



ECONOMIC INCLUSION IN GULF COOPERATION COUNCIL (GCC) STATES

FINDINGS FROM AN EXPERT SURVEY

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“Economic Inclusion in Gulf Cooperation Council (GCC) States:
Findings From an Expert Survey”

The political and economic upheaval triggered by the Arab uprisings of 2011 continues to reverberate across large swaths of the Middle East and North Africa. More than six years have passed since the outbreak of mass protests and fall of longstanding leaders in Tunisia, Egypt, Libya, and Yemen, and the start of the devastating civil war in Syria. Regional and international stakeholders continue to struggle to devise sustainable policy solutions to myriad challenges that encompass state collapse and military conflict in Syria, Iraq, and Yemen, the fragmentation of political authority in Libya, ideological polarization in Egypt and Tunisia, and longer-term economic and sociopolitical challenges facing the comparatively more oil-rich Arab states. Underpinning these seemingly disparate national crises is a region-wide weakening of brittle institutional structures and authoritarian political models without a clear consensus on how or what to replace them with.

Conditions in the six states of the Gulf Cooperation Council (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates—differ, in some ways substantially, from other areas of the Middle East and North Africa. Together with Morocco and Jordan, the Gulf states are some of the few remaining monarchies in the world that retain political power and governing authority. Scholars and policymakers have, for years, engaged in robust debates over the resilience of monarchical power structures and examined whether and how these states have proven more durable than their (similarly authoritarian) republican counterparts. All eight monarchies—the GCC six plus Morocco and Jordan—avoided regime change in and after 2011, although the ruling establishment in Bahrain was shaken to its core and needed regional support to restore order. While the mere presence of a monarch is not sufficient to explain the political survival of this regime type, having members of extended ruling families spread across all key areas of state control did make monarchies less vulnerable to the “decapitation” of a single presidential authority.

A characteristic that distinguishes the GCC states from Morocco and Jordan is the existence of significant (albeit highly varying) levels of resource wealth. Once again, this does not place the Gulf monarchies into a category of their own as resource-rich Libya experienced regime change in 2011 and, historically, the possession of oil reserves did not save the monarchies in Iraq or Iran. Furthermore, there is such a wide variation in resource endowments across the GCC states themselves that there are at least three subcategories among them: 1) Kuwait, Qatar, and the UAE, which combine massive reserves with very small populations, particularly of citizens; 2) Saudi Arabia, where the largest reserves of all are spread across a much larger population; and, 3) Bahrain and Oman, whose reserves are by far the lowest and are expected to be the first to deplete. Even these categories are far from watertight, as within the UAE 95 percent of the oil is located within the emirate of Abu Dhabi, a factor that propelled Dubai’s leaders to rapidly diversify in the 1990s and 2000s.

It is, rather, the decisions on how to utilize the revenues from oil (and, in Qatar's case, gas) that have been key to the construction of elaborate "welfare" systems in GCC states that have recast the government as a distributor of resources to, rather than extractor of wealth from, its citizenry. As Aaron Wildavsky noted in his acclaimed 1964 study of the United States, "Budgets are political processes and budgetary decisions are answers to central political questions."¹ While this is true of governments of all types, it is especially relevant today in the Gulf states as the post-2014 fall in oil prices has forced each of the six to consider politically sensitive changes to the economic relationship between state and citizen that has been a pillar of the region's political economy since the 1970s. With much of the "low hanging fruit" (such as increased charges and fees on expatriates and corporations) having been plucked, policymakers in GCC states have identified the need for "transformative" changes to economic structures along the lines of Saudi Arabia's *Vision 2030*.

Each of the strategic visions and long-term plans unveiled in GCC states over the past decade seek to ring-fence, as far as possible, economic reform from political change. In modern times, only China has managed to isolate the political and economic aspects of transformation in such a way. As policymakers in Gulf states move down pathways with potentially far-reaching consequences—ironically utilizing Western consultancies that hardly envision a "China model" in their strategic outcome for Gulf economies—it is critical that they get decisions on key issues right. The recent anti-corruption drive in Saudi Arabia illustrates the double-edged sword that faces ruling circles in GCC states as they move not only to confront high perceived levels of corruption but also broad skepticism about their sudden willingness to address the issue.² While the Gulf monarchies marked themselves as the great survivors of Arab politics by co-opting the pressures of modernization as they entered the oil era between the 1960s and 1980s, moving toward a more sustainable post-oil transition is likely to be a far more delicate proposition in coming years.

This report highlights the results from an expert survey carried out as part of a two-year research project on pluralism and inclusion in the post-Arab Spring regional landscape, funded by the Carnegie Corporation of New York. The questions generated a layer of policy-relevant responses that provide nuanced insight into key public policy challenges in state settings that—Bahrain apart—did not experience significant political upheaval after 2011 but nevertheless are not isolated from the broader drivers of political or economic grievance. The results add to and move beyond the findings of region-wide surveys—such as the Carnegie Endowment for International Peace's *Arab Experts Survey*, Asda'a Burston-Marsteller's *Arab Youth Survey*, or the Arab Reform Initiative's *Arab Barometer*—as they focus specifically on the subset of Gulf countries where questions of economic (un)sustainability have the potential to develop into major determinants of political (in)stability in the years ahead.

Methodology

Groups that work in and on the Middle East and North Africa in professional capacities—encompassing students and scholars, policymakers and practitioners, civil society leaders, activists, and journalists—completed two expert surveys online through Survey Monkey during spring and summer 2017 as part of the initial phase of the project. The survey that is the

¹ Aaron Wildavsky, *The Politics of the Budgetary Process* (Boston: Little, Brown and Company, 1964), 1.

² Vivian Nereim, "Fatal Flood Leaves Saudis Asking When Their Prince will Deliver," *Bloomberg*, December 5, 2017.

subject of this paper is focused on *economic* inclusion in GCC states and was completed by 167 respondents between March 28 and June 9, 2017.³ The experts were drawn from academic and policy networks and included nationals of GCC states, expatriates residing in Gulf states, and regional experts based abroad, in roughly equal measure. Experts were not randomly selected, and their views do not necessarily represent broader opinion in the Gulf states. Participants answered an array of multiple-choice questions on key policy areas and were also given the option of providing open-ended responses to each of them. The appendix provides the full list of survey questions and data for reference. This survey was available in English and Arabic but every respondent selected the English version of the survey, and not every expert responded to all of the questions.

