RICE UNIVERSITY'S
BAKER INSTITUTE
FOR PUBLIC POLICY

ISSUE BRIEF 10.04.18

The Beijing Consensus and its Relevance in the Arab Gulf

Michael McCall, American University of Beirut

The Arab Spring presented the Gulf Cooperation Council (GCC) states with a stark choice about their social contracts, particularly with regard to their economic development ambitions. On one hand, a Western model combining economic and political liberalization has historically dominated the discourse on potential avenues for reform, especially on the heels of popular demands for democratization throughout the Middle East and North Africa (MENA) region since 2011. On the other hand, the Chinese model of authoritarian developmentalism may be a more appealing mechanism for future political and economic development to many in the Gulf states—especially the political elites. Even though the United States has long maintained a dominant presence in the Gulf, is the Chinese social contract model actually more applicable to the social and economic dynamics of GCC states than the Western orthodoxy of political liberalism and unbridled free market policies? If China's unique development model can inspire GCC countries, what conditions of the GCC context make it a feasible model?

The dominance of the U.S. in the global order after the Cold War left the Western model of development—characterized by free markets and democratization—as the preeminent path toward economic prosperity, and the Gulf has long remained a bastion of American hegemony in the Middle East. The interests that bind GCC states and the West are not based on shared values of liberalism, however, but rather on common economic goals. In contrast to Western social contracts in which state legitimacy is based on popular sovereignty, typically expressed through electoral politics, both the Chinese and GCC social contracts are predicated on economic quasi-guarantees. Since 1989, the legitimacy of the Chinese Communist Party has been staked on delivering consistent economic growth. Given that all GCC states accrue the majority of their income through oil revenues, they represent "the example *par excellence*" (emphasis in original) of the rentier model.[1]

With growing links to the global economic system, and especially considering the increased use of information and communication technologies since the mid-1990s, GCC states considered political reform a necessity for placating both an increasingly globally minded population and external economic pressures as their interactions with Western countries increased.[2] Conditions were favorable for a gradual move toward political liberalism in GCC countries, especially after the end of the Cold War. The creation of the Majlis al-Watani in the early 2000s facilitated Bahrain's implementation of a representative parliamentary process that included opposition groups, making it a successful case of partial political liberalization (or, at the very least, political decompression) in the Gulf.[3] Yet since the Arab Spring, GCC regimes have moved in the opposite direction, delaying the implementation of liberalizing reforms. The fall of multiple leaders in the MENA region posed an existential threat to the ruling

The interests that bind GCC states and the West are not based on shared values of liberalism, however, but rather on common economic goals.

elites; their very existence was at stake. As a countermeasure, GCC regimes doubled down on both their authoritarian tendencies and their ability to offer economic incentives. Saudi Arabia increased salaries and benefits for public employees, the United Arab Emirates introduced social welfare redistribution, and other states simply handed out cash incentives and increased the size of their already bloated public sectors. The most powerful demonstration of the GCC's commitment to maintaining the political status quo, however, was the 2011 Peninsula Shield Force intervention in Bahrain, which firmly cemented the impossibility of nonviolent revolution within the bloc.

While it is easy to dismiss these post-2011 developments, made in response to public pressure, as politically and economically counterproductive in the long term, is there a comparable precedent that has actually been successful in implementing similar initiatives to shore up social and political stability? The Chinese model of development (alternatively known as the "Beijing Consensus") features certain qualities that offer particular appeal to authoritarian states. Suisheng Zhao, professor of Chinese politics, defines the model as a "non-ideological, pragmatic, and experimental approach to spur both social stability and economic growth while not compromising the party's authority to rule."[4] Borne in the aftermath of the 1989 Tiananmen protest movement, the impetus for its development was to placate popular demands for political reform by providing economic opportunities. In practice, it has proven remarkably successful at promoting social stability, with no imminent existential threat to the rule of the Communist Party developing in the decades since the Tiananmen movement.

Prioritizing economic growth over the implementation of political reform, the Chinese model is a proven mechanism for a ruling class to retain political control while fundamentally reshaping a country's economic character.

Simultaneously, China's economic strategy has integrated the country as one of the major actors in the global economic system. The Chinese model should not be considered a direct competitor to the Washington Consensus, as the former encompasses an emphasis on social stability as well as an economic framework. The Washington Consensus, comparatively, is less concerned with utilizing economic policies as a means to establish social stability. Prioritizing economic growth over the implementation of political reform, the Chinese model is a proven mechanism for a ruling class to retain political control while fundamentally reshaping a country's economic character. The opportunity to reap economic and diplomatic rewards while retaining an authoritarian status quo is particularly attractive to regimes wary of the implications of political liberalization, such as the GCC states. Ali Shihabi, founder of the Arabia Foundation, whose views reflect the ambitions of the Saudi state, directly referenced the attraction and utility of the Chinese model on the 29th anniversary of the suppression of the Tiananmen Square movement, opining: "Yes, they lost freedoms but gained a better life of prosperity, education, medical care, security, etc. What is better?"[5]

Finally, the Chinese model is far less explicitly prescriptive compared to the Western model. Officials can tailor and experiment with its implementation, taking local political and economic conditions into consideration. Under Prime Minister Lee Kuan Yew, Singapore aggressively promoted foreign investment in order to take advantage of its strategic location in Southeast Asia,[6] for example, whereas China utilized its massive population to transform itself into a manufacturing hub. While the precise mechanism is different, both approaches shared the same goal of economic development and deeper integration into the global economy.

