

PolicyWatch #1357

Small Island, Big Issues: Bahrain's King Visits Washington

By [Simon Henderson](#)

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Tomorrow, King Hamad bin Isa al-Khalifa of Bahrain visits the White House for talks and a working lunch with President Bush. The meeting promises to cover much more than the usual diplomatic pleasantries. The island state of Bahrain headquarters the U.S. Fifth Fleet and is therefore key to U.S. strategy in the Persian Gulf. The stability of this relationship faces challenges, however, given increasing divisions in the royal family, simmering discontent among the majority Shiite population, and perceived threats from Iran. Each of these issues -- particularly Iran -- will likely play a prominent role on the president's agenda tomorrow.

A Stalled State?

Once at the vanguard of developing Gulf city-states, Bahrain has now lost that position to sheikdoms like Dubai and Abu Dhabi in the United Arab Emirates, as well as neighboring Qatar. Although Bahrain's capital, Manama, has some of the glitz of other Gulf capitals, its early lead in development -- achieved during the 1970s with the creation of a dry dock, an aluminum smelter, and offshore banking infrastructure -- is no more. Similarly, political reforms appear stalled, with little or no progress made since the bicameral legislature was introduced in 2002. The 2006 elections were manipulated, if not rigged, to ensure that Shiite legislators did not win a majority. And members of the royal family still hold the majority of cabinet positions.

Perhaps most worrisome for Washington, the regime no longer seems to be exercising the canny balancing of political tensions that other Gulf rulers employ to ensure stability. Instead, Sunni-Shiite friction is being played out on the streets -- never a good way of attracting foreign investors.

Bribery Allegations

Recently, problems within the royal family have appeared on the front pages of foreign newspapers and even in the local media. In February, the *Wall Street Journal* reported that a Bahraini-controlled company had accused Pittsburgh-based Alcoa, one of the world's largest metals companies, of a fifteen-year conspiracy involving fraud and bribery. The original complaint asserted that Alcoa had overcharged Aluminum Bahrain (a.k.a. Alba) in certain transactions, with some of the resultant proceeds allegedly used for improper payments to a senior Bahraini official already under investigation at home. According to the *Journal*, that official is Sheikh Isa bin Ali al-Khalifa, who was dismissed by the king in 2005 and is now an advisor to Prime Minister Khalifa bin Salman al-Khalifa. The U.S. Justice Department is reportedly opening a criminal inquiry into the Alcoa case.

Emerging Family Confrontation

Prime Minister Khalifa is tied to other divisions in the ruling family as well. Uncle to King Hamad, he has served in his current post for thirty-seven years. Over that period, he has built a formidable position in the island's commercial life. He is also considered an efficient administrator with political skills that the king perhaps lacks. But the king and his American-educated son, Crown Prince Salman, appear increasingly concerned about Khalifa's role. In January, during an extraordinary public exchange of letters between father

and son, Hamad issued a public warning that government officials resisting change would be swept aside. Possibly anticipating a coup, he dismissed the defense minister (another relative) and named Salman deputy commander-in-chief of the army, removing any ambiguity over who controls the military if the king is abroad. The prime minister himself was abroad at the time.

Disagreements have emerged on other issues as well. During a February interview, Prince Salman gave pointed remarks about recent protests, stating, "It is a free country and dissent is allowed. The demonstrations are something to be proud of." In contrast, the prime minister is considered a hardliner in dealing with political opposition. Many of those arrested during street troubles in December remain in custody, awaiting trial. Their families allege that they have been tortured.

With the support of his father, Salman is also attempting to build up an Economic Development Board as an apparent rival to Khalifa's cabinet. Established in 2000 to encourage foreign investment, the board now includes sixteen ministers, making the majority of the cabinet directly accountable to the crown prince on economic matters. In his February interview, Salman explained that the move "eliminated bureaucratic steps within the cabinet.... We do not need to discuss things twice. We do it just once and pass it along for approval [by the king]."

Yet, any hope that the prime minister, now age seventy-two, might retire appears premature. Khalifa is already taking advantage of the king's absence (Hamad visited London before traveling to Washington). For example, he told the cabinet yesterday that no effort would be spared to "seek alternatives and find solutions" to counter soaring prices, showing his political skills with promises of a onetime payment to low-income families and the establishment of special centers to ensure proper distribution.

Saudi Views

Saudi Arabia is likely to be watching King Hamad's Washington visit closely. Riyadh has long had a paternalistic attitude toward Bahrain, which is linked to the kingdom by a fifteen-mile-long causeway. The island provides a less constrained social environment for Saudi tourists, but Riyadh is concerned about the possible effect that radicalized Bahraini Shiites might have on Saudi Shiites, who form a local majority in the area closest to Bahrain -- an area that is also home to most of the kingdom's vast oilfields.

President Bush's Agenda

Although he has publicly praised Bahrain for its limited political progress in recent years, President Bush will likely use King Hamad's visit as an opportunity to suggest real sectarian power-sharing over the long term. The regime's controversial approach to "solving" its chief demographic dilemma -- that of being a majority Shiite country ruled by a Sunni royal family -- has been to import Sunnis from across the Arab world and Pakistan, giving them government jobs (often in the security services) and making them naturalized Bahrainis. Inevitably, this has increased resentment among many Shiites, who have been excluded from such jobs and political power in general. The involvement of these "new" Bahrainis in crackdowns on Shiite demonstrators has only exacerbated the tensions.

Labor reforms offer one means of mitigating these problems. High oil revenues are fueling a region-wide development boom, and rather than importing cheaper -- and potentially less troublesome -- foreign labor, the regime would be wise to include native Shiites in the growth.

President Bush and the king will also likely discuss terrorism-related issues. Although the island is not a major hub of international terrorist activity, authorities did recently uncover and prosecute an al-Qaeda cell there. The sentence was unfortunately light, but the president should nevertheless applaud the king for the investigation and encourage him to continue aggressive action against such activity (for more information on the al-Qaeda case, see [PolicyWatch no. 1345](#)).

Discussing Iran

Iran will likely be the top item on the meeting's agenda. Bahrain believes that Tehran has never really given up its territorial claim on the island -- a suspicion that Iranian clerics reinforce regularly in public comments to that effect. The king therefore has strong concerns about Iranian intentions; he will likely seek President Bush's reassurance about U.S. policy toward Iran and private promises of U.S. support in the event of a confrontation. For his part, Bush will presumably encourage aggressive follow-up action on recent U.S. sanctions against Future Bank in Bahrain, which is controlled by Iran's Bank Melli -- itself previously designated for financing Tehran's nuclear and missile proliferation activities.

Iranian issues have ruffled the U.S.-Bahraini relationship at times. Last November, for example, embarrassment resulted when Crown Prince Salman gave an interview declaring that Iran was seeking nuclear weapons, just weeks before the U.S. National Intelligence Estimate reported the opposite. Tehran would probably love to exploit any such rifts and sever the island's longstanding relationship with Washington. It likely views the uncertain state of internal Bahraini politics as an opportunity as well. Accordingly, Washington should use tomorrow's meeting as a starting point for greater vigilance toward its relations with a vital regional partner.

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