General policy takeaways

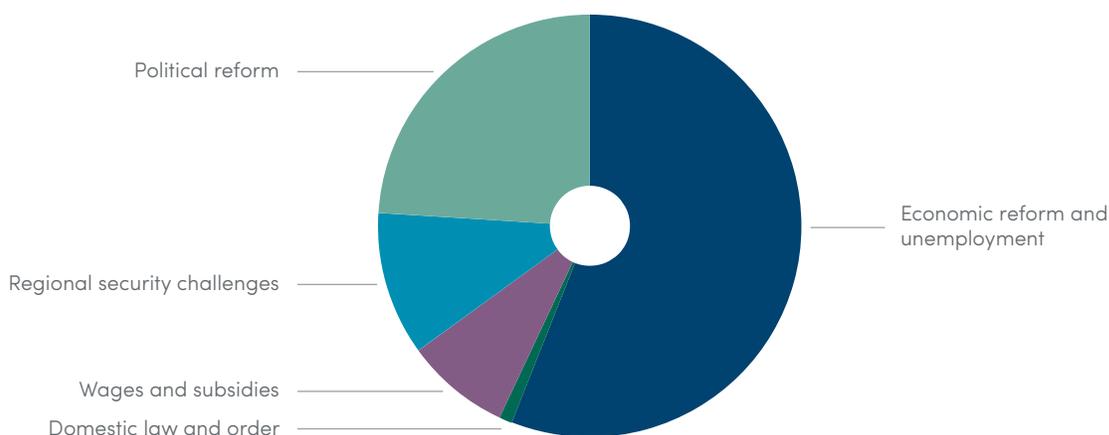
- Economic reform and unemployment are the most urgent policy issues facing governments in GCC states, but progress is likely to be limited if economic and political vested interests are not tackled at the same time.
- Relations between state and citizens will be impacted by austerity measures that are likely to lead to calls for greater transparency and accountability in state spending, even as governments attempt to separate economic change from political reform.
- Effective and realistic tools of implementation are required to put strategic visions into practice and address the deep-rooted obstacles to meaningful reform of GCC states' public and private sectors and the relationship between them.
- Perceptions of freedom, security, and equality in the GCC have worsened in the six years since the Arab uprisings in 2011, but while governments have become more responsive to citizen demands in selected areas, perceptions of corruption remain high.
- Despite much debate about the eastward shift in the international outlook of GCC members, European and North American states remain the preferred partner of choice that can best support economic transformation in the Gulf.

³ A separate paper on "Islam, Politics, and Pluralism in the Middle East" focuses on the results of the second survey.

Economic diversification

The survey asked participants to identify the most urgent policy issues that governments in GCC states must address. Ninety-four of the 167 respondents (56.29 percent) to this question highlighted the broad issues of economic reform and unemployment as the biggest challenge facing regional leaders. This was, by some margin, the most selected of the five policy options and considerably ahead of the 39 respondents (23.35 percent) who believed that political reform would be critical. By contrast, only 18 respondents (10.78 percent) believed that regional security challenges were of imminent policy urgency and even fewer—14 (8.38 percent)—thought that focusing specifically on wages and subsidies were most important. The low figure for regional security as a public policy challenge may reflect the fact that almost all responses were received prior to the outbreak of the Qatar crisis in June 2017, as well as respondents' assessment that the war in Yemen does not risk any real blowback onto individual GCC states. Only two respondents (1.20 percent) indicated that domestic law and order was likely to be the most urgent problem, suggesting that governments in GCC states retain a considerable—but not necessarily open-ended—window of opportunity to enact key reforms. This notwithstanding, the overriding importance of economic reform as part of diversification strategies is very clear, especially in an era of continuing lower oil prices and fiscal pressures on GCC budgets.

What are the most urgent policy issues for governments in Gulf Cooperation Council states? (Question 2.1)

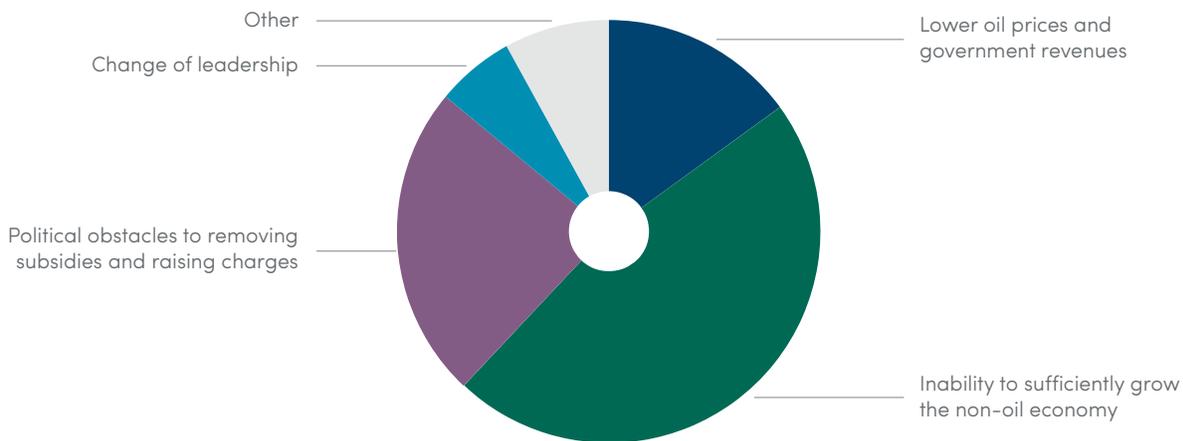


Survey participants were then asked to select the most important obstacle to successful economic diversification over the next five years. Respondents could choose from one of the four options provided; alternatively, they could write in their own answer. Of the 167 responses

to this question, 78 (46.71 percent) identified an inability to sufficiently grow the non-oil economy as the biggest challenge to diversifying GCC economies. This finding predated (but was consistent with) data showing that anemic growth in non-oil activity was a factor in pushing Saudi Arabia into recession in 2017, as the non-oil sector proved unable to grow sufficiently to offset declines in oil-based state spending or generate anything like the numbers of new jobs envisaged in *Vision 2030*.⁴

Forty respondents (23.95 percent) believed that political obstacles to removing subsidies or raising charges—chiefly on utilities and other subsidized goods and services—would be most problematic, while 26 experts (15.57 percent) selected lower oil prices and government revenues (which closely track each other in all GCC states). Only 10 respondents (5.99 percent) believed a change of leadership would be relevant to diversification success while 13 (7.78 percent) identified and wrote in other reasons for likely challenges; these included shortfalls in management capacities and insufficient domestic human capital, excessive reliance on an expatriate workforce, gender discrimination, bureaucratic obstacles and nepotistic practices, and demographic pressures.

