policy. This supports Mednicoff's (2015: 1) argument that 'amid a generally more unstable regional climate, declining petrodollars may affect the level of engagement and intraregional squabbles' of the GCC. The World Bank (2016b: 1) indicates that due to the low and volatile price of oil, Saudi Arabia has taken austerity measures such as cutting 14% of its defense spending, as well as reducing fuel subsidies. It increased fuel prices by 133% in the case of ethane, 79% for transport diesel and 67% for natural gas and low-grade gasoline. The Kingdom is implementing price rises of 60% for electricity and water for higher tiers of residential, commercial and industrial users. The UAE foreign policy of partnership with governments, individuals and organisations has also seen it join the interventionist policies of other GCC countries.

UAE foreign policy priorities can be linked to security and stability within the Middle East region as well as identification with Muslims in the world (Hellyer 2001: 161). This was seen in the Arab Spring of 2011 when the UAE provided support to Bahrain when thousands of demonstrators took to the streets and the government was almost unseated. Led by Saudi Arabia, the UAE and other GCC states such as Qatar and Kuwait, support was offered to the Bahraini government both militarily and economically (Steinberg 2014: 6). The UAE is also known for foreign aid programs that support various projects in Asia, Africa and other places around the world (MOF 2015: 2).

To be able to sustain its foreign policy objectives which cost billions of dollars, the UAE must have access to finances that come from its oil production. With a breakeven price of around US \$74, oil price volatility is likely to negatively affect the influence that the

country has in the world and its ability to intervene alongside Saudi Arabia as it has previously done in Bahrain and Yemen. While the UAE is not currently implementing wide-ranging austerity measures, lower projected economic growth of 2.1% in 2016 after consecutive growth of 4.6% and 3.3% in 2014 and 2015 respectively, officials are planning to implement VAT by 2018 along with other GCC countries while also considering the prospect of introducing corporation tax. Measures are being considered to reduce subsidies for electricity and water in the near future (World Bank 2016c).

Furthermore, the GCC countries pursue the inside-out approach that begins with the domestic environment and how it supports their regimes. This rentier state model is threatened by the volatility and low oil prices. Sartori (2016: 5) indicates that, in the past decade, it has been possible for GCC countries to pursue these rentier state approaches because they had impressive fiscal surpluses averaging around 12.4 percent of GDP. However, the oil price downturn and volatility has led to aggregate deficits of 7.9 percent. For example, Kuwait's budget declined by about 30 percent and Saudi Arabia's by 15%. While there are variations in the decline in the different GCC countries, it has led to a reduction in subsidies and higher prices that could adversely impact on any foreign and security policy developments in the GCC.

In addition to the low and volatile price of oil, the GCC countries have also been concerned about US foreign policy towards them as the US becomes more energy self-reliant. According to Shayji (2016: 1-2), the GCC has noticed a shift in US foreign policy toward them in the past few years with the fight against ISIS in Iraq seemingly pushing the Americans and Iranians closer than expected. Prince Bandar bin Sultan who was Saudi ambassador to the US for 22 years threatened a 'major shift' in the relationship with the United States. However, Mednicoff (2015: 2) indicates that despite differences between the US and GCC countries on foreign policy objectives such as those in Syria, dwindling revenues from oil due to low oil prices are likely to continue to push GCC countries to align their foreign policies with those of the United States so that it continues to be the dominant military power that supports these nations.

5.3 GCC Security Policy Analysis – Oil Price Volatility

As the discussion above indicates, in addition to affecting the foreign policies of the GCC countries, oil price volatility is likely to affect their security policies too. This is because GCC countries have in the past decades extensively expanded spending on military investments, especially buying expensive military hardware from the United States as a means of maintaining the foreign and security cooperation that the GCC has with a dominant power. Rickli and Garvais (2014: 2) argue that oil and revenues from oil have been at the centre of the dynamics of GCC security. This supports the findings of Al-Hamdi (2012: 21) who researched oil and regional security in the Gulf and found that there is a positive correlation between higher oil revenue and the extent to which Gulf countries expand their military spending. Wezeman (2016: 31) argues that despite their small sizes in terms of area and population, the GCC is estimated to include two of the world's top fifteen military spenders, with Saudi Arabia taking fourth place while the United Arab Emirates takes fourteenth place. Military spending among the GCC countries expanded considerably between 2005 and 2014 when the price of oil continued to rise during the same period.

