Economic (In)security and Economic Integration in the Middle East

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The Middle East as a region has been marked by colonial and neo-imperial foreign intervention, inter-state conflict, and sectarian violence. Historians and political scientists have demonstrated the importance of the region in terms of its resources and its strategic geopolitical significance for former German, French, and British imperial powers in the nineteenth and twentieth centuries as well as the United States in the twentieth and twenty-first centuries (Vitalis 2002; Mitchell 2013). The events following September 11, 2001, the US invasion of Afghanistan and Iraq, the 2011 Arab Spring, the civil war in Syria, and the rise of the self-proclaimed Islamic State of Iraq and Syria (ISIS) have continued to shape both the international and domestic politics of the nation-states and the regional organisations that make up the Middle East. In addition to the conflicts wreaking havoc in the region, the water-food-energy nexus, social and political developments, and economic challenges have also severely impacted the Middle East. This chapter will explore the challenges this region faces in terms of its economic (in)security. It will first provide an overview of the water, food, and energy challenges facing the region as a whole. It will then examine the region's attempts at economic integration with a specific focus on the Gulf states in the Arabian Peninsula. Economists James E. Rauch and Scott Kostyshak (2009) divide the Middle East and North Africa economies into three 'Arab worlds': the 'fuel-endowed countries' (including the Gulf countries, Iraq, Algeria, and Libya), the Arab Mediterranean (Morocco, Tunisia, Egypt, Syria, Jordan, Morocco), and sub-Saharan Africa (including Yemen). This chapter will focus primarily on the 'fuel-endowed countries' and those in the Gulf Cooperation Council (GCC): the Gulf monarchies (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates), Iraq, Iran and their attempts at economic integration. This chapter will focus on the GCC because in terms of regional economic integration the Gulf States have been the most successful. At the same time, the transboundary nature of the challenges facing the GCC are an excellent illustration of the lack of regional economic integration and economic insecurity in the Middle East.

As the name of the category would suggest, one of the primary sub-regional commonalities among these 'fuel-endowed' countries is the predominance of oil and natural gas exports in their national economies. Indeed, these nation-states, particularly the Gulf kingdoms produce about 20% of the world's oil and contain 30% of the world's oil reserves (Gause 2015). Similarities among these nation-states extend not only to their economic dependency on the export of hydrocarbons but also include similar security and development concerns (Murden 2009, 130). The latter sections of this chapter will thus address some of these common developments and security challenges: continuing reliance on hydrocarbons, increasing regional and national inequality, and a growing number of unemployed young adults. In conclusion, this essay will also link the economic insecurity in the region to regional security.

Regional Economic Overview

This chapter will first briefly address the transregional economy of the Middle East and North Africa (MENA). As is well known, the economy of the MENA region is dominated by a reliance on the extraction and export of hydrocarbons. Due to the predominance of oil and gas in several of the economies, especially in the GCC, this region has experienced rapid economic growth. At the same time, this economic growth is dependent – particularly in the GCC countries – on a 'rentier economy'. This specific economic model is based on government subsidised food, medical services, and energy through the wealth gained by the export of oil and gas (Mckee *et al.* 2017, 20). Problematically, the continued reliance on the rentier-state model limits the creation of strong domestic industries. In addition, because the government is the primary actor that distributes the rents, the private sector has very little room to thrive (Mckee *et al.* 2017, 20). The main rentier states and in turn the states with the highest GDP in the MENA region are Saudi Arabia, United Arab Emirates, Kuwait, Iraq, Qatar, Bahrain, Libya, Algeria. The rest of the region is made up of both middle and low-income states, which lack the large hydrocarbon resources found in the 'fuel-endowed states' (Mckee *et al.* 2017).