What is the most important obstacle to successful economic diversification over the next five years? (Question 2.2)

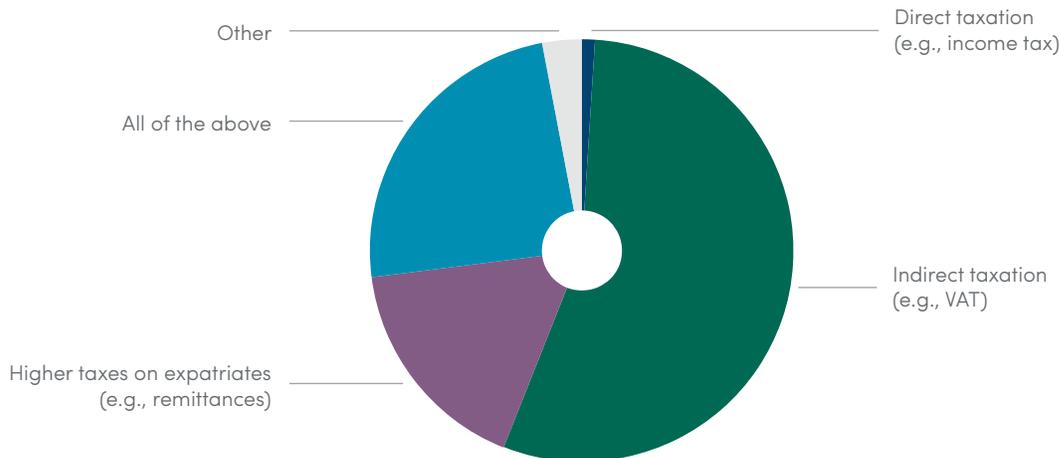


When asked which tax policy measures were most likely in the next three years (covering the period 2017-2020), 92 of the 166 respondents to this question (55.42 percent) anticipated that indirect taxes—including Value Added Tax (VAT), which is scheduled to roll out across GCC states in 2018, although Kuwait and Oman have announced plans to delay its implementation by a year—were imminent. Indirect taxes are viewed as less politically sensitive (and disruptive to the “ruling bargain” in GCC states) than direct taxes, such as income tax—which only two respondents (1.20 percent) believed would happen. The same may be said of higher taxes on expatriates, for example through taxes on remittances, which 28 respondents (16.87 percent) thought the most likely possibility, indicating a view that additional charges would bypass GCC nationals as far (and as long) as possible. Interestingly, however, and perhaps a reflection of the

⁴ Alaa Shahine, “Recession or Not, This Data May Disappoint Saudi Policy Makers,” *Bloomberg*, October 1, 2017.

likely fiscal pressures resulting from continuing lower oil prices, 39 respondents (23.49 percent) thought that all three options—direct and indirect taxes as well as greater taxes on expatriates—would occur over the coming three-year period, indicating that few experts saw any prospect of a substantial alleviation of budget deficits in the immediate future.

Which of the following do you think are most likely in the next three years?
(Question 2.3)



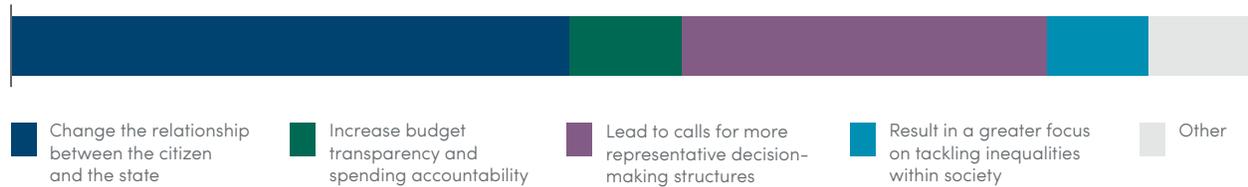
Policy takeaways

- *Saudi Vision 2030* and long-term economic transformation projects in other Gulf states will find it far harder to expand the non-oil sector in practice than on paper.
- A Value Added Tax (VAT) will be an important barometer of the Gulf publics' acceptance of a tax that is universally applied regardless of background.

State-society relations

Economic reforms are seen to be more likely than political reforms and have, in fact, been prioritized in all the strategic visions and technocratic development plans issued by GCC governments over the past decade. Experts were asked three questions on the impact of state-society relations—defined for nearly five decades in the Gulf states by the distribution of wealth from the state to its citizens. Seventy-six respondents (45.78 percent) believed that citizen contributions to state budgets would change the relationship between the citizen and the state, and a further 47 respondents (28.31 percent) felt that it would result in calls for more representative decision-making structures. Only 15 experts (9.04 percent) thought that greater citizen contributions would lead to increased budget transparency and spending accountability (absent political pressure to do so), while only 14 respondents (8.43 percent) believed that a greater focus on tackling inequalities within society would result. While there was a general expectation that state-society relations would change, there was far less of a feeling that states would themselves take the initiative to become more transparent or equitable. Nevertheless, the results from this question indicated that governments will find it harder in practice to keep separate the political dimensions of economic reform.

Do you think measures to increase citizen contributions to state budgets will ... ? (Question 2.4)



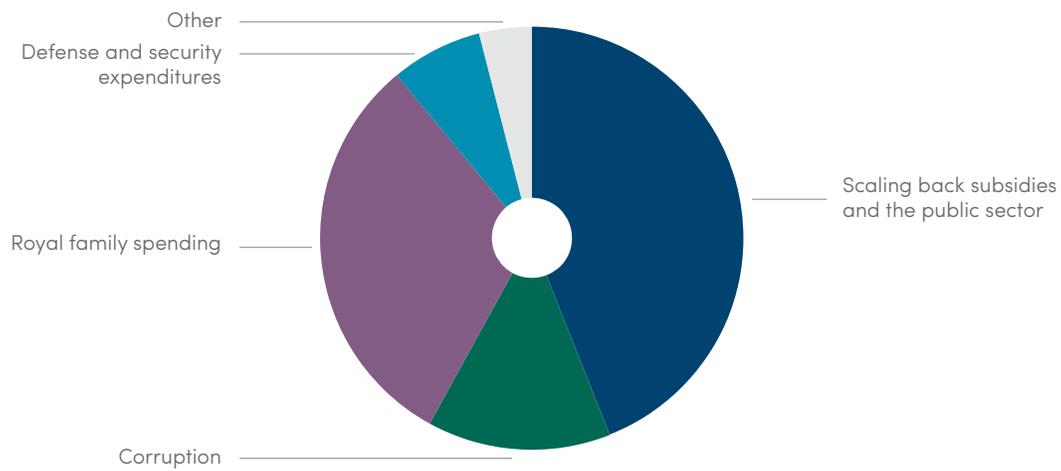
A second question in this section addressed the linkage between citizens and elites and how this could be strengthened in GCC states to address potential challenges arising from the lack of widespread participatory inputs into decision-making processes and policy outcomes. Seventy-six of 163 respondents (46.63 percent) felt that promoting transparency and accountability was the most important factor that could deepen the bond between citizens of GCC states and governing elites. Other respondents were divided quite equally among those who highlighted the need to build sustainable channels of trust in political institutions (21 respondents, 12.88 percent), strengthen the rule of law (20 respondents, 12.27 percent), hold free (and regular) elections (20 respondents, also 12.27 percent), and improve social and economic conditions (17 respondents, 10.43 percent). Five respondents to this question preferred not to select one of the four above choices and entered open-ended responses instead.