Differences exist between the Chinese context of development and modern GCC countries, the most notable of which is the size of their relative populations. GCC states have substantially fewer residents than China, whose immensely large population served as a source of low-cost labor and provided China a competitive advantage in the global market. Therefore, the comparative advantage GCC states must employ to gain an economic edge in the global marketplace should differ.

A jump in global oil demand post-2000 (primarily driven by increasing Chinese manufacturing) bestowed windfall profits for

GCC states, especially after 2003. Although current account balances have decreased in recent years as oil prices have again dropped, GCC states still possess sufficient capital surpluses to effectively underwrite sociopolitical stability in the medium term. Qatar, for example, maintains 203 percent of its GDP in net financial assets controlled by the government, and Saudi Arabia holds 104 percent of GDP in similar assets.[7] These funds can be manipulated unilaterally without resorting to direct taxation, lowering the expense of political capital typically necessary for structural overhauls. During the pre-2011 period in which oil rents were plentiful and political threats were minimal, there was no obvious need to reform the economic structures in the region. Now, the sheer amount of capital that GCC states have at their disposal may be sufficient in enabling fundamental economic reform in lieu of the unique high-control, high-population context in which the Chinese economy grew.

The availability of energy rents provides GCC states with the economic resources needed to launch major development programs and investments, though different GCC states have benefited disproportionately from natural resource endowments. As global energy consumption slowly transitions away from dependence on fossil fuels, economic diversification into alternative sectors has become a growing concern for Gulf countries.[8] The post-2014 global oil collapse in which prices dropped from $105 to below $40 per barrel before slowly recovering has only increased pressure on Gulf monarchies in this regard. While GCC states still maintain high levels of foreign reserves to support current spending levels, without a new source of state revenue, the generosity of the rentier state cannot be maintained indefinitely. Though this is not an immediate concern, a future requirement to begin extracting revenue from the population through taxation rather than unearned resource rents is the single-most prominent factor that will force a renegotiation of the existing social contract.

Politically, for the Gulf states, the China model provides a renewed basis of legitimacy. Post-2011, opposition sentiment driven by the Arab Spring posed a direct threat to the traditional claims to legitimacy GCC monarchies enjoyed—namely historical tradition and rent distribution. Sustained, balanced economic development shifts the basis on which regimes are evaluated by their citizens; by establishing economic prosperity and increased opportunities as the rationale for continuing the status quo, a regime can establish a revised social contract and preclude substantial changes to the political structure.

Since 2011, political currents have pushed the GCC states to revisit their contracts with their respective populations. In many cases, the result has been retrenched authoritarianism instead of increased political openness. For example, al-Wefaq, Bahrain's largest political opposition group, has been banned in Bahrain, while the Saudi monarchy has substantially centralized power in the hands of Crown Prince Mohammed bin Salman. Likewise, the potential threat to regime stability precludes the likelihood of most, if not all, political rulers adopting reformist agendas, staving off the only avenue for a peaceful transition toward inclusive politics in the region. The ultimate goals of opposition protesters in the Middle East, which included the overthrow of governments in Libya, Egypt, Yemen, and more, left little room for political compromise. Therefore, GCC states were relatively united in their goal to suppress domestic manifestations of the Arab Spring. Kuwait, with its comparatively representative parliament and limited perception of threat toward protesters, represents the exception to this rule. The legislature remains intact at the pleasure of the emir, who ultimately maintains elite control over any political reform process.

Since 2011, political currents have pushed the GCC states to revisit their contracts with their respective populations. In many cases, the result has been retrenched authoritarianism instead of increased political openness.

Unwilling to pursue substantive political reforms, Gulf regimes provided alternative concessions, mainly in the form of short-term financial inducements like raising state employees' salaries, to placate immediate grievances.[9] However, the simultaneous emergence of large-scale protest movements with extensive demands in Saudi Arabia, Oman, and especially Bahrain accentuated the need to review the social contracts between the ruling class and citizens; all states affected by the Arab Spring encountered this same dilemma.