The regional predominance of the rentier economic model thus also generates a regional inequality among MENA states. According to Alvaredo and Piketty (2014), this high inequality at the regional level can be traced back to high inequality per capita GNP. For example, some of the richest states in terms of GDP per capita belonging to the MENA region, such as Qatar, exist side-by-side with some of the lowest-income states, such as Yemen and Sudan (Alvaredo and Piketty 2014; Mckee *et al.* 2017, 21). As an illustration of regional inequality, recent research has pointed to the labour market as an illuminating example. Specifically, the movement of young professionals from states like Egypt, Lebanon, Syria, and the Occupied Palestinian Territories to the GCC states in order to fill service jobs in medicine, engineering, education, and business (Mckee *et al.* 2017, 23). This movement of young people thus limits the potential economic growth of the origin states thereby increasing regional inequality among states. By extension, the movement of young professionals into the higher-paying jobs in the GCC is further exacerbated by the gap between the formal and informal job markets and the reliance on the public sector for job creation (Mckee *et al.* 2017, 24).

In addition to the above transregional economic challenges, the region also faces increasing insecurity in terms of food, water, and energy. Thus, to further home in on economic problems facing this region and the GCC group, this chapter will now specifically examine the 'water-food-energy security nexus' that challenges most of the states within this region.

The Water-Food-Energy Nexus in the Middle East

Before analysing economic (in)security in a specific sub-region in the Middle East, I will first address problems that plague the Middle East region as a whole: namely water, food, energy insecurity, and lack of crucial infrastructure. As food, water, and energy demands remain unmet due to an increasing population, economic growth, and urbanisation, conflict both within and between states become more likely. According to Sullivan (2013), this 'water-food-energy security nexus' could drastically affect both food and water security in the future (11). The reasons behind water, food, and energy insecurity are manifold; these problems range from the desert climate to the gross misuse of existing renewable fresh water resources. Climate change and conflict throughout the region also continues to threaten both food and water supplies (UNDP 2011).

An investigation into the land morphology of the region reveals that the region is one of the most arid in the world. Because of this arid desert climate, the region suffers from a lack of rainfall and high evaporation rates. The drier climate impacts both the availability of renewable water resources as well as the production of agricultural products. According to a recent *UNESCO* report on 'Water for a Sustainable World', three countries in the Middle East – Iran, Turkey, and Iraq – contain renewable water resources above 1,000 cubic meters per capita. The renewable water resources in four additional countries – Lebanon, Morocco, Egypt, and Syria – exceed 500 cubic meters but remain below 1,000 cubic meters per person per year. The remaining countries in the MENA region fall below the 500 cubic meter cut-off (WWDR 2015). On top of inadequate renewable surface water resources and weak institutional oversight, a lack of water governance has resulted in increasing water insecurity throughout the region. Newer challenges such as decreasing water quality, water misuse, droughts and floods, climate change, and transboundary conflicts have all added further complexity to an already challenging water situation.

The water-food-energy nexus challenges in the GCC group provide an illuminating example. The Gulf monarchies have very little renewable surface and subsurface water resources. On average, in this sub-region the per capita renewable water resource supply amounts to 92 cubic meters per capita. Kuwait, for example, can only provide seven cubic meters of fresh water per year. Saudi Arabia contains about 874 cubic meters (Aidrous 2014). Yet, due to a surge in population growth and urbanisation, the consumption of fresh water in the Gulf States has spiked dramatically (Aidrous 2014). In response, governments have become reliant on the extraction of non-renewable fresh water from subsurface aquifers and the expensive desalination of sea water to meet demand. The GCC economies now make up almost 50% of the global desalination capacity (World Bank 2017).

While the World Bank does concede that desalination could potentially alleviate some future water shortfalls, it does come with a price (World Bank 2012). The desalination process requires a large energy input, which is largely dependent on fossil fuel consumption. The problem is that as the price of fossil fuels continues to fluctuate, desalination becomes more and more expensive as long as it requires fossil fuels to operate efficiently (World Bank 2012). In fact, a recent article reports that as the populations grow in the GCC states, water will become a more expensive geostrategic resource than oil. One ton of fresh water is already more expensive than a ton of oil (Aidrous 2014). Despite the expense, the price of water in this part of the world is heavily subsidised by the government and there is very little institutional oversight and control over its use. These two factors in turn contribute to the over-consumption and misuse of this scarce resource by wealthy citizens who build private pools, golf courses, and gardens in states like Kuwait. Yet, while government water subsidies primarily help the middle and wealthy classes, people living in poverty in the Gulf sub-region gain little benefit (UNDP 2011). Droughts, for example, primarily affect those populations who live in rural areas beyond water and energy infrastructure and are thus dependent on wells, which can dry up (Sullivan 2013).

