

Strategic Insight

Political and Economic Transition on the Arabian Peninsula: Perils and Prospects

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There can be little doubt that, the U.S. invasion of Iraq notwithstanding, a combination of factors are conspiring to create a new sense of momentum impelling the Persian Gulf and the Middle East towards an era of profound economic and political change. The removal of Saddam may well be regarded as a signpost along this road in which all that happened during the last 20 years will bear little resemblance to what lies ahead. While the prospect of some sort of democratic entity inside Iraq may serve as a proximate cause towards some of the recent moves towards political reform, it is also the case that the ruling elites in the region, following their public opinion, are grasping the inevitability of political and economic transition in the new millennium.

For the United States, an orderly transition process dovetails with long-held strategic and policy objectives to promote democracy, transparency and human rights throughout the region. During the 1990s and the era of "containment," these objectives were largely subsumed by the focus on Saddam and by the Herculean and regrettably unsuccessful efforts to solve the Arab-Israeli dispute. But now, the United States may get what it has been asking for, with consequences for regional security and stability that cannot be foreseen. Pictures of roiling, fervent crowds of Shi-ite religious pilgrims in Najaf and Karbala simultaneously beckons us back to images of the 1979 Shi-ite revolution in Iran while also impelling us forward into the unknown that will be Iraqi politics, if not the politics of the entire region in the post-Saddam era.

Chaos and order may thus become one in the new emerging political landscape in which the friction of an emerging political process will tear down old walls and replace them with new and undefined structures. While the ruling Gulf elites have an abiding interest in controlling this process, the unleashing of populist-style politics in Iraq may be a force that spills across borders, pushing the ruling elites in directions that they have so far proven reluctant to go. To head off such a possibility, however, useful and constructive attempts are being made to try to channel the process of political transition into orderly and peaceful channels.

An Opening Act

The elections in Bahrain in October 2002 (the first since the National Assembly was dissolved in 1975) could represent an opening act in this drama. Approximately 53 percent of the eligible 243,000 voters—male and female—went to the polls to elect representatives of the 40-member parliament, called the House of Deputies. While marred by an Islamist boycott, the elections in Bahrain proceeded without significant protests or other actions to disrupt the process—in itself a victory in a political climate that has featured near continual and sometimes violent conflict between the ruling Sunni minority and the predominately Shia populace, which constitutes an estimated 75 percent of the population.

Under the Bahraini bicameral system, the House of Deputies will be complemented by a 40-member upper house, called the Shura Council, composed of officials appointed by King Hamad bin Isa al Khalifa.

Representatives from Islamist religious parties now occupy 19 of the 40 seats in the lower house, while King Hamad has appointed a variety of secularists and free marketeers to the upper house, including 12 traders, six women, several public servants as well as officials from the Bahrain Defence Force. The upper house retains the right to prevent any legislation from the lower house from reaching the palace. King Hamad retains the authority to veto any legislation as well as the right to appoint all government ministers.

Bahrain's parliamentary system has been criticized by the main Islamist opposition group, Jamiat al Wifaq, as contrary to the country's 1973 constitution, which called for one popularly elected assembly. Others have questioned whether the system will allow the Shia majority to exercise meaningful political power, since final authority remains vested with the ruling al Khalifah family. It remains unclear whether Bahrain's experiment can manage the process of political transition, but there can be little doubt that that process, once started, will be difficult to reverse.

Act II

Voters in Qatar overwhelmingly approved a new 150-Article constitution on April 29th that will establish a 45-seat advisory Shoura Council, fifteen members of which will be appointed by the Emir—Sheikh Hamad bin Khalifah al Thani. Legislative elections could come in 2004 or even sooner. The constitution establishes four-year terms for the 30 elected members; women will be eligible to run for office. The Shoura will have the right to draw up legislation, question cabinet ministers, review and vote on the government's budget proposals and debate decisions taken by the cabinet ministers—all of whom will still be appointed by the Emir, who remains the head of state. The Emir retains the right to veto legislation, but is also required to reconsider any vetoed bills that are resubmitted by the legislature within three months. The Emir can also dissolve the council, but under the constitution is obligated to call new elections within six months.