How can the linkage between the citizens and elites be strengthened in GCC states? (Question 2.14)



The final question in this section on state-society relations asked respondents about which policy issues they believed were most sensitive for GCC governments to address. Seventy-four of the 166 who answered this question (44.58 percent) selected scaling back subsidies and public sector spending, but a sizeable number—51 (30.72 percent)—identified royal/ruling family spending as the most sensitive policy area. This finding represents the considerable overlap between state and ruling family spending in many experts' minds, as well as the frequently opaque boundaries between the two. Far more experts selected these two categories than the 23 (13.86 percent) who believed corruption to be most sensitive and the 12 respondents (7.23 percent) who thought that spending on defense and security would be the biggest challenge. Fully two-thirds of the experts therefore indicated that Gulf states' governments need to address the nexus between the state and the ruling family if they are to get to grips with meaningful policy reform. Recent media reports on alleged profligate acquisitions by the Crown Prince of Saudi Arabia may therefore become a trigger for discontent if they tap into broader concerns over elites' spending patterns in ways that are more nuanced and policy-sensitive than conventional definitions of "corruption."

What do you think are the most sensitive policy issues for governments in GCC states? (Question 2.7)



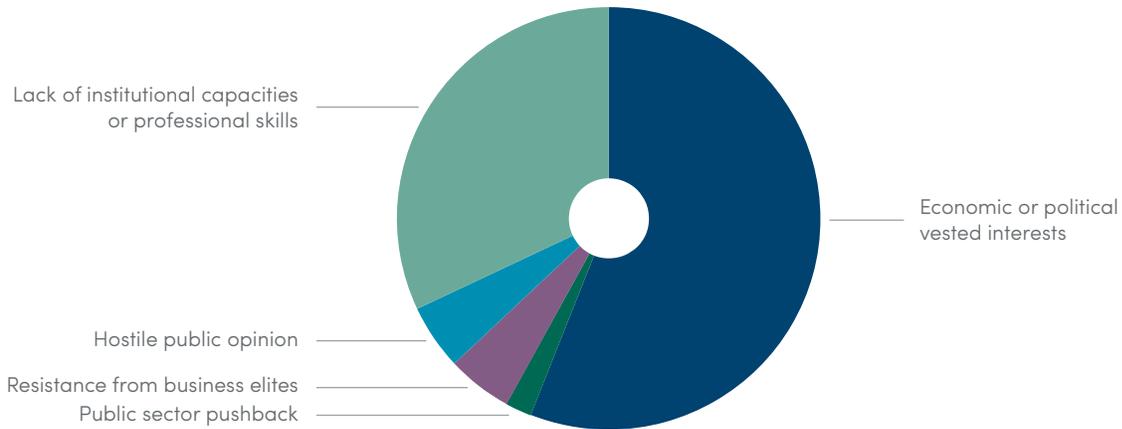
Policy takeaways

- Policymakers may not find it easy to de-link economic reforms from demands to promote greater transparency and accountability in state spending and institutional structures.
- Governments should act proactively to address concerns about the opacity in state/ruling family spending and illustrate that they too can take difficult decisions in times of austerity.

Private sector development

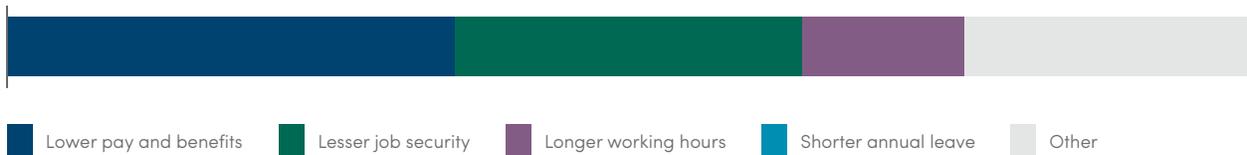
Visions for reform require effective tools of implementation to transform theory into practice and plans into reality. When asked about the main obstacles to effective policy implementation, 93 of 165 respondents (56.36 percent) selected the presence of economic or political vested interests as the major factor capable of undermining or even reversing policy decisions. A further 53 respondents (32.12 percent) identified a lack of institutional capacities or professional skills as the most important factor. Just eight experts (4.85 percent) thought that resistance from business elites or hostility from public opinion were critical factors, and only three (1.82 percent) believed that public sector pushback—on its own—was crucial. There was thus a broad consensus among experts that political and economic support and institutional capacity are key to successful policy reform, but that gaps in governance structures and the difficulty in dislodging entrenched vested interests may have a diluting effect on the rollout of specific measures.

What do you see as the main obstacles to effective policy implementation? (Question 2.6)



Attempts to strengthen GCC states' private sectors constitute the most commonly cited examples of the breakdown between the identification of a policy challenge and the limited impact of subsequent measures to address it. When asked about the specific factors that make private sector employment less attractive to nationals of GCC states, 60 experts (36.14 percent) cited lower pay and benefits compared to 47 respondents (28.31 percent) who identified lesser job security and 21 people (12.65 percent) who selected longer working hours. No respondent thought that shorter annual leave was an issue, but 38 (22.89 percent) believed that other factors were more important. Among the other factors that this question elicited (in open responses) were poor educational attainment and a skills gap, high reservation wages for GCC nationals hitherto available in many public sector positions and the associated labor costs for private employers of hiring citizens, a business preference for expatriate workers at both ends of the private sector job spectrum (high-skilled and unskilled), a sense that state employment brings with it greater status as well as security, and the more competitive, meritocratic, and gender-mixed environment in the private sector.

Which factor do you think makes the private sector less attractive to GCC nationals? (Question 2.5)



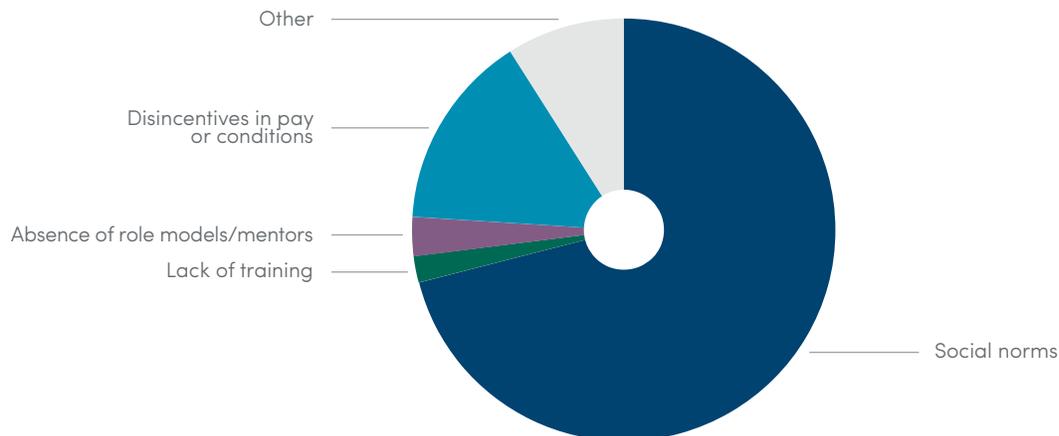
Policy takeaways

- Institutional capacity to implement and sustain reforms will be critical to translating visions into practice and succeeding where previous plans have failed.
- Patterns of public sector workplace preferences for citizens of GCC states are likely to be more stubbornly resistant to change than presupposed in economic transformation plans.