Food insecurity in the GCC states reflects a similar disproportionate distribution. It is a distribution that primarily benefits the wealthy and the middle classes but hurts poorer segments of the population. The MENA region is a large food importer in part due to the lack of arable land and declining water supply. While the region continues to see a population boom and thus an increase in demand for food, the local production of food cannot keep up (World Bank 2017). To ensure food security, governments have expanded the production of agricultural crops that consume a large amount of fresh water. Yet while the agricultural sector consumes a large percentage of available water throughout the Arabian Peninsula, in states like Saudi Arabia the agriculture sector only contributes five per cent of GDP but utilises 88% of fresh water resources (Aidrous 2014). The UNDP report argues that this water consumption is ultimately untenable. As the region becomes more dependent on desalination, the local production of food becomes unsustainable (UNDP 2011). Thus, as water becomes scarcer and the price of hydrocarbons continues to fluctuate, water and food insecurity could possibly lead to further conflict in the region (UNDP 2011). A growing population and a concomitant increase in demand for both food and water will continue to put pressure on the Gulf economies. Conflict between states for dwindling resources also contributes to increasing economic insecurity (Sullivan 2013).

Finally, the lack of critical infrastructure for private and public investment throughout the region continues to stunt economic growth. The central governments in the GCC states have neglected to develop their respective rural and peripheral areas. The exclusion of these areas in general development programs has only continued to exacerbate inequality and poverty (Sika 2012, 11). Indeed, the UNDP (2011) report notes that programs focused on the construction of infrastructure (roads, rural clinics, affordable housing, water supply networks) are critical for sustained economic growth (100). Furthermore, important infrastructure like desalination plants and hydrocarbon production plants are vulnerable to conflict and war, which could potentially disrupt GCC economies. Keeping the above regional problems in mind, the rest of this chapter will now examine the economic (in)security of the GCC economies beginning with a short historical overview of Middle Eastern economic integration.

Economic Integration in the Middle East

Although the Middle East region does indeed share Islamic and pan-Arab transnational ideas that have been co-opted by political elites in an attempt to unify and integrate the region, the post-colonial Middle East nonetheless remains a heterogeneous region caught between Sunni and Shi'a, tribal Islam and the post-colonial nation-state, as well as territorial disputes, and the Israel-Palestine struggle (Ahmed 2013). In the twentieth century, political leaders like Egyptian Colonel Gamal Abdel Nasser – under the banner of pan-Arabism and anti-imperialism – sought to promote a regional identity in response to European imperialism and colonialism. Yet, following the defeat of Nasser in the 1967 war against Israel, the Arab unity movement declined and left a fractured region made up of warring post-colonial Arab states (Hudson 1999, 19). As put forward by Cummings and Hinnebusch (2013), the clash between regional pan-Islamic or pan-Arabic supranational structures (e.g., Islamic empires) and the imposed European nation-state poses a fundamental challenge to the legitimacy of the political elite in post-colonial Arab states (125). In the present, regional cooperation in the MENA region is ostensibly based on non-intervention in each other's domestic affairs (Hudson 1999, 13).

As a result, in contrast to more economically integrated regions, like the European Union (EU), the 'Middle East is one of the least integrated areas in the world' (de Albuquerque 2016, 17). According to de Albuquerque (2016), this lack of formal economic integration is in part due to two factors: Arab state-driven nationalist economies and the fear of the political elite in smaller states that have concerns that countries like Egypt under Nasser or Saudi Arabia could potentially utilise regional organisations to dominate the region (18). Yet, that is not to argue that there have not been any attempts by the political elite in the Middle East to establish more formal economic arrangements – especially among the Gulf kingdoms.