In addition to the provisions for an elected council, the constitution explicitly guarantees the rights of freedom of expression and freedom to form societies (but not political parties), and stresses the right of women to vote and hold elected office. Qatari officials have stressed that the constitution does not preclude the formation of political parties at a later date. While the document calls for an independent judiciary to be based on Islamic law—the Constitution clearly states that authority to administer the nation's legal code will flow from the Judiciary. While Article I explicitly states that the Shariah is the "...main source of legislations...." there is apparently room for something other than literal interpretation in applying Islamic law. The constitution allows all religions to practice their faith. Interestingly enough, the constitution also outlaws any "offensive" war by the state.

Critics of both templates for democratic reform in Bahrain and Qatar assert that the constitutions continue to guarantee the primacy of the ruling al Khalifa and al Thani families and therefore do not constitute "true" democracies. Certainly it is the case that both ruling families seek to control the process of political reform, which, it is hoped, will be linked to an inevitable process of economic reform. Different challenges face the Bahraini and Qatari regimes in the economic sphere.

With a population of 645,000, a Sunni minority with a history of conflict rules Bahrain with the majority and poorer Shias. With almost no oil of its own (35,000 barrels per day in estimated production) and dependent in part on Saudi monetary support derived from oil pumped from the Abu Safah oil field, the al Khalifa's have been trying with some success to position Manama as a center for oil refining and as a regional financial and business center in the Gulf. Like other countries in the region, the economic health of Bahrain is directly tied to fluctuations in oil prices. Petroleum production and refining account for about 60% of export receipts, 60% of government revenues, and 30% of GDP. The World Bank currently considers Bahrain a "high income" country, with an estimated 2001 Gross National Income, or GNI, of \$7.2 billion and a per capita GNI of \$11,100.^[1] While these figures suggest a relatively healthy economy, the numbers hide an income disparity between the Sunnis and the poorer, more numerous Shias. Moreover, the absence of a diversified economy and a long term, readily identifiable and predictable source of revenue forces the al Khalifa's into a position of having to consider genuine macroeconomic

reform and all that it entails—increased privatization, domestic taxation, transparency and increased foreign investment, if it wishes to spread the wealth more equitably to the Shia majority.

Qatar's macroeconomic situation has some of the same characteristics, with some important differences. Qatar boasts modest oil reserves of 15.2 billion barrels and produces approximately 610,000 barrels of oil per day. Oil accounts for more than 30% of GDP, roughly 80% of export earnings, and 58% of government revenues. The third largest natural gas reserves in the world in the North Dome field (estimated at 509 trillion cubic feet), provide Qatar with a relatively predictable and constant revenue stream for the foreseeable future to cushion the process of political and economic transition. Qatar boasted an estimated GNI of \$16.2 billion in 2002 with an estimated per capita GNI of between \$16,000-\$17,000, making it one of the wealthiest countries in the world. Qatar's economic circumstances give it far more flexibility in managing the process of transition than Bahrain.

However the systems in Bahrain and Qatar evolve, the nascent moves in both countries represent an important step to introduce more representative forms of government in the region and could provide a prelude to the main event, which is taking shape across the 25-kilometer King Fahd Bahrain-Saudi Causeway in the Kingdom of Saudi Arabia.

The Main Event?

Crown Prince Abdullah's meeting on January 20th with a group of some 30-odd petitioners (some of whom were jailed as political dissidents 10 years ago) to discuss a "National Reform Document" is a sign that change is in the air in Riyadh. Preceding the meeting was the leak of a document titled the "Charter for Arab Reform" from Crown Prince Abdullah's office—an unprecedented step from the normally reticent House of Saud. Abdullah planned to present the charter for adoption at the Arab League summit to be held in Bahrain in March 2003 but has apparently delayed consideration of the charter for another year.

The charter calls for all Arab states to "...decide that internal reform and enhanced political participation in the Arab states are essential steps for the building of Arab capabilities, and for providing the conditions for a comprehensive awakening and development of Arab human resources." The charter suggests that this process is necessary to ensure "positive integration" into the competitive global marketplace. On the economic front, the charter boldly states that "...the present Arab economic cooperation lacks conviction and credibility" and calls for the establishment of a Common Arab Market. A building block for these economic reforms, according to the Charter, is "...an environment conducive to private initiatives and investment which is attractive to both Arab and foreign capital."