Female empowerment

Empowering women has emerged as a key element of reform policy announcements across GCC states, partly for presentational (public relations) reasons but primarily due to the pragmatic need to take full advantage of the available human capital in Gulf societies, where females consistently outscore males at every educational level and outnumber them greatly in universities.⁵ One question in this survey canvassed experts' opinions on the main obstacles to the participation of female nationals of GCC states in the private sector. A large majority of respondents—117 out of 165 (70.91 percent)—identified social norms as the primary blocking factor holding women back from entering the private sector. Social norms may range in practice (if not always in law) from pressure applied by close and extended family members to perceived expectations on the role and position of women in public life and practical obstacles to integrating women into the workplace. This was far ahead of the 25 experts (15.15 percent) who cited economic and structural conditions—rather than social norms—such as disincentives in pay or conditions, the four respondents (2.42 percent) who attributed the absence of role models or mentors as critical, or the three people (1.82 percent) who felt that a lack of training was to blame. Sixteen respondents (9.70 percent) identified other factors in a wide range of open-ended responses that included the persistence of state sanctioned guardianship laws, a desire of monarchies to maintain social control, a sense of discrimination against highly educated women seeking to enter the workforce, and a lack of availability of sufficient numbers of “good” jobs in private sector positions.

What are the main obstacles to national female employment in the private sector? (Question 2.8)



Policy takeaways

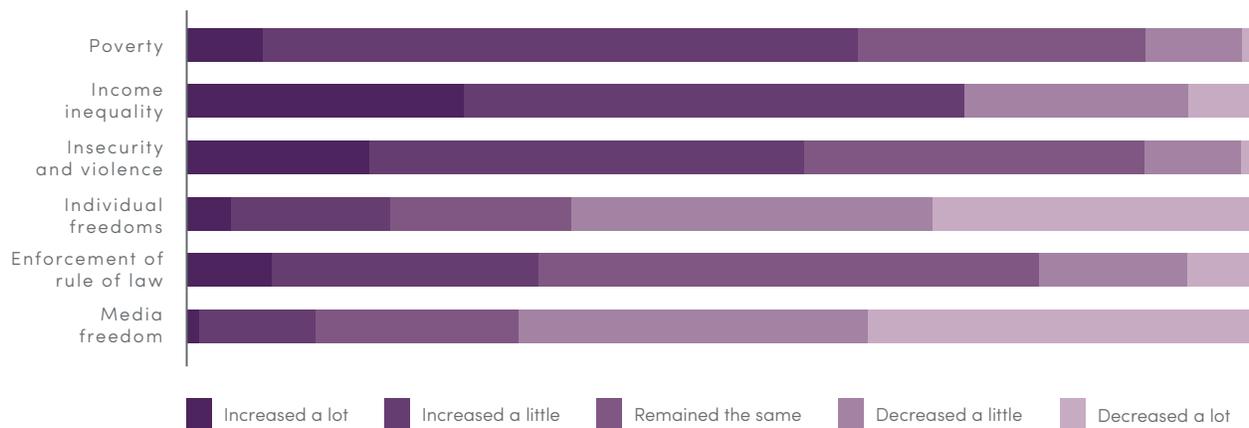
- Social norms as an obstacle to female participation in the workforce may well weaken as more women enter the labor market and move into positions of responsibility and authority.
- As women's wage expectations often are lower than men's, they may benefit more from labor nationalization schemes that aim to replace expatriate workers with GCC nationals.

⁵ Natasha Ridge, “The Hidden Gender Gap in Education in the UAE,” Dubai School of Government Policy Brief 12 (2009): 1.

Attitudes toward freedom, security, and equality

Respondents were asked to evaluate the extent to which selected issues—poverty, income inequality, individual freedoms, insecurity and violence, enforcement of the rule of law, and media freedom—have changed in GCC states over the past five years (2012-2017), along a spectrum that ranged from “increased a lot” to “decreased a lot.” Respondents felt that income inequality had increased the most and that insecurity and violence as well as poverty also had increased significantly over the five-year period, and, conversely, that media and individual freedoms had decreased the most in the same timeframe. Experts were more positive about the enforcement of the rule of law, with the majority believing it has increased or at least remained at similar levels since 2011. The findings from this question indicate that many of the experts who took this survey were pessimistic about the trajectory of change in GCC states, and suggest that the rise in perceptions of poverty, violence, and inequality is mirrored by the squeeze on freedoms since the start of the Arab uprisings of 2011.

To what extent have the following issues changed over the last five years in GCC states? (Question 2.11)



Policy takeaways

- Perceptions of rising inequality can become a trigger of discontent if publics in GCC states feel the pain from austerity measures and spending cuts are not being shared equitably.
- Confidence in the application of the rule of law may partially offset concerns over the reduction in freedoms if they result in visible improvements to security and stability.

Government responsiveness

Two questions probed perceptions of the responsiveness of governments in the GCC to the demands and needs of citizens and whether the level of responsiveness had changed after the Arab Spring. A large majority of respondents, 128 of 163 (78.53 percent), believed governments to be selectively responsive to citizens’ demands based on the issue at hand, with pockets of greater responsiveness being counterbalanced by other areas of lesser responsiveness. Twenty-three people (14.11 percent) thought GCC governments to be fairly responsive, while only five and seven experts, respectively, agreed with statements at either end of the spectrum that

governments were either very responsive or not responsive at all. Opinions were more evenly balanced when asked whether governments were more responsive to their publics after the uprisings, with 94 experts (58.39 percent) saying yes and 67 respondents (41.61 percent) saying no. The picture that emerged from this pair of questions was that governments responded pragmatically, if not wholeheartedly, to the regional outpouring of frustration and grievance in 2011, once the initial shock of the uprisings had passed.

Do you think decision-makers are responsive now to the demands and needs of their citizens in GCC states? (Question 2.12)



Do you think that the GCC governments are more responsive now to the public compared to before the Arab uprisings? (Question 2.13)

58.39% of respondents believe that GCC governments are more responsive to the public now compared to before the Arab uprisings

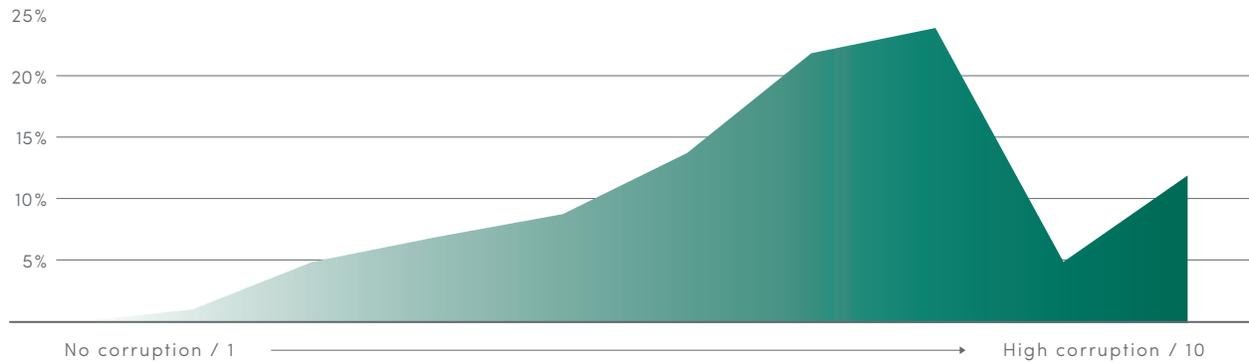
Policy takeaways

- Pressures to become more responsive will increase the longer austerity measures remain in place and the more citizens and residents are asked to accept painful economic reforms.
- Patterns of selective responsiveness may fuel popular resentment and political discontent if they feed into perceptions of prejudicial or preferential decision-making.