In the 1970s and the 1980s, the political elite in the Middle East embarked on major economic liberalisation, privatisation, and deregulation projects in their respective states. In the past two decades, further trade liberalisation continued as more states in the Middle East joined the World Trade Organisation (WTO). Rauch and Kostyshak (2009) point out that between 1970 and 2006, the 'three Arab worlds', in comparison to countries in Latin America and Southern Europe, gained considerably in the three categories that make up the Human Development Index (HDI): life expectancy, educational attainment, and income. Between those decades, both the Arab Mediterranean and the fuel-endowed nation-states outpaced southern Europe in both life expectancy and income. For example, by 2006, life expectancy in the fuel-endowed states was higher than in southern Europe (Rauch and Kostyshak 2009).

In addition to the World Trade Organisation (WTO), 23 states joined the Greater Arab Free Trade Area (GAFTA), which encompasses a number of commodities. States have attempted to cooperate in smaller sub-regional organisations over the decades as well. Two sub-regional organisations include states that are in geographical proximity to each other and have historical economic ties: the Arab Maghreb Union (AMU) – which includes Tunisia, Morocco, Algeria, Libya, and Mauritania – and the Mashreq that includes five states: Egypt, Jordan, Syria, Iraq, and Libya. The oldest and most successful economic and trading bloc within the GAFTA is the Gulf Cooperation Council (Boughanmi, Al-Shammaki, and Antimiani 2016).

In May 1981, six Arab Gulf states decided to form the Gulf Cooperation Council (GCC). The six original member states – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – established the GCC in response to the fall of the Shah in Iran, the resulting Islamic Revolution, and the Iran-Iraq war (Abdulla 1999, 151). While the six member states have achieved some agreement over security policies, especially in response to the 2011 Arab Spring, the exact nature and goals of the GCC remains rather ambiguous (Abdulla 1999, 160). The stated goals of the GCC, according to its charter, do not add more specificity: 'to effect coordination, integration, and interconnection between member states' (Charter of the GCC). Neither a strict security community, a political alliance, nor an economic integration venture, the GCC remains a loose collaboration among nation-states that share Islam as a religion, Arabic as a common language, a similar tribal heritage, and a common economic dependence on the export of oil and natural gas (Abdulla 1999, 160). The economic structure of the GCC has over the years undergone changes in an attempt to deepen the arrangement among its members. In 1983, the GCC established a free-trading zone that exempted local products and services from tariffs and taxes and, since the end of 2008, member states have also established a common market; in 2015, the GCC also put a customs union into effect (Karns et. al 2015, 232).

These economic measures have resulted in some success. According to an *Al Jazeera* report, in 2013 the combined economies of GCC member states had an aggregate GDP of $1.62 trillion, which made the sub-region the twelfth largest economy in the world (Abdulqader 2015). The GCC was also the fourth largest exporter in the world after China, the US, and Germany; these exports consisted primary of crude oil, natural gas, and other petrochemical products (Abdulqader 2015). That said, these economic accomplishments have been quickly overshadowed by a drop in world oil prices between 2014 and 2016, the civil war in Syria, the war in Yemen, and the conflict with the Islamic State. According to the World Bank, 2016 saw the growth of GCC economies slow to 1.6% as the problems of the oil sector affected other economic sectors (World Bank 2018). Indeed, the Middle East as a region has experienced a growth rate of less than three per cent in the last five years. This slower than expected growth rate may continue as the GCC economies face unstable global oil prices (World Bank 2018). Indeed, the long-term economic outlook for this region will continue to deteriorate if the Gulf oil-producers do not further diversify their economies (ISA 2018; Stevens 2016).