It is unclear whether the Saudis will delay consideration of reforms at home. While Abdullah's January 20th meeting with the petitioners does not represent an endorsement of their ideas, it suggests that he is prepared to address the issue of domestic economic and political reforms head on. The "National Reform Document" echoes themes from petitions presented by dissidents in the early 1990s, but represents a radical departure in other areas. The dissident petitions in the early 1990s came from religious clerics that demanded, among other things, an end to corruption and a return to Islamic roots, an end to foreign forces in the Kingdom, an independent judiciary and a foreign policy based on Sharia. The new petition echoes the need to ensure that the reform process remains consistent with the Quran and Islamic law embodied in the Sharia, but unlike the petitions of the early 1990s, the new petition calls not for a return to Islamic roots but for a new form of legislative government with an empowered judiciary.

The new petition calls for an institutional and constitutional system of government in which legislative, executive and judicial authorities are all appropriately separated. Urging an end to the currently appointed al Shoura council, the petition calls for direct elections, "from all citizens" for a national-level legislature, which would be complemented by regional legislative groups exercising governing authority over regional and local issues. For the judiciary, the petition calls for the establishment of a "written national judicial code" and "removing provisions and interference, which limit the independence and effectiveness of the judiciary, or reduce the judge's immunity." The petitioners urged a royal announcement to ensure citizens'

rights "...especially in the area of freedom of expressions, assembly, election's rights and all human rights which Islam has approved...."

In the economic sphere, the petition calls for diversifying the economy and for "insisting on the concept and fairness in economical plans and distribution of wealth between different regions" as well as "fighting corruption and preventing the spreading of bribery and expropriation of public land." The petitioners call to reign in public spending and consider "...the national debt a national concern and a major responsibility that requires an effective solution to pay it off following a strict time table."

On the critical role of women's rights, the petition states that "the woman is half the society and a primary element in its structure, so she should be given all the rights which Islam has approved, to do her duties and activate her role in public affairs, according to the rule of Islam."

It remains unclear whether the petition represents a realistic roadmap for political and economic reform in the Kingdom. But it is certain that the Kingdom faces serious and fundamental macroeconomic challenges in the years ahead. According to the International Monetary Fund, Saudi Arabian per capita GDP declined by 44 percent over the period 1980-2000 as measured in constant dollars from approximately \$13,750 to \$6699 by 1999.^[2] Fueling the erosion of per capita GDP over the period was a decline in oil revenues and a burgeoning population. As measured in constant 2000 dollars, Department of Energy figures show that Saudi crude oil export earnings totaled \$223.2 billion in 1980, declining to an estimated \$50.4 billion in 2003.^[3] The Saudi population rose from 9.9 million in 1980 to around 23.5 million in 2002. The Saudi population is projected to nearly quadruple over the next 50 years, to just over 91 million.

**Midyear Population Estimates and Average Annual Period Growth Rates:
1950 to 2050
(Population in thousands, rate in percent)**

Year	Population	Year	Population	Period	Rate
1950	3,860	1995	18,632	1950-1960	2.0
1960	4,718	1996	19,290	1960-1970	2.6
1970	6,109	1997	19,946	1970-1980	4.9
1980	9,949	1998	20,620	1980-1990	4.7
1990	15,847	1999	21,311	1990-2000	3.3
2000	22,024	2010	30,546	2000-2010	3.3
2001	22,757	2020	41,880	2010-2020	3.2
2002	23,513	2030	55,793	2020-2030	2.9
2003	24,294	2040	72,294	2030-2040	2.6
2004	25,100	2050	91,112	2040-2050	2.3

Source: [US Census Bureau, IDB Summary Demographic Data for Saudi Arabia](#)