Table 5.1 below indicates how military spending among GCC countries continued to expand from 2002 to 2014 where data was available. According to Wezeman (2016: 31), while GCC countries do not publish defense spending documents, statements by officials from the GCC indicate that spending on the military has several priorities: firstly, protecting the existing political system through the use of well-armed paramilitary forces; secondly the perception that Iran is a major direct threat that needs to be countered and contained; and thirdly, Saudi Arabia, Qatar and the UAE seek to increase their sphere of influence in the Middle East and perceive that military power is an instrument of influence.

Table 5.1: GCC Military Expenditure by Country – US \$ millions (2002 – 2014)

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bahrain	538	618	623	585	641	695	752	841	840	1033	1150	1271	1319
Kuwait	4505	4855	5225	5057	4999	5310	4889	4782	4716	5394	5856	5666	NA
Oman	3505	3687	4145	4997	5343	5413	5154	4822	5094	6668	11985	11218	8985
Qatar	1252	1263	1164	1229	1320	1700	2193	1938	1913	NA	NA	NA	NA
Saudi Arabia	25761	25951	28849	34762	39600	45613	44769	46004	47879	48531	54913	62933	73717
UAE	8677	9170	10199	9305	9238	9816	11959	14080	17658	19182	18898	23150	21877

Note: Figures are in US\$ millions at constant 2011 prices and exchange rates.
 Figures in blue are SIPRI estimates.

Source: Wezeman (2016)

Although Willen et al. (2013: 2-3) indicate that the sizeable defense spending by the GCC countries creates possible opportunities for both the knowledge and manufacturing sectors in the region, Sez nec (2016: 2-5) indicates that low oil prices in conjunction with the ballooning military and security expenditure of the GCC provide a bleak outlook for the region. This is because the current instability and havoc in Libya, Syria and Yemen require sound financial availability to tackle them. Financial stress brought about by low oil prices are likely to negatively affect security enhancement to fight organisations like ISIS and al-Qaida. Additionally, the decline in state income due to oil price depression will lead to less funds being available to invest in industries, thereby leading to higher unemployment that could potentially spark social tension (Wezeman 2016: 5).

5.4 Summary

Considering all the above, it is apparent that the GCC countries remain overly reliant on oil revenue for internal and external socioeconomic and political activities. While it is

difficult to make judgments about declining oil revenues due to the volatility and low oil price and their direct impact on GCC foreign and security policies, it can be deduced that lower oil prices have adverse effects on the foreign and security policies of these nations. This is because the GCC interventionist policies in the region require vast sums of money to formulate and implement.

6. Conclusions and Recommendations

6.1 Conclusions

There are challenges in linking GCC foreign and security policies to the price of oil. However, given the fact that oil is a strategic commodity and plays a very important role in the socio-economic and political fabric of the countries of the GCC, it is likely that the volatility in prices could affect the foreign and security policies of these countries. As was seen in sections Four and Five, the GCC countries are heavily dependent on oil and gas revenue to balance their budgets. This heavy dependence means that the GCC countries have breakeven oil prices that averaged between US \$83 and \$ 86 respectively in 2014 and 2015. Additionally, oil revenue made up at least 80% of the budgets of GCC countries with Saudi Arabia and Kuwait having average budget dependences of 83% and 93% respectively. These statistics show that oil provides a substantial portion of public funding for GCC government coffers.

