

The Third Annual Gulf Studies Forum

The Arab Center for Research and Policy Studies (ACRPS) will convene its Third Annual Gulf Studies Forum on December 3-5, 2016 in Doha, Qatar. As in the previous year, the forum will focus on the regional and global challenges facing the Gulf Cooperation Council, in addition to the special theme selected this year: Economic Diversification within the GCC.

Special Theme: Economic Diversification within the GCC

With the continued slump in oil prices and the relenting impact of the trend on the once lavish development budgets of GCC States, the urgency of economic diversification for Gulf countries is growing. Today, economic diversification is a pressing, immediate concern for Gulf policy makers and their societies. Its urgency notwithstanding, this specter is not a new problem for the Gulf: questions on the security of energy demand have long prevailed on producers, who repeatedly drove down crude oil prices in the mid-1980s and again in the late 1990s before oil prices rebounded and climbed to an all-time high in 2014. Despite the cyclical nature of these fluctuations, Gulf States have thus far failed to wean their economies off an excessive reliance on hydrocarbon revenues.

In 2014, hydrocarbons accounted for 84% of the revenues of the GCC States and between 31% (for the UAE) and 94% (Kuwait) of exports. Marked increases in recent years aside, the GCC's non-oil sectors remain weak, and continue to be contingent (whether directly or indirectly) on oil revenues, and in turn on the price of oil. At the same time, private enterprises in the Gulf States remain reliant on the public sector and government expenditures. A prime example of this is the reliance of sectors such as industrial manufacturing, petrochemicals, water desalination and aviation on low energy costs and effective government subsidies to maintain global competitiveness. Even the banking and financial sectors of the six Gulf Cooperation Council members are ultimately dependent on the flow of money determined by oil revenues. Any change to oil-enabled government spending policies will therefore have huge impacts on all sectors of the GCC economies. The sensitivity of these economies and government development expenditures to global oil prices became abundantly clear with the drop in price per barrel of crude oil in the world markets – from a high of over US\$ 100 in the summer of 2014 to under \$30 by January 2016 – which led all of the GCC states to take exceptional measures, either by drawing on foreign currency reserves or by issuing public bonds to close budget deficits.

Exacerbating the situation is the fact that overall demand for fossil fuels from the Gulf countries is likely to decline as the feasibility of alternative forms of energy increases, including unconventional fossil fuel energies such as shale gas, which has been found in huge, technically recoverable quantities in China, the United States, and Canada. In the likely event that these gas reserves become economically recoverable, they will pose a considerable challenge to the future economic stability of the Gulf States. This comes amid growing international environmental consciousness, which is driving demand for machinery with increased efficiency, leading to the consequent drop in demand for energy as well as increased potential of renewable/alternative energy sources (particularly solar energy). The above, in addition to concerns surrounding anthropogenic climate change, has led to efforts to reduce carbon

emissions from fossil fuels and to the signing of the Paris Agreement in December of 2015. In contrast to the economizing of fossil fuel use in developed economies, domestic energy use in the GCC States (including electricity generation and water desalination) continues to grow. With dependence on fossil fuel exports left unchecked, these factors combined do not bode well for the future of the Gulf Cooperation Council.

These energy market fluctuations will most likely be reflected in shocks to the rentier economic policies Gulf States rely on to secure their own political legitimacy. This will particularly affect the more populous and less wealthy Gulf States. Saudi Arabia, Bahrain and Oman stand out here as countries that are less prepared than their neighbors to weather the storm of declining state revenues. Popular disturbances in all three countries portend difficulties ahead as their governments attempt to balance shrinking budgets with the need to bolster political legitimacy through economic largesse for their populations. With this newfound and unexpected uncertainty over the political legitimacy of some GCC member states, the need for novel modes of economic development based on increased productivity and an end to long established rentierism becomes more pressing.

The obstacles to economic diversification within the GCC, however, are considerable. There is a scarcity of natural resources other than oil and gas, a lack of water resources and small populations. The Gulf States are then, in effect, locked out of being competitive in industries that might require a low-wage workforce, access to water, and capital—or knowledge-intensive, low-value-added products. On the other hand, their command over huge financial reserves does grant GCC States considerable competitive advantages in a variety of industries, placing them in a prime position to develop specific sectors. The Gulf countries could continue to invest in and develop a number of economic options in which they have already made considerable strides. These include developing sectors such as aviation; the building of a global commercial center for re-export; the creation of an international financial center; and continued investment in the contracting and construction sector, in which many GCC States have acquired a great deal of expertise in recent years.

Given the current realities, the genuine belief in the importance of economic diversification, and the necessity to deal with impending, and increasingly urgent, economic challenges, the special theme discussions will include, but not be limited to:

1. Economic Diversification: Policies, Plans and Strategies

- a. Relationship between GCC public policy and economic diversification
- b. Economic diversification plans: vision, aims, and legislation
- c. Government spending on economic diversification: trends, programs, and outcomes
- d. Rentier systems and the risks of continued dependence on fossil fuels
- e. Economic harmonization across the GCC in support of economic diversification: the creation of a common market, labor, and monetary systems

2. Realities and Challenges of Economic Diversification

- a. Past experiences of economic diversification in the GCC: lessons learned
- b. Prospective industries and available resources for economic diversification: primary materials, capital, expertise, labor force, and existing markets
- c. The private sector and the prospects for a greater role in economic diversification of the GCC
- d. Role of overseas investments as a source of income: opportunities and risks
- e. Role of the energy industry in policies of economic diversification

3. Economic Diversification: Prerequisites

- a. Gulf states' labor market: present reality, public policies, demographic policies, and how appropriate they are for economic diversification
- b. Education and training: Gulf citizens' needs
- c. Societal mores: modes of consumption, labor practices, and awareness of the importance of diversification
- d. Women and their role in economic diversification

Fixed Theme: Regional and Global Challenges

As a result of their political and economic clout, the Gulf States have long attracted considerable attention from across the region and the world at large. This, however, has not protected them from the unprecedented challenges they currently face. All six members of the GCC are today dangerously exposed to threats from abroad, including the chaos ravaging today's Arab states and the expansion of Iranian influence across both the Fertile Crescent and Yemen, at a time when the failing Arab regional security order can no longer keep Iranian expansionist ambitions in check.