The unfortunate fact is that nuances in these figures present even more complications in any potential economic and political reforms. Nearly 50 percent of the Saudi population is below the age of 15 in a widely subscribed educational system that is not preparing its youth for jobs in the global economy. Unemployment is variously estimated to run between 25-30 percent of the employable labor pool, a figure also distorted by the presence of an estimated 3 million foreign laborers in the Kingdom and the fact that Saudi women only constitute an estimated 4 percent of the Kingdom's work force. The Saudi state and economy remains almost totally dependent on oil revenues, which represent 90-95 percent of all export earnings, 80 percent of state revenues and 40 percent of gross domestic product.^[4] Adding to the mix is

a staggering public sector debt, now totaling an estimated \$173 billion by the end of 2002, according to figures released by the Saudi Arabian Monetary Agency.^[5] The simple fact is that Saudi Arabia cannot pump enough oil fast enough to keep pace with this burgeoning population and is facing the prospect of a continued decline in per capita GNI over the next 50 years. A jarring economic reform process not unlike what happened in Eastern Europe at the end of the Cold War appears inevitable if the Kingdom is to remain as a viable macroeconomic entity.

Intra-family dynamics in the House of Saud are huge obstacles to any dramatic moves toward reform. As Acting Regent, Crown Prince Abdullah must govern by consensus and is hence denied authority that would accrue to him if he ruled as king. His two powerful half brothers, Minister of Defense and Aviation, Prince Sultan, and Interior Minister Prince Naef, are said to be less enthusiastic about the reform process and can effectively prevent Abdullah from moving forward in the reform process. The challenge this process poses to the ruling family's purview cannot be underestimated. It raises the specter of an accountable, transparent and popularly elected legislature in conjunction with a truly independent judiciary that could theoretically place the ruling family within a publicly accountable forum. Ending corruption—a common theme with reformers from the early 1990s and today—within the ruling family ranks as one of the biggest hurdles to Abdullah gaining the family consensus he needs to move forward to meaningful reforms in both the economic and political spheres.

The role of the religious establishment also presents Abdullah with another wild card. On the one hand, the religious establishment would almost certainly oppose the creation of any secular institutions in the Kingdom, but on the other, their authority might be actually enhanced within the power structure with the creation of some form of Islamist-type political process in a popularly elected legislature. The religious establishment itself faces a challenge from a caste of “dissident clerics,” such as Safar Ibn Abd Al-Rahman Al-Hawali, who are preaching outside the so-called religious mainstream and are regarded as being very much tied to the growth of anti-U.S. sentiment in the Kingdom. At this point, it seems unclear whether the religious establishment or the dissident clerics are leading or following this trend in public sentiment. How these two competing groups interact in an unfolding domestic political process is unclear. Both groups could unite, representing a unified “religious” element in a new domestic polity, or conversely they could emerge as political rivals.

The organizational construct of a new domestic political process is an unknown. Qatar's constitution, for example, prevents the formation of political parties, and the Saudis could attempt a similar system. But once the process of political reform begins, the population base in Saudi Arabia (numerous, religious, youthful and unemployed) suggests that populist-style politics could easily emerge and not be contained and channeled as is being attempted in Qatar and Bahrain. Whether called Islamists or something else, the religious establishment will invariably become involved in the political process, with unknown consequences for the domestic political landscape and the future of the House of Saud.

Conclusion

The opening acts in this drama have only just started to unfold, with all eyes anxiously looking upon events in Iraq. The direction of this process poses a broad strategic challenge to the international community, since the global economy will grow increasingly dependent on oil from the region through the rest of the century. Should the process turn to violence, disorder and revolution, the region may well be unable to meet the demands being placed upon it by a growing global economy, with dramatic consequences for all nations in the international community. Success, however, holds forth the promise of a more integrated, stable global political economy. As the guarantor of regional security, the role of the United States in this process could be critical, with the challenge being to strike the right balance between supportive involvement and sufficient distance to allow the process to unfold at a pace that is defined by the region's elites and their publics.

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References

1. See [World Bank data](#)
2. See [Per Capita GDP Growth, 1960-2000](#)
3. See [OPEC Revenues Fact Sheet](#)
4. See [Energy Information Administration website](#)
5. "Saudi Arabia Must Diversify Income," Agence France Presse report out of Riyadh, January 27

For further reference

[1973 Bahrain constitution](#)

[Qatari Constitution](#)