The GCC nonetheless remains the most successful attempt at regional integration in the MENA region. Other regional attempts beyond the GCC have largely failed. The EU – due to its proximity and historical connections to the MENA region – has also attempted to promote regional and economic integration in the Middle East through various policy measures with non-EU states. In 1995, the EU and the Mediterranean states (Algeria, Morocco, the Palestinian Authority, Israel, Syria, Jordan, Malta, Lebanon, Tunisia, Greek Cyprus, and Turkey) established the Euro-Mediterranean Partnership (EMP), which sought to promote economic integration and stability between the EU and the MENA region. The failure of the EMP, in part due to the collapse of the 2000 Israeli-Palestinian peace process, cleared the way for former French President Sarkozy's proposed Union for the Mediterranean (UfM). Envisioned as a continuation of the EMP, the UfM also floundered on the Israeli-Palestinian conflict and therefore failed to further integrate the two regions (Yildiz 2012, 122).

In 2003–2004 (renewed in 2011) the EU launched the European Neighbourhood Policy (ENP). The goals outlined by the ENP included promotion of the EU's normative agenda: the spread of democracy, human rights, and good governance in the MENA region (Del Sarto 2016, 218). Yet, even prior to the Arab Spring, Brussels worked with the authoritarian rulers in the MENA periphery in an effort to stabilise and secure the region (Del Sarto 2016, 225). Brussels' initial failure to respond to the Arab Spring in 2011 only further highlights the ineffective and paradoxical nature of the ENP.

Yet, despite the apparent successes of the GCC relative to other attempts at regional integration, the sub-regional institution remains divided by internal strife among its members. The proposed common currency, the Gulf Dinar, remains in limbo after the UAE rejected the common monetary project because of the plan to locate the central bank in the capital of Saudi Arabia, Riyadh, instead of Abu Dhabi (Ulrichsen 2017). In another instance, the monarchies in the GCC, led by Saudi Arabia, in a response to the events of the Arab Spring sought to establish thicker political and security ties with the monarchies in Morocco and Jordan in order to counter the protests and demonstrations that overthrew established dictators in Egypt, Libya, and Tunisia. Sean Yom (2014) argues that the eight monarchies that exist in the Middle East represent an epistemic community ungirded by a 'pan-royal identity', which sees itself as under threat by these protests. In 2011, Saudi Arabia's then-King Abdullah led the initiative by proclaiming that the GCC needed a 'Gulf Union' with a regional integrated security and military policy. Yet, despite yet two more GCC summit sessions in Bahrain (2012) and Kuwait (2013), King Abdullah's envisioned integrated political union did not materialise (Ulrichsen 2017). While the GCC sub-region is not as economically or politically integrated as some other regions in the world, the nation-states within this sub-region face similar problems. The rest of this essay will examine two problematic areas: hydrocarbon dependence and the confluence of high inequality and increasing youth unemployment.

The Decline of Oil Wealth in the Middle East

One of the enduring economic problems in this sub-region is its economic dependence on the export of hydrocarbons. The Middle East contains half of the world's oil and gas reserves and thus has been and remains a crucial strategic and geopolitical region marked by foreign interventions, which have sought to control the production of oil (Tagliapetra 2017). Yet, as the global energy market turns toward renewable energy sources, oil reserves begin to dwindle, and low-carbon emission technologies gain popularity in response to climate change, the economies of the primary oil-exporting nation-states in the GCC face a steep challenge. This section will briefly go over the history of oil in the Middle East and then detail the current challenges facing the region due to its reliance on the export of oil.

In the twentieth and twenty-first centuries, Western European empires, and later the United States helped transform the MENA region into a key node in the global energy circuit. During the latter half of the twentieth century, and as British and French imperial power declined, the United States' power expanded throughout the Middle East, premised on partnerships between state power and Western oil companies (Vitalis 2002). The turning point in the production of crude oil was the end of the Second World War. The meeting between Franklin D. Roosevelt and the future founder of the Kingdom of Saudi Arabia, 'Abd al-'Aziz Ibn Saud, onboard the USS *Quincy* in 1945 sealed the fateful relationship between the United States and Saudi Arabia, thereby cementing the role of the United States in the Middle East (Jones 2012; Vitalis 2002).