Iraq, once a solid barrier that kept the Arab countries safe from growing Iranian encroachment, was left in ruins by the American invasion of 2003. Today it is a failed state governed by a rationale of sectarian quotas, latterly overrun by ISIL, which controls roughly one-third of the country's territory. Syria and Egypt, the other two Arab states which in the past formed cornerstones of a regional order, have also been derailed. With traditional Arab power centers now preoccupied with domestic affairs, the fears of the GCC states can only increase as they sit and watch an increasingly warm rapprochement between Washington and Tehran, leaving in doubt all of the regional security alliances that had been in place since the end of the Second World War.

Even as Iran negotiated an agreement with the world powers over its nuclear program, the Gulf States were contending with the violent re-emergence of Russia in the Arab Mashreq, with Moscow directly intervening in the Syrian conflict and coordinating with Iran its support of regional non-state actors. Overall, Russia's maneuvers are contributing to the collapse of the Arab states and the rise of non-state militias such as ISIL.

The rise of the Islamic State and its capture of huge swathes of territory across Syria and Iraq has diverted the focus of many Arab states away from the battle against Iran. Instead of combatting growing

Iranian influence, Arab states now find themselves having to preserve a status quo that emerged at the end of the Great War. Meanwhile, the United States is establishing a new regional order that aims to preserve security across the Gulf in ways that both free American forces from their obligations to keep the peace and ensure that no single power emerges as a threat to US interests in the Middle East. This has compelled the GCC member states to work closely, so as to contribute to this emerging regional order and ensure that their interests, individual and collective, are preserved in the future.

On the world market, the technological revolution in global shale oil and shale gas extraction has presented the GCC states—which, combined, have been the largest single producer of oil and gas across the globe—with a new challenge. These new technologies have served to turn the United States from an oil consumer, to, by some measures, a net exporter of oil and other fossil fuels, unsettling the previous order in which the Arab countries used the advantage of cheap production costs to establish themselves as the global market makers for oil. Combined with the decline in Chinese economic growth, changes in the global oil market have only contributed to the collapse of world oil prices. With these new and reduced prices for crude oil, however, Arab oil has once again become economically feasible, at the same time as it is recognized as less environmentally damaging than unconventional fossil fuels (shale oil and shale gas).

Finally, East Asia and China—which combined account for more than 50% of global GDP—are today increasingly reliant on Arab fossil fuels. It thus behooves the Gulf States to take this into account and diversify and thereby strengthen their relationships with these countries, and to abandon their singular focus on relations with the West. GCC States should focus instead on building trade relations with Asian countries, which they could supply with inexpensive, secure supplies of energy free of any political constraints.

Given the current state of affairs, and the grave challenges facing GCC member states in the turbulent regional and global climate, the primary focus of the Third Annual Gulf Studies Forum will continue to be on “Regional and Global Challenges”, which include:

1. Gulf Security

- a. Iran’s threat to GCC security
- b. Gulf regional security in the wake of the Arab Spring
- c. Security agreements with global powers
- d. Energy security and energy supply lines

2. Relations with World Powers

- a. The Gulf and the United States
- b. The Gulf and Europe
- c. The Gulf and Russia

3. Relations with Other Global Powers

- a. The Gulf and Asia: China, India, Japan, and South Korea
- b. The Gulf and Latin America (particularly Brazil and Argentina)

- c. The Gulf and Africa

4. Relations with Regional Powers:

- a. The Gulf and Iran
- b. The Gulf and Turkey
- c. The Gulf and Pakistan

5. The Gulf Cooperation Council and the Regional Order:

- a. The Gulf and the Syrian Crisis
- b. The Gulf and the Iraqi Crisis
- c. The Gulf and the Crisis in Yemen
- d. The Gulf and the Libyan Crisis
- e. GCC Involvement in the Palestinian Cause and the Peace Process

6. The Gulf and Policies towards Non-State Actors, including: (Lebanese) Hezbollah; ISIL; the Houthi Movement; and the Shia militia in Iraq.

Submission Procedure

The ACRPS welcomes submissions to the Gulf Studies Forum from university lecturers and independent researchers with an interest in the Gulf States. Submissions are welcome in all of the topics listed above, within either of the two themes. In order to be considered for inclusion in the conference, a research proposal must be received by **April 25, 2016**. Submitted proposals must include: a complete abstract which addresses the main research problem and explains the significance and novelty of the proposed research paper, a complete bibliography of references and an up-to-date curriculum vitae (cv).

The forum's Academic Committee will notify researchers of the approval, or otherwise, of their papers and might make suggestions on revisions it deems necessary. The full drafts of approved research papers must be received no later than **September 1, 2016**.

All correspondence should be directed to: gulf.forum@dohainstitute.org