Perceptions of corruption

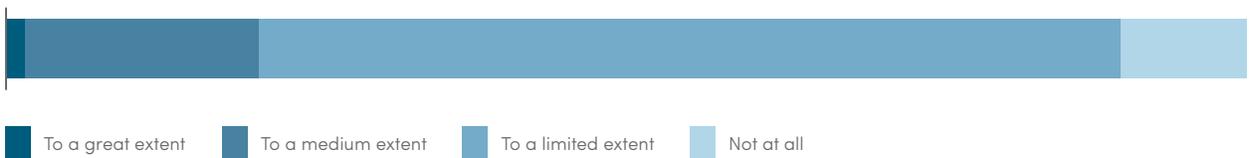
Within the broader context of governments' responsiveness to citizen demands, two questions on perceptions of corruption illustrated a rather different trajectory and one that governments would do well to monitor. Respondents were asked to rank how widespread corruption is within GCC governments on a 10-point scale where 1 denoted no corruption and 10 signified high corruption. The most common response from experts was to place values at the higher end of the scale, which indicated a belief that corruption was relatively rife, with 38 respondents giving corruption a ranking of 8 out of 10, 36 respondents ranking corruption at 7 out of 10, 23 respondents assessing corruption at 6 out of 10, and 20 people giving corruption the highest possible ranking of 10. By contrast, responses at the lower end of the scale were far less in weight, with just two respondents ranking corruption at 1 out of 10 and eight scoring a 2 out of 10, while 12 and 14 respondents, respectively, ranked corruption at 4 and 5 out of 10. One hundred twenty-five out of 161 responses (77.64 percent) therefore placed corruption within GCC governments on the higher end of the spectrum (6-10) compared to just 36 respondents (22.36 percent) who ranked it on the lower end (0-5).

In your opinion, how widespread is corruption within the GCC governments on a scale of 1 to 10? (1 means no or low corruption and 10 means high corruption) (Question 2.15)



The second question in this section asked about the extent to which GCC governments are working to eliminate corruption. Responses from experts illustrated an underlying skepticism about the degree to which governing elites take seriously the need to target and eliminate the relatively high levels of corruption that many had identified in answer to the question above. One hundred thirteen of 162 respondents (69.75 percent) believed that GCC governments were only working “to a limited extent” to root out corruption. This was a far higher proportion than the 31 experts (19.14 percent) who indicated that governments were tackling corruption “to a medium extent.” While a further 16 experts (9.88 percent) selected “not at all” to indicate that governments were doing nothing about corruption, only two people (1.23 percent) suggested that governments were taking serious steps to address the issue “to a great extent.”

In your opinion, to what extent are the GCC governments working to eliminate corruption? (Question 2.16)



Policy takeaways

- Government campaigns risk being undermined by widespread skepticism over policy elites’ motivations in addressing corruption in any sort of meaningful way.
- Anger at corruption may increase and take on political dimensions if economic reforms do not create visible “trickle-down” effects and benefits are seen to be captured by ruling circles.

Regional cooperation and external partnership

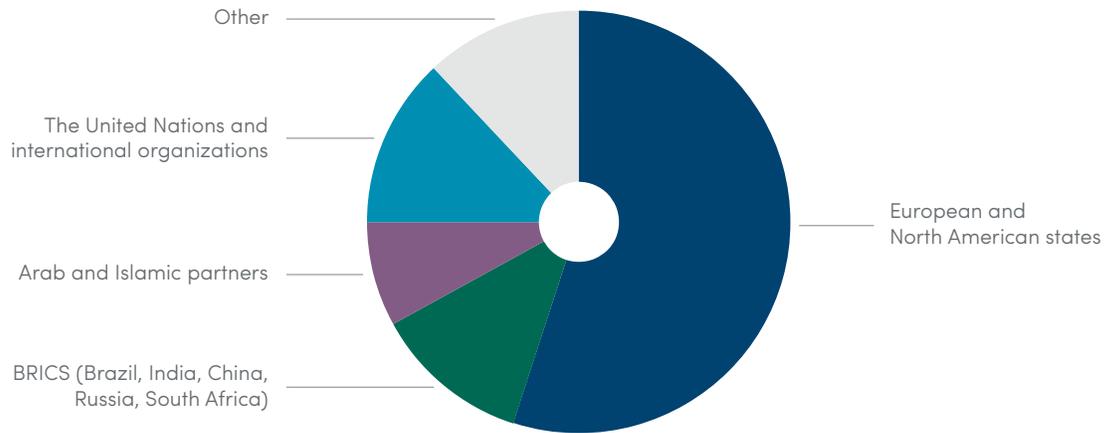
Finally, respondents were asked a pair of questions that examined regional and international coordination. (The survey was conducted prior to the standoff between Qatar and three other GCC states plus Egypt in June 2017.) Respondents for this question, unlike other questions in this survey, could select more than one option, and a total of 236 responses were received. When asked about the areas (if any) where unified GCC policies should be pursued, the largest number of responses—85 (36.02 percent)—selected infrastructure, ahead of 64 (27.12 percent) that opted for military and security issues, 32 (13.56 percent) that picked education, 21 (8.90 percent) health care, and 17 (7.20 percent) that thought that no areas were suitable for unified policymaking. Another 17 responses to this question (7.20 percent) selected “other” and wrote in a wide range of issues that included defense and foreign policy, public service capability, oil and gas sector development, energy pricing and trade, taxation and customs, labor market policies, visas, quality standards, and marine protection, as well as a general call for comprehensive policy integration.

In which areas should unified GCC policies be pursued? (Question 2.9)



Lastly, we asked experts about the choice of external partners that could best support the economic transformations underway in GCC states. The largest number of respondents—91 of 164 (55.49 percent)—believed that European and North American states were ideally positioned to support economic changes in GCC states. This finding suggests that the frequent references to shifts in the international (economic) relations of the Gulf may, to some extent, be overstated, as only one in eight respondents (19 in total, or 11.59 percent) opted for the BRICS group of countries (Brazil, Russia, India, China, and South Africa) and even fewer—13 (7.93 percent)—selected other Arab and Islamic partners, perhaps foreshadowing skepticism about regional rivalries that erupted into the open as the survey concluded in June 2017. Twenty-two respondents (13.41 percent) believed that the United Nations and other international organizations could become the most important potential partners to support economic transformation in GCC states, while 19 respondents (11.59 percent) selected “other” as their answer. Many of the additional responses betrayed a degree of skepticism about the motivations of external partners, with one respondent labeling them rent-seekers rather than transformative forces and several others arguing that GCC states did not need external support for internal economic reform. While there were several variations of Asian states as partners of choice, there was also a suggestion that successful examples of “small states”—such as New Zealand and Singapore—would provide good models.