From 1940 to the 1970s, Middle Eastern states followed the general economic global trend that stressed a developmentalist model, which emphasised what Tarik Yousef (2004, 92) terms the 'interventionist-redistributive model'. In this narrative, it was the state's responsibility to intervene in the national economy to address social and economic ills. Important for oil-exporting states in the Middle East in terms of this model were the increasing oil revenues, which allowed these states to sustain their welfare systems. According to Yousef (2004, 95), 'For major oil producers like Algeria, Iraq, and Saudi Arabia, oil revenues permitted the creation of vast welfare systems that served as mechanisms for the distribution of oil wealth to citizens'. The tremendous wealth generated by oil exports allowed, at least between 1950 and 1970, for 'unprecedented levels of economic growth' (Yousef 2004, 96). This growth was in part caused by government investment in infrastructure, education, health, and state-owned businesses. Yet, by 1980 a more competitive international economy, weak oil prices, and a reduction in the demand for migrant labour marked the roots of an economic crisis (Yousef 2004).

To raise oil prices, Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela met in Baghdad and established The Organisation of Petroleum Exporting Countries (OPEC). OPEC's importance would become clear following the 1973 October War in which Egypt launched a surprise attack on the Israeli military in order to capture the Sinai Peninsula. As a response to the US's support of Israel, Saudi Arabia and other oil-producers nationalised the oil production and pricing and enacted an embargo on oil export, thereby driving up the price (Jones 2012, 211). Yet, in the 1980s and 1990s the region underwent a period of economic trade liberalisation, privatisation, and deregulation under the supervision of international monetary institutions and structural adjustment policies in response to the 1980s debt crisis. While, as Hanieh notes (2016) there were some protests against some of these austerity measures, the neoliberal policies that were popular outside of this region were implemented by Middle Eastern governments throughout the region (Hanieh 2016).

In the following decades, further conflict among nation-states in the Middle East and foreign intervention damaged oil production infrastructure in the region. The 1990 invasion of Kuwait by Iraq, the 1990-1991 Gulf War, the 2003 invasion of Iraq, and the subsequent Global War on Terror allowed regimes throughout the Middle East to both suppress dissent in the name of fighting terrorism and request more international resources to do so (Dahi 2011). More recently, lower oil prices in 2014 – from a high of $115 per barrel in 2013 to under $40 per barrel in 2014 – as well as the conflicts currently enveloping the region have led to slower growth in all of the major oil-exporting countries (Ghafar 2018). A recent World Bank report forecast that the GCC's economy will grow by 2.7% in 2020; furthermore, according to the same report, Iran, the second largest economy in the region, will grow by 4.3% by 2020 (World Bank 2018).[1] Despite the more optimistic report on GDP growth in the region, the GCC's continued dependence on oil-exports remains a problem. As per a recent *International Strategic Analysis* report, the wealthiest oil and gas-exporting countries still account for 62% of the region's GDP (ISA 2018). Thus, because earlier attempts at diversifying their economies away from oil have failed, the volatility of the global oil-market nonetheless puts the GCC economies at risk.

In response to the decline in oil prices, several of the GCC member states released economic strategic plans that outline economic diversification strategies. Generally, these plans emphasise increased private investment in the economy, the generation of jobs, and the creation of more opportunities for education and innovation (Tagliapetra 2017, 16). The Crown Prince Mohammed bin Salman of Saudi Arabia and his group of advisors recently released an example of one of these plans named the 'Saudi Vision 2030'. This strategic plan focused on moving the Saudi Arabian economy away from its dependence on oil, improving the life of its citizens, and increasing the role of the private sector in the national economy. In actuality, the diversification of Saudi Arabia's economy is perhaps more difficult than perhaps suggested by the 2030 plan. As Ghafar (2018) points out, about 90% of Saudi Arabia's export earnings and 42% of its GDP are still dependent on oil and oil-related industries. Ghafar (2018) further argues that a weakness of the 2030 plan is its lack of consideration for the political costs of the plan on citizens. These political costs become more apparent as the food-water-energy nexus is disrupted. As demonstrated by the conflict in Syria, food and water insecurity can act as factors that can lead to civil war (Sullivan 2013).

