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The Implications of Covid-19 in the Gulf: Challenges and Constraints

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Introduction

As the world tries to overcome the negative impact of the COVID-19 outbreak, the Gulf countries of the Arabian Peninsula feel the pressure of an expanding uncertainty regarding the future direction of the outbreak and the possible impacts that can be expected in its aftermath. While in their reaction, the Gulf countries have been successful in preventing the spread of the deadly virus; nervous leaderships have been cautiously anticipating worse to come, aware that the COVID-19 outbreak is creating a world where rational decision-making in many states may be upset by a precipitate, even reckless response to the virus.

The numbers of persons infected with COVID-19 in the Gulf region remain limited, thanks to preventive measures and a robust health system that has been established during the past decades. Considering their populations, the numbers of deaths caused by COVID-19 have been quite low in countries like Saudi Arabia, the UAE and Qatar. One of the most obvious reasons for the low death rate is the relatively well-organized healthcare system in the GCC region. At the same time, given the apparent persistent and rapid spread of the outbreak, Gulf countries are likely to face serious problems, in view of some structural shortcomings in their healthcare system and other sectors.

Obstacles in the Healthcare Sector

The major obstacles preventing the growth of qualified human resources in the healthcare sector in the GCC countries are dependence on expatriates, absence of qualified doctors and healthcare personnel from the GCC states themselves and deficiencies in national healthcare equipment provisioning for the healthcare sector.⁽¹⁾ According to WHO data, the number of doctors and nursing personnel has been gradually increasing in all GCC countries. However, many doctors and nursing personnel continue to be expatriates, not GCC citizens, the percentage rising as high as 85% as in the United Arab Emirates and 78% in Saudi Arabia. GCC states remain in need of larger numbers of healthcare and particularly nursing, personnel.⁽²⁾

Since the healthcare sector in the GCC lacks its own human resources and is heavily dependent on purchasing the services of an expatriate workforce, the GCC countries risk falling short of the numbers of persons needed. Some GCC states pay their citizens' healthcare expenditures in other countries, such as Germany, Switzerland, Malaysia and Singapore, which enjoy more advanced facilities and more qualified health sector personnel. It is essential in the long run for the GCC states to have their own resources in the health sector if they wish to overcome a possible crisis in the health sector, and COVID-19 has been a test case for the GCC states in this respect.

1 Tawfiq Khoja, Salman Rawaf, Waris Qidwai, David Rawaf, Kashmira Nanji, and Aisha Hamad, "Health Care in Gulf Cooperation Council Countries: A Review of Challenges and Opportunities", *Cureus* (2017), Vol: 9, No: 8, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5650259/>

2 Maher Abouzeid, "GCC's healthcare challenges require collaboration with different stakeholders", *The National*, 18/06/2018, <https://www.thenational.ae/business/gcc-s-healthcare-challenges-require-collaboration-with-different-stakeholders-1.741589>

Each of the GCC states set plans and targets regarding their healthcare sectors. These plans are usually included in the long-term development agendas of these countries. In this context, one of the focus areas of Saudi Arabia's Vision 2030 plan is to increase the number of medical facilities as well as doctors and nursing staff. The Saudi government also plans to increase the share of private sector in the healthcare system. The UAE has also similar plans as indicated in the UAE Vision 2021. Similarly, Qatar's National Vision 2030, Kuwait's Vision 2035, and Oman Vision 2040 also include various targets that aim to create a better healthcare sector in these countries.

Concerns Regarding Food Security

Food security is a vital concern of the Gulf States, and it will shape these states' policies in the post-corona period. Food security is ensured when a given population has safe and unlimited access to high-quality food that provides the basis for healthy living. Since there is a close link between the economic development and food security, it might be assumed that the GCC states have nothing to worry about on this subject. However, GCC states are significantly dependent on food imports to meet their essential needs. Despite being capital-rich countries, they have to import their basic food, as they have limited production in this sector. Due to their strong economic position and purchasing power, these countries have been less vulnerable to price fluctuations and risks than other food importers, so are nevertheless able to bridge shortfalls in domestic production.⁽³⁾

GCC states have been ranked as the most food secure in the region according to the Global Food Security Index. Nevertheless, since the GCC countries are dependent heavily on food imports and vulnerable to price and supply shocks, the stability and the availability of food supply have become critical issues for these countries. In 2007 - 2008 a global food price crisis demonstrated that the Gulf countries are not immune to price and supply shocks, and were rather vulnerable, due to their high dependency on imports.

Now, a new wave of concern has arisen with the COVID-19 pandemic, and many countries have shut down their borders as a precautionary measure and have given priorities to their citizens in terms of basic food items and limiting food exports. The GCC countries may be seriously affected by this situation. Even Kuwait, a partially self-sufficient country of the region in terms of food security, has called on GCC to create a joint food security network to provide sufficient accessible food supplies during the COVID-19 outbreak.⁽⁴⁾ Research and development activities have been continuing to ensure a steady food supply during the recent coronavirus crisis,⁽⁵⁾ but it is not clear whether politically divided GCC countries will be able to work together through such times of such crisis.