Which external partners could best support economic transformation in GCC states? (Question 2.10)



Policy takeaways

- Infrastructure projects and technocratic cooperation historically constituted the core of regional cooperation in the GCC but will be harder to sustain in the current political crisis.
- The fragmentation of the GCC is likely to result in a larger number of external partnerships as members of the bloc forge separate relationships that diverge more than converge.

The results of this expert survey provide a snapshot of policy challenges that face GCC states as the oil price slump extends into a fourth year in 2018. Their relative stability—compared with other parts of the Middle East and North Africa—has masked but not eliminated potential trigger points for public frustration with political elites. The top-down and carefully controlled nature of the economic transitions that have been announced with such public fanfare leave little room for input from engaged (or enraged) citizenry. Several of the findings in this survey of experts suggest that citizens in GCC states expect to become more involved as active participants in decision-making processes as states develop a greater range of measures to extract taxes and fees from them. Further research and analysis can build a greater understanding of what people—particularly across generations—anticipate from their governments in return for the fraying of the welfare mechanisms that have redistributed income from the state to society for over 40 years. It is clear from these findings, however, that reform is a two-way street in which both parties give, take, and expect certain obligations from each other, and that societies in GCC states are not “blank slates,” as sometimes seems to be presupposed in the national visions and plans drawn up by governments and international consultancies alike.

While conditions in GCC states do not facilitate mass surveys of public opinion based on open access to data, it is not impossible to undertake innovative and meaningful research that can strengthen public policy responses to critical issues. The Social and Economic Survey Research Institute in Qatar administers the Qatar Quarterly Survey, a telephone survey that probes public opinion on “questions of national interest to Qatar.” In Kuwait, the RAI Institute for Strategic Studies and Research publishes the RI Index every two months, which uses a random telephone survey of Kuwaiti citizens to identify approval ratings for the Kuwaiti parliament and government, as well as the 10 most important issues facing Kuwaiti citizens. Government ministries across GCC states also have engaged more proactively in (unpublished) opinion polling to improve the quality of data to underpin policy formulation and subsequent implementation. Policymakers in Saudi Arabia and the United Arab Emirates have in recent years pushed for greater civic engagement rather than political or civil society activity as a means of securing greater citizen involvement in public affairs. Heavy investment in electronic platforms and digital services are similarly designed to make governments more interactive and responsive to citizens who expect and demand more.

Top-down and bottom-up expectations of change are not necessarily incompatible, and may be put to the test by Crown Prince Mohammed bin Salman Al Saud in Saudi Arabia, but inclusive and consensual processes of economic transition are more likely to succeed if they can be underpinned by data-driven research that identifies and reconciles the demands of different social and political constituencies. If given (and taken) constructively, results from expert—and larger public opinion—surveys can better assist governments in GCC states to engage in the intricate process of picking apart and reassembling the core tenets of the rentier state—based on the redistribution of revenue (by the state) generated from natural resources rather than the

extraction of wealth (from its citizens) through taxes and fees—that has formed the basis of the unwritten social contract for decades. Governments in GCC states cite the transition toward an eventual post-oil economy as the aspirational endpoint in their long-range strategic plans. Enhancing economic inclusiveness writ large will be important in generating greater citizen buy-in to the overhauling of political economies of GCC states and ensuring that restructuring measures are more likely to be consensual than contested.

APPENDIX – EXPERT SURVEY RESPONSES

Q2.1 – What are the most urgent policy issues for governments in Gulf Cooperation Council states?

Answer	%	Count
Economic reform and unemployment	56.29%	94
Domestic law and order	1.20%	2
Wages and subsidies	8.38%	14
Regional security challenges	10.78%	18
Political reform	23.35%	39
Total	100%	167

Q2.2 – What is the most important obstacle to successful economic diversification over the next five years?

Answer	%	Count
Lower oil prices and government revenues	15.57%	26
Inability to sufficiently grow the non-oil economy	46.71%	78
Political obstacles to removing subsidies and raising charges	23.95%	40
Change of leadership	5.99%	10
Other*	7.78%	13
Total	100%	167

* Responses include: Inept leadership • Limited role of people and increasing despotic nature of states • Matter is too diverse across GCC states to answer in one response. All of the matters above apply to different GCC states in different ways. If forced to pick one, it would be Political obstacles mainly in relation to Saudi Arabia, Bahrain, and Kuwait. • Management capacity • I don't agree with the attractive term "diversification" for the natural resources sector, i.e., still under-invested ... diversification is costly for GCC states • It differs from state to state • Combination of implementing economic reform while opening political space • Excessive reliance on expatriate labor • Insufficient homegrown human capital • Gender discrimination • Skills not commensurate with workforce demands • Bureaucracy and nepotism • Demographics and unemployed youth

Q2.3 – Which of the following do you think are most likely in the next three years?

Answer	%	Count
Direct taxation (e.g., income tax)	1.20%	2
Indirect taxation (e.g., VAT)	55.42%	92
Higher taxes on expatriates (e.g., remittances)	16.87%	28
All of the above	23.49%	39
Other*	3.01%	5
Total	100%	166

* Responses include: Indirect taxation and Higher taxes on expatriates • Removing subsidies • Indirect taxation & taxes on expats (but not direct taxation)

Q2.4 – Do you think measures to increase citizen contributions to state budgets will ... ?

Answer	%	Count
Change the relationship between the citizen and the state	45.78%	76
Increase budget transparency and spending accountability	9.04%	15
Lead to calls for more representative decision-making structures	28.31%	47
Result in a greater focus on tackling inequalities within society	8.43%	14
Other*	8.43%	14
Total	100%	166

* Responses include: These are usually interrelated. Answering the first choice seems obvious but doesn't say much, whereas choosing one of the more specific answers begs the question of why that was selected over the other possible outcomes offered. There will also be some likely variation between the six states of the GCC. • Doubt if any of them will come to pass as a result of budgetary changes. • Be very limited, at least in some GCC states • I don't think there will be much impact, if the reforms are done conservatively • Lead to very little change in the medium term. • Make little difference • Within traditional patronage this will be perceived as a duty rather than as a method to develop citizenship. • Hard to generalize among GCC states. • All of the above (3x) • None of the above (2x)

Q2.5 – Which factor do you think makes the private sector less attractive to GCC nationals?