Inequality and Youth Unemployment

Discontent with the ruling classes and authoritarian governments in the Middle East came to a head in 2011 as the Arab Spring uprisings overthrew authoritarian leaders in Egypt, Tunisia, and Libya. While the Arab Spring uprisings primarily involved the autocrats of the Arab Republics who undertook economic reforms under the auspices of the IMF and the World Bank, which boosted their economies but undermined their legitimacy, the GCC group was largely spared. Two of its poorest members, Bahrain and Oman, also experienced demonstrations that protested pervasive corruption, wealth inequality, and limited political rights (Feiler 2013, 112). This section will first examine how the Gulf kingdoms avoided the same fate as their neighbours. It will then examine the transregional economic problems, specifically youth unemployment and inequality, that continue to trouble the region.

According to Galip Daly (2017), the Gulf monarchies were able to withstand the Arab Spring by employing a three-pronged strategy: aid packages and development, crackdowns, and a counter-revolution. In other words, wealthy GCC members like Saudi Arabia increased their domestic social welfare packages in order to stave off uprisings. This first strategy is just a more extreme version of what a 2011 UN report on *Arab Development Challenges* terms ‘rent-governance’. Or, put differently, the social contract between the political elite and the citizens in the Gulf monarchies is based on the exchange of certain political rights and freedoms for social welfare policies, low or no taxation, and healthcare (UNDP 2011). In this economic model, the state uses rent (oil in this case) to undergird the legitimacy of the ruling class through redistributive measures (Sika 2012, 10). In addition to this domestic policy, wealthy GCC members were also offered ‘development packages’ worth billions of dollars to non-GCC monarchies, Jordan and Morocco, so that these kingdoms could also prevent social unrest (Yom 2016). The second strategy consisted of cracking down on social media and political groups while concomitantly increasing welfare benefits. The last part of the strategy involved the monarchs in Saudi Arabia and UAE who attempted to launch a regional counter-revolution against the Arab Spring uprising.

Although the Gulf kingdoms did avoid the uprisings that toppled the autocrats in Egypt, Libya, and Tunisia, the decline of this sub-region’s oil wealth may require this region to renew their social contract with their respective populations. The Gulf region faces several problems that may impact future policy decisions. The Middle East’s extreme inequality in conjunction with a high-number of unemployed youth continues to hurt this region economically. According to ‘The World Inequality Report 2018’, the inequality in the Middle East is the highest in the world. The report claims that between 1990 and 2016 the top ten per cent in the region enjoyed 60-66% of the wealth in the region. Conversely, the bottom 50% only accumulates 10% of the regional wealth (Alvaredo *et al.* 2018, 131). This report demonstrates the contradictory nature of the GCC economies. While these economies are some of the richest in the world, their levels of poverty and inequality are some of the highest among their respective poor citizens.

The origin of this high inequality lies in the ownership of oil and those who can transform it into wealth (Alvaredo *et al.* 2018, 131). During the growth period in the 1970s, the GCC states never truly built a true developmentalist state. Instead, Dahi argues that ‘such states are able to use public investment to create an economy characterised by a ‘set of assets based on knowledge, exploited by skilled labor’ with “highly selective meritocratic recruitment”‘ (Dahi 2011, 3). In other words, the Gulf kingdoms, much like the other nation-states in the MENA region, rely on a ‘rentier state model’. In the GCC countries, the economic systems are defined by ‘high political control over the economy’ with informal connections between rulers and the business elite (Sika 2012, 9). The Gulf monarchies rely on corporatist and client networks that provide stability and political control for the monarchies who in return provide socio-economic development for the rising business class (Sika 2012).