Given the increasing amount of money that the GCC countries have been spending on their security apparatus in terms of military spending (see Table 5.1), the decreasing and volatile price of oil indicates that foreign and security policies in the region are likely to be adversely affected. In light of this, the GCC governments would need to ensure that there are changes to the ways their security and foreign affair policies are formulated and implemented due to the following conclusions:

1. The rentier state approach in which oil wealth is redistributed among citizens as a way of sustaining the internal security system through the loyalty of these citizens

(Satori 2016: 5) is one that cannot be sustained if the price of oil continues to fall or becomes volatile as it has been doing since 2014 because revenues from the sale of oil that have made this social welfare model possible will no longer be available. Policy changes that have led to austerity in which subsidies have been reduced for utilities and petrol would need to continue to be reviewed if these countries are to cope with further falls and volatility in oil prices.

2. The upward trajectory that has seen GCC countries purchase vast quantities of military hardware to buttress their security and gain regional influence in both foreign and security policy must be curbed if the price of oil continues to decrease and remains volatile. Saudi Arabia has already begun this process by making a 14% reduction in military spending.

3. GCC foreign and security policies of interventionism involving both military intervention, for example in Yemen and support for the Bahraini government during the Arab Spring of 2011, as well as financial support to Egypt and other less wealthy Middle East and North African states (Young 2013: 13-21) will not continue in their current forms given the high financial cost of intervention in other countries. Additionally, citizens of oil-rich GCC countries are likely to demand that there is more accountability and that funds being used for interventionist policies supplement instead the rentier state policies that have thus far provided lifestyles requiring generous welfare programs.

4. There are likely to be challenges for Qatar to continue the 'soft power' foreign policy developed through the use of the media, culture, sports, education and humanitarianism, that has made Qatar atypical among microstates in the discussion of international relations (Abdullah 2014: 3). Similar use of 'soft power' by the UAE in the area of culture, tourism and humanitarianism is likely to face challenges if the price of oil continues to fall given that, as shown in section Five, GDP growth in the UAE has been declining. Volatile and falling oil prices would have similarly devastating effects on Saudi foreign and security policy of humanitarian support to other Muslim countries as

well as its guardianship of the two holiest sites of the Islamic religion (Matthiesen 2015: 1-5).

6.2 Recommendations for Policy

Given the fact that there is considerable diversity in the sources of oil as energy needed by the world, and the fact that the United States, which is one of the largest consumers of energy from hydrocarbon, has become a major producer of oil with technological development, it is likely that the current low oil price and volatility will continue for a considerable amount of time (Krauss 2016: 1). This volatility and low price is likely to continue to adversely affect GCC countries given their high level of dependence on oil and gas for government budgets. The following recommendations are likely to support GCC countries in dealing with their foreign and security policies going forward during the current and future periods of oil price falls and volatility:

1. Economic diversification that reduces overdependence on high oil prices is likely to support a GCC socio-economic and political future by ensuring that the oil price does not have a stranglehold on the policies developed by these countries. Given that the price of oil is determined by global supply and demand activities, GCC countries do not have control over the price of the commodity that they depend on. Callen et al. (2014: 4-10) argue that while diversification from oil is very challenging, it is one way in which GCC countries can ensure that there is a reduction in exposure to global oil price volatility and uncertainty.
2. GCC countries need a coordinated approach to foreign and security policies that avoids duplication and saves money from oil revenues for other purposes. Although the Peninsula Shield Force idea has helped to support GCC security, policies must be reviewed so that where possible GCC foreign and security policies become coordinated, developed and implemented within the boundaries of each country as a sovereign state.
3. As yet a greater challenge, GCC countries must make considerable changes to the rentier state model that has been sustained by high oil prices imbedding unrealistic

expectations in the citizens of these countries. This would need to be done gradually through education so that it does not adversely affect the internal political and security dynamics of the GCC countries. The uprisings in Tunisia, Egypt and Bahrain should always serve as a lesson in the consequences of popular discontent that can cause security issues detrimental to all facets of the state. To avoid such discontent, GCC countries would need to ensure that the distribution of oil wealth to their citizens in various forms is gradually curtailed without causing disquiet.

4. Despite some similarities, the GCC countries are all different in their economic outlook and dependence on oil revenues. In order to be sure of the specific ways in which each GCC member's security and foreign policies are affected by volatile and low oil prices, there is a need to conduct primary research that provides specific data on how these countries are affected.

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