Saudi Arabia effectively tends to combine economic reform policy and financial inducements with political consolidation, with the impact reaching even members of the royal family.[10] In the public sphere, the new anti-terror law decreed in 2013 potentially criminalizes political speech.[11] These restrictive and exclusionary policies were accompanied by an inclusive economic policy: the Vision 2030 campaign, which aims to spur economic development and diversify the economy, ambitiously seeking to reform the fundamental structure of the Saudi economy through foreign investment. The campaign seeks to reduce unemployment and increase the role of the private sector in economic development. Ultimately, a core motivation for the campaign is to provide Saudis with opportunities to become more deeply embedded in the global economy. The Vision 2030 plan explicitly mentions the desire to increase foreign direct investment and strengthen Saudi Arabia's position on the Global Competitiveness Index.[12] Despite not being designed with the intention of following a Chinese model of reform, this combination of authoritarian entrenchment and intensive integration into the global economy, especially in the wake of a major protest movement, has much in common with the Chinese model after 1989.

The canonical cases of development that define both the Western model and the Chinese model rely upon contextual factors that are alien to the GCC; neither will be merely copied directly. The former, however, rests upon a belief that political liberalism is a necessary companion for global economic integration, while the latter provides a potent rationale for prioritizing economic development at the expense of political liberalization. Given the immense obstacles to the institution of political reform in the GCC, especially after 2011, a localized version of the Chinese model has preferable traits, given its proven track record in maintaining social stability under an economic-oriented social contract. Combined with neoliberal economic influences from the West that have driven campaigns like Vision 2030 in Saudi Arabia, a symbiotic combination of the two models that complements the unique context of the Arab Gulf may be emerging. The pressures on Gulf monarchies demand a revised social contract; including elements of the Chinese model of development is a potential route to ameliorate current deficiencies that affect social stability. This would allow the regimes to regain legitimacy on a new footing, while the population would enjoy novel economic opportunities.

ENDNOTES

1. Hazem Beblawi and Giacomo Luciani (eds.), *The Rentier State, Routledge Library Editions: Politics of the Middle East* (London and New York: Routledge, 1987), 53.

2. Anoushiravan Ehteshami and Steven Wright, "Political Change in the Arab Oil Monarchies: From Liberalization to Enfranchisement," *International Affairs* 83, no. 5 (2007): 913–32.

3. Ehteshami and Wright, "Political Change in the Arab Oil Monarchies," 922.

4. Suisheng Zhao, "The China Model: Can It Replace the Western Model of Modernization?" *Journal of Contemporary China* 19, no. 65 (2010): 419–436.

5. Ali al-Shihabi (@*aliShihabi*), "Tiananmen that aborted a movement asking for more liberties gave China 29 years of record growth and prosperity that brought hundreds of millions out of poverty. Yes, they lost freedoms but gained a better life of prosperity, education, medical care, security, etc. What is better?" Twitter, June 4, 2018.

6. Kuan Yew Lee, *From Third World to First—The Singapore Story (1965-2000)* (New York, NY: Harper Collins, 2000), 80–81.

7. Luiz Pinto, "Sustaining the GCC Currency Pegs: The Need for Collaboration," *Brookings* (blog), February 19, 2018, https://www.brookings.edu/research/sustaining-the-gcc-currency-pegs-the-need-for-collaboration/.

8. Kristian Coates Ulrichsen, "Repositioning the GCC States in the Changing Global Order," *Journal of Arabian Studies* 1, no. 2 (2011): 231–247.

9. Mehran Kamrava, "The Arab Spring and the Saudi-Led Counterrevolution," *Orbis* 56, no. 1 (2012): 96–104.

10. Toby Matthiesen, "A Purge in Riyadh," *Foreign Affairs*, November 8, 2017, https://www.foreignaffairs.com/articles/saudi-arabia/2017-11-08/purge-riyadh.

11. Frederic Wehrey, "The Authoritarian Resurgence: Saudi Arabia's Anxious Autocrats," *Journal of Democracy* 26, no. 2 (2015): 71–85.

12. Mohammad bin Salman, "Saudi Arabia's Vision 2030," *Saudi Gazette*, April 26, 2016, http://saudigazette.com.sa/article/153680/Full-Text-of-Saudi-Arabias-Vision-2030.

AUTHOR

Michael McCall, is an MA candidate in political studies at the American University of Beirut. He holds an M.A. in international relations from Leiden University, and is an assistant editor for the Sociology of Islam journal.

center for the
MIDDLE EAST
Rice University's Baker Institute for Public Policy

This issue brief is part of a two-year research project on pluralism in the Middle East after the Arab uprisings. The project is generously supported by a grant from the Carnegie Corporation of New York.

See more issue briefs at:
www.bakerinstitute.org/issue-briefs

This publication was written by a researcher (or researchers) who participated in a Baker Institute project. Wherever feasible, this research is reviewed by outside experts before it is released. However, the views expressed herein are those of the individual author(s), and do not necessarily represent the views of Rice University's Baker Institute for Public Policy.

© 2018 Rice University's Baker Institute for Public Policy

This material may be quoted or reproduced without prior permission, provided appropriate credit is given to the author and Rice University's Baker Institute for Public Policy.

Cite as:
McCall, Michael. 2018. *The Beijing Consensus and its Relevance in the Arab Gulf*. Issue brief no. 10.04.18. Rice University's Baker Institute for Public Policy, Houston, Texas.