Yet, as the wealth from oil resources continues to decline, the current model of governance in the Persian Gulf states may change. As the ‘Vision 2013’ demonstrates, the policy makers and monarchs of Saudi Arabia look to guide the economy away from its dependence on oil. A *Chatham House* report notes that if indeed the redistributive policies employed by the monarchy are limited in the future, the ruling elite will need to reestablish its legitimacy. In that report, Kinninmont (2017) argues that this search for a new foundation for its legitimacy 'could mean greater consultation and public involvement in decision-making, or, perhaps more likely, emphasise the importance of royal rule as a bulwark against insecurity, terrorism, and chaos, while maintaining or intensifying an authoritarian mode of rule'. The uncertain economic future and the high inequality in the Persian Gulf also poses problems for the large number of youths in these countries.

Much like in the countries that were at the centre of the Arab Spring, the Gulf monarchies have a high rate of youth unemployment (Feiler 2013). Wary of the Arab Spring and the large number of youths who participated in the uprisings, the governments in this region are increasingly aware of this predicament. According to the*2016 UN Human Development Report*, youths between the ages of 15 and 29 comprise about 30% of the region's population, or about 105 million people. The report further notes that a rise in conflict, political instability, a lack of decent jobs, and a decline in wages is forcing youth to temporarily or permanently leave their countries of origin (UNDP 2016). Although the GCC countries have the lowest unemployment in the Middle East, the GCC members have high unemployment among their respective national youth (Sika 2012). For instance, the unemployment for people between the ages of 15 and 24 in Saudi Arabia is 30%. Problematically, the predominance of the oil sector has resulted in a weak private sector that does not have enough available jobs to absorb the increasing number of unemployed (Al-khatteeb 2015). Moreover, when youths do enter the job market they are marginalised by individuals who have connections to the political elite (Sika 2012).

Conclusion

Although strategic economic plans, like the 'Vision 2030', do acknowledge these problems, it remains to be seen whether the GCC states can actually address increasing inequality, unemployment, and a decline in oil wealth. While these problems do transcend national borders in the Persian Gulf region, the GCC remains ineffective at addressing these economic issues. Moreover, the 'water-food-energy security nexus' and its challenges remain integral for both economic and national/regional security throughout the region (Sullivan 2013). In sum, economic insecurity both nationally and sub-regionally in turn influences the security of the Middle East as a whole.

Most recently, tensions between members of the GCC group – Saudi Arabia, Bahrain, and the United Emirates on one side versus Qatar on the other – threaten the unity of the regional organisation. Ulrichsen (2017) reports that the standoff between Qatar and its neighbours resulted from Qatari leaders' and the Qatar-based *Al Jazeera*'s support of both the Arab Spring uprisings in Syria, Yemen, and North Africa and of the Muslim Brotherhood and other Islamist organisations. Qatar's support of the Arab Spring and organisations like the Muslim Brotherhood are problematic for Saudi Arabian policy makers who view Islamist organisations and Iran as regional security threats. In response to Qatar's support of 'terrorism', the Saudi-led coalition, which included Bahrain, Egypt, and the UAE, launched a land, air, and naval blockade of Qatar Ulrichsen (2017).

As the 'Qatar crisis' continues, possible economic and security unity continues to be questioned by the inability of the GCC to align the interest of its members. Geopolitical clashes among GCC states and its neighbours continue to be guided by national priorities rather than regional or transnational interests. Moreover, conflicts increase economic insecurity, which in turn make conflict both within and between states more likely. That said, a common thread in terms of regional security in the GCC states does exist. The United States continues to play a vital role in the Persian Gulf region. In terms of regime security of the Gulf monarchies following the Arab Spring, Jones (2012) notes that the leaders of the closest allies of the US in the region – Saudi Arabia, Oman, and Bahrain – were more than willing to turn US purchased weapons on their own people. Indeed, the US's continued support of these regimes and military domination in the region represents just another factor that continues to undermine any attempt at regional and economic integration. Whether the economic and regional security situation of the GCC states will improve in the future remains to be seen.

Note

[1] Note, the World Bank made this forecast before the US withdrawal of the Joint Comprehensive Plan of Action

(JCPOA) on May 8, 2018. The reintroduction of sanctions by the Trump administration may lower the expected growth of Iran's economy.

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