3 Tarek B. Hassen and Hamid El Bilali, "Food Security in the Gulf Cooperation Council Countries: Challenges and Prospects", *Journal of Food Security*, (2019), Vol. 7, No. 5, p.159-169.

4 "Kuwait Calls for Gulf Food Security Network to Provide Basic Supplies," *Asharq Al-Awsat*, 03/04/ 2020, <https://aawsat.com/english/home/article/2214611/kuwait-calls-gulf-food-security-network-provide-basic-supplies>

5 "Coronavirus UAE: Aquaponics can ensure steady food supply during COVID-19", *Gulf News*, 04/04/ 2020, <https://gulfnews.com/uae/coronavirus-uae-aquaponics-can-ensure-steady-food-supply-during-covid-19-1.70791345>

Qatar has risen to the top of food security policy initiatives in the GCC, in view of the isolation policy practiced by its very neighbors during the country's three-year blockade by Saudi Arabia, UAE, Bahrain, and Egypt.⁽⁶⁾ Accustomed now to such isolation, Qatar's main strategies in ensuring its food security might help set an agenda for the other GCC states. Enhancing localization practices and diversification of trade routes have been put forward by analysts of Qatar's experience as the most effective ways of overcoming negative implications of food insecurity.

Human Capital in the GCC

Human capital will most likely also be affected by the COVID-19 outbreak, and in the post-corona era. GCC countries have been making considerable efforts to benefit from their own people by investing in science, technology, and education, yet most of these countries rely on foreign workers for their economy to function smoothly. Despite the heavy investment in their people, Gulf States are still far from benefiting their own citizens. According to Human Capital Index, a measure developed by World Bank, many young people born in the region today will not be able to make use of their potential to a full extent.⁽⁷⁾

The GCC States must focus on reducing the gap in terms of human capital and diversify their economies. Providing for the creation of sustainable diversified economies can only be possible by relying on their own young, educated people. While this was the practice before the coronavirus outbreak, it may be much more difficult to sustain in the coming years. The reason why this objective will be far more difficult to achieve for the Gulf States in post-corona world is that the regional economy and downward trajectory of economic growth will be unlikely to accommodate needed changes easily or rapidly, given probably diminishing levels of economic growth and imminent restrictions of free movement of labor.

Another aspect of human capital in the Gulf region is expatriate foreign workers on whom most of the GCC countries rely. Over the last six decades, the reliance of the GCC countries' economy on expatriate workforce has also increased. It is estimated that around 35% of Saudi Arabia's population and 80% of the private sector workforce are expatriates.⁽⁸⁾ The number is even higher in countries like the UAE, where it is around 90% of the working population.⁽⁹⁾ This dependence of Gulf States on millions of expatriate workers make them more vulnerable to the pandemic. The impact of the coronavirus on foreign workers in the Gulf is two-fold. On the one hand, because of decrease in

6 Andreas Krieg, "Coronavirus: How the Saudi-led blockade prepared Qatar for the pandemic", *Middle East Eye*, 02/04/2020, <https://www.middleeasteye.net/opinion/coronavirus-how-saudi-led-blockade-prepared-qatar-pandemic>

7 "Will Arab Youth Reach Their Potential? The World Bank's Human Capital Index Offers Predictions", *Al-Fanar Media*, 10/11/ 2019, <https://www.al-fanarmedia.org/2019/11/will-arab-youth-reach-their-potential-the-world-banks-human-capital-index-offers-predictions/>

8 "Expats account for over 75% of the jobs in Saudi's labour market – report", *Gulf Business*, 17/06/2019, <https://gulfbusiness.com/expats-account-75-jobs-saudis-labour-market-report/>

9 Ashwani Kumar, "91% expats in UAE workforce: Experts call for Emiratisation", *Khaleej Times*, 25/11/2018, <https://www.khaleejtimes.com/nation/abudhabi/91-expats-in-uae-workforce-experts-call-for-emiratisation-->

production and halting of services, most of the foreign workers face the risk of losing their jobs. This possibility may cut their cash-flow and seriously limit their ability to spend. Also, given that much of the time GCC citizens are not wholly willing to fill the gap left by unskilled foreign workers, it is clear that the Gulf States can expect to face economic setbacks in the days ahead.⁽¹⁰⁾

Effects of this situation will certainly extend beyond the borders of the region because the Gulf is among the largest sources of remittance outflows, mostly to East Asia.⁽¹¹⁾ Already, the diminishing levels of Chinese energy and oil demand and travel restrictions has affected trade relations between the GCC and their Asian partners. With low oil prices due to “oil price wars” and plummeting levels of labor mobilization regionally and internationally, the GCC countries may be compelled to find a solution if the expatriate labor system should break down.