Answer	%	Count
Lower pay and benefits	36.14%	60
Lesser job security	28.31%	47
Longer working hours	12.65%	21
Shorter annual leave	0.00%	0
Other*	22.89%	38
Total	100%	166

* Responses include: Poor education does not make them qualified for private sector • I don't think this survey can capture enough by only allowing one response, it's certainly all of the above, varying according to context. I think this answer is appropriate for most of the questions so far • A long culture of government economic guardianship of nationals, which has resulted in high reservation wages • Longer working hours AND lower pay and benefits • Longer working hours and the need for high productivity • Public sector is less accountable. • For individuals, no one matter is likely to be a concern. Parents view job security as a primary, mid-30s see pay and benefits, younger ones question working hours and leave. • It is not about the pay, it's about the culture, plus large companies and business families favor expats over the citizens, this culture will be changed either by a top or bottom approach. • Performance rating • Difficulty and meritocratic competition of the work; mixed-gender environments for women • The private sector does not seek to hire locals, not the other way around. The primary issue is a skills gap combined with high labor cost. • Government jobs are socially more acceptable than working for someone else. • Instability of employment. • I don't know • Competitiveness and demanding work conditions • Security issues • Long-held belief that government is more secure • A merit-based approach • All of the above (20x)

Q2.6 – What do you see as the main obstacles to effective policy implementation?

Answer	%	Count
Economic or political vested interests	56.36%	93
Public sector pushback	1.82%	3
Resistance from business elites	4.85%	8
Hostile public opinion	4.85%	8
Lack of institutional capacities / professional skills	32.12%	53
Total	100%	165

Q2.7 – What do you think are the most sensitive policy issues for governments in GCC states?

Answer	%	Count
Scaling back subsidies and the public sector	44.58%	74
Corruption	13.86%	23
Royal family spending	30.72%	51
Defense and security expenditures	7.23%	12
Other*	3.61%	6
Total	100%	166

* Responses include: Political reform-public participation in decision making • Operational inefficiencies • Effectively limiting employment of expatriate labor, especially in households and menial services • Depends on which country • Population policy

Q2.8 – What are the main obstacles to national female employment in the private sector?

Answer	%	Count
Social norms	70.91%	117
Lack of training	1.82%	3
Absence of role models/mentors	2.42%	4
Disincentives in pay or conditions	15.15%	25
Other*	9.70%	16
Total	100%	165

* Responses include: State-sanctioned laws like the guardianship laws • Monarchies' desire for social control • No obstacles • All of the above operating together • This is an issue in all GCC countries so question should be more targeted/better weighted. • There is no struggle, it's improving. • High unemployment/lack of jobs • Social norms—which lead to discrimination against highly educated women being accepted in positions for which they are well-qualified. • Social norms plus lack of jobs in general for men already—women in workforce competing for same jobs just means more employment • Depends on which country • Don't know • Lack of good jobs in the private sector (pay & security) • Varies from country to country, but norms pretty key • Discrimination

Q2.9 – In which areas should unified GCC policies be pursued?

Answer	%	Count
None	7.20%	17
Education	13.56%	32
Health care	8.90%	21
Infrastructure	36.02%	85
Military and security	27.12%	64
Other*	7.20%	17
Total	100%	236

* Responses include: Improve public service capability • Defense and foreign policy • Energy pricing and trade, quality standards in a variety of areas, marine protection • Economic common market • Common market • Energy • Single market, oil and gas sector development • Visas • Up to GCC countries to figure that out, not me as an American • Religious moderation • Taxation, customs/border • All • Labor market policies • Labor • Comprehensive policy integration

Q2.10 – Which external partners could best support economic transformation in GCC states?

Answer	%	Count
European and North American states	55.49%	91
The BRICS (Brazil, India, China, Russia, South Africa)	11.59%	19
Arab and Islamic partners	7.93%	13
The United Nations and international organizations	13.41%	22
Other*	11.59%	19
Total	100%	164

* Responses include: The GCC themselves • U.S. and EU are against progress in GCC • I think transformation comes from within! • None of the options are viable economic partners. China is but the BRICs are not. • N/A • No need at all for any support partner. • Asian Tigers • China • Select senior advisors experienced in foreign government/institutions with skills that match GCC country's needs • China & Russia. U.S. and Europe only if energy/security calculations change significantly. • All the above • None—All “external partners” are rent seekers, not transformative forces. • In terms of models, the small states, e.g., NZ and Singapore • Asian countries (China, South Korea, etc.) • Other countries don't want diversification • Asia • None (2x)

Q2.11 – To what extent have the following issues changed over the last five years in GCC states?

	Increased a lot		Increased a little		Remained the same		Decreased a little		Decreased a lot		Total
	%	Count	%	Count	%	Count	%	Count	%	Count	
Poverty	6.83%	11	56.52%	91	26.71%	43	8.70%	14	1.24%	2	161
Income Inequality	26.42%	42	46.54%	74	21.38%	34	5.66%	9	0.00%	0	159
Individual freedoms	3.70%	6	15.43%	25	16.67%	27	34.57%	56	29.63%	48	162
Insecurity and violence	16.77%	27	41.61%	67	31.68%	51	8.70%	14	1.24%	2	161
Enforcement of rule of law	7.55%	12	25.16%	40	47.17%	75	14.47%	23	5.66%	9	159
Media freedom	1.24%	2	10.56%	17	18.63%	30	33.54%	54	36.02%	58	161

Q2.12 – Do you think decision-makers are responsive now to the demands and needs of their citizens in GCC states?

Answer	%	Count
They are very responsive	3.07%	5
They are fairly responsive	14.11%	23
They are selectively responsive based on the issue area	78.53%	128
They are not responsive at all	4.29%	7
Total	100%	163

Q2.13 – Do you think that the GCC governments are more responsive now to the public compared to before the Arab uprisings?

Answer	%	Count
Yes	58.39%	94
No	41.61%	67
Total	100%	161

Q2.14 – How can the linkage between the citizens and elites be strengthened in GCC states?

Answer	%	Count
Building sustainable channels of trust in the state's political institutions	12.88%	21
Having free and regular elections	12.27%	20
Promoting transparency and accountability	46.63%	76
Improving social and economic conditions	10.43%	17
Strengthening the rule of law	12.27%	20
Other*	5.52%	9
Total	100%	163

* Responses include: I don't think this question can be meaningfully answered by multiple choice • It's a cultural issue, it will change in its own time, not due to some form of external pressure. • Creating some sort of social compact based on mutual work and sacrifice. • Time • Stop corruption • Inclusive public spaces • All of the above (2x)

Q2.15 – In your opinion, how widespread is corruption within the GCC governments on a scale of 1 to 10? (1 means no or low corruption and 10 means high corruption)

Answer	%	Count
1 (no corruption)	0.00%	0
2	1.24%	2
3	4.97%	8
4	7.45%	12
5	8.70%	14
6	14.29%	23
7	22.36%	36
8	23.60%	38
9	4.97%	8
10 (high corruption)	12.42%	20
Total	100%	161

Q2.16 – In your opinion, to what extent are the GCC governments working to eliminate corruption?

Answer	%	Count
To a great extent	1.23%	2
To a medium extent	19.14%	31
To a limited extent	69.75%	113
Not at all	9.88%	16
Total	100%	162