On the other hand, the need to replace the expatriate workforce with a local one will become only more apparent. In the Gulf, there have already been attempts to localize workforces as part of programs and visions such as “Emiratization,” “Kuwaitization,” and “Saudization”. After the COVID-19 outbreak, expatriate workforces may be seen as a source of spreading the virus, and create another humanitarian dilemma for the Gulf States. The presence of confirmed cases among workers’ camps may render the negative implications stemming from this situation undeniable. Additionally, workers may demand to go back to their homeland. The social impact of the pandemic on transnational labor is likely to be devastating, and at a time when Gulf States are not ready for such a swift transition, this is more likely to hit this region with traumatic effect.

Effects on Economies

Another serious impact of the coronavirus on the GCC will be on the economic sector. The outbreak hit some of the major sectors of GCC economies such as oil, tourism, production, construction and trade. Due to lessening volume of the global demand, the oil revenues of oil producing countries will have to reduce at a significant pace. Along with global demand, the Chinese demand for oil and their contribution to Gulf tourism lost momentum to a certain extent. On top of that, the fall in the oil prices following the Saudi-Russian disagreement, countries in the region will face further pressure in the sector. Kuwait and Oman will also strongly feel the impact in the oil sector partially because of their intensive trade relations with China. Tourism is another significantly hit area particularly for Saudi Arabia and the UAE. As one of the hot tourist destinations, the UAE will most probably see a very calm season, while Saudi Arabia will lose around 2 percent of its annual income due to cancellation of religious pilgrimages.⁽¹²⁾

10 “Gulf’s massive migrant workforce fears virus limbo”, *Channel News Asia*, 30/03/2019, <https://www.channelnewsasia.com/news/world/coronavirus-covid-19-gulf-qatar-uae-saudi-arabia-migrant-workers-12588586>

11 David Brennan, “Coronavirus Leaves Foreign Workers in the Gulf Stranded, Unemployed and Forgotten, Advocates Warn”, *The Newsweek*, 09/04/2020, <https://www.newsweek.com/coronavirus-leaves-foreign-workers-gulf-stranded-unemployed-forgotten-advocates-warn-1497079>

12 “How prepared is the Gulf for COVID-19?”, *Castlereagh*, 06/03/2020, <https://castlereagh.net/how-prepared-is-the-gulf-for-covid-19/>

The biggest losers of the COVID-19 outbreak in the GCC could be Saudi Arabia and the UAE. As the two countries have been the most aggressive foreign policy actors in the region, they will be forced to scale down their ambitious regional policy moves. The controversial war in Yemen, unfruitful support for Khalifa Haftar in Libya, backing Abdel Fattah Al-Sisi whose country is on the brink of collapse and adventures in the Horn of Africa region have all been highly costly foreign policy choices for Riyadh and Abu Dhabi. Due to economic constraints that emerged from the COVID-19 outbreak, both countries will have to reduce the amount that they have been pouring in continuing such actions.

Saudi Arabia and the UAE have taken up precautions in foreign policy and scale down their aggressive efforts to minimize the disabling economic burden that is to be expected from the outbreak of COVID-19. When it was recently revealed that COVID-19 penetrated into royal circles in Saudi Arabia, King Salman and the Crown Prince Mohammed bin Salman isolated themselves in Red Sea coast.⁽¹³⁾ A ceasefire that is expected to last 2 weeks has been announced in Yemen, further diminishing the Saudi coalition' efforts to eradicate the Houthis. In addition to these developments, the UAE applied to Paris' BIE, Les Bureau International des Expositions, to postpone their Dubai Expo 2020, to October 2021. The speedy decision of the UAE to postpone Expo 2020 demonstrates the level of anxiety due felt to COVID-19.⁽¹⁴⁾ The BIE will respond to UAE in final terms only in June. That means that the UAE will be on its tenterhooks until it is clear that the Expo is delayed.

GCC and Post-Corona Order

Ultimately, COVID-19 outbreak has demonstrated that there could be a downward trajectory of economic growth in the GCC in the days ahead. There are several reasons for this, but the most important ones are slowing global energy demand and plummeting mobilization of people in connection with precautions against COVID-19. One clear takeaway from the situation is that there is a possibility of GCC states lowering their engagement in conflict zones at sudden notice. There is also no doubt that these possibilities will have a bearing primarily on Saudi Arabia and the UAE, given their foreign policies.

¹³ David Kirkpatrick and Ben Hubbard, Coronavirus Invades Saudi Inner Sanctum, *The New York Times*, 08/04/2020, <https://www.nytimes.com/2020/04/08/world/middleeast/coronavirus-saudi-royal-infections.html>

¹⁴ "UAE requests postponement of Expo 2020 Dubai", *Middle East Monitor*, 06/04/2020, <https://www.middleeastmonitor.com/20200406-uae-requests-postponement-of-expo-2020-dubai/>