Economic Statecraft, Coercion, and Resilience in the Gulf

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Abstract

The Arab Gulf states have emerged as significant practitioners of economic statecraft over the past few decades. The oil booms of 1973 and the early 2000s have allowed them to accumulate vast financial resources which they have deployed to shape political and strategic outcomes in their wider region.

The Arab Gulf states possess multiple levers of economic statecraft. To begin with, they are key exporters of oil and gas and enjoy considerable spare capacity, allowing them – especially Saudi Arabia – to manipulate oil markets.¹ During the 1970s and early 1980s, they were among the world’s largest and most generous donors of foreign aid; between 2013 and 2017, they accounted for about 60 percent of all concessional aid disbursed by non-Development Assistance Committee (DAC) members

Following a state capitalist model of development, the Arab Gulf states have created large sovereign wealth funds (SWFs) and state-owned enterprises (SOEs) with large amounts of assets at their disposal, including hundreds of billions of dollars’ worth of holdings in the form of US, and to a lesser extent UK and European, equities and bonds. Since the early 2000s, the Arab Gulf states have also channelled a large portion of their investments to the Arab Mashreq, dominating key sectors such as finance, real estate, and telecommunications. Given their need for foreign labour, moreover, the Arab Gulf states have attracted millions of Arab and South Asian migrant workers and have, as a result, turned into major sources of inward remittances for countries in the Middle East and South Asia.

Crucially, the Arab Gulf states have used these levers of economic statecraft to achieve their strategic objectives and shape their regional environments. In doing so, they have deployed and articulated a mix of strategies involving positive inducements and economic coercion, while utilising a range of financial and economic tools such as trade, direct financial support in the form of central bank deposits and in-kind oil and gas transfers, foreign direct investments, aid, employment visas, boycotts, and others. The Arab Gulf states have engaged in economic coercion on a few notable occasions. In 1973, they imposed an oil embargo aimed at nations that supported Israeli in the 1973 war and, in 1979, joined the Arab League in threatening to sanction Canada if it relocated its embassy from Tel Aviv to Jerusalem. More recently, Saudi Arabia suspended aid to Egypt in 2016 due to its frustration with Egypt’s policy in Syria and delays in handing over the Tiran and Sanafir islands. In 2020, Saudi

Arabia recalled its central bank deposits from Pakistan over political disagreements relating to Kashmir.\(^8\) Although the Arab Gulf states have been more reluctant to use migration as a point of leverage against sending countries, the UAE’s imposition of a visa ban on Pakistani nationals in November 2020 under the pretext of the COVID-19 pandemic, which some have attributed to political disagreements over Pakistan’s relations with Turkey and Iran, suggests perhaps a greater willingness to instrumentalise migration as a coercive tool of statecraft.\(^9\) Besides, the 2017 Gulf rift, during which Saudi Arabia, the UAE, and Bahrain closed their borders and airspaces to Qatar, suggests that the Arab Gulf states themselves are not immune from economic coercion or the need to build economic resilience.

Meanwhile, the Arab Gulf states have made more frequent use of positive inducements to achieve their foreign policy objectives. During the 1980s, they provided Iraq with over $40 billion in assistance in an attempt to tilt the Iran-Iraq war in Baghdad’s favour and keep Iran’s revolutionary regime in check.\(^10\) Following the 2011 Arab Spring, the Arab Gulf states spent billions of dollars in aid and assistance packages to stabilise friendly governments in Bahrain, Egypt, Jordan, Morocco, and Pakistan. In the Horn of Africa, Arab Gulf competitors have attempted to outbid one another by providing aid and investments to Sudan, Ethiopia, Eritrea, and other recipients.\(^11\)

This brief overview suggests that over the past five decades, the Arab Gulf states’ strategies and practices of economic statecraft have evolved in tandem with their environments and foreign policy priorities. Moments of flux in the regional order such as 9/11 and the Arab Spring, or more drawn-out trends such as the recalibration of the US’s role and presence in the Gulf region and regional rivalries with Iran, Turkey, and other competitors have shaped the Arab Gulf states’ appetites for engaging in economic statecraft. Meanwhile, low oil prices and growing fiscal constraints are also forcing the Arab Gulf states to seek greater geopolitical returns on their investments and assistance abroad. Looking ahead, the uncertainty surrounding their future economic prosperity and the emergence of new providers of aid, loans, and investments to the region such as China or India are factors that may prove decisive for the future trajectory of the Arab Gulf states’ economic statecraft.


Studying the Economic Statecraft of the Arab Gulf States: Challenges and Opportunities

The study of the Arab Gulf states’ economic statecraft is faced with several methodological and conceptual challenges. Traditionally, the unavailability and inconsistency of data on financial flows from the Gulf has arguably hampered research into the Arab Gulf states’ economic statecraft. In the area of foreign aid, for example, the public disclosure of data on Arab external assistance has, until recently, tended to be ‘sporadic and limited’. Reports published by the Coordination Group, which comprises Arab national and donor institutions, typically contain aggregated data that makes it difficult to estimate bilateral flows of aid. Moreover, aid data published by the Coordination Group often cannot be matched against ODA data reported by Arab Gulf governments to OECD-DAC due to differences in coverage and metrics.

But the situation is slowly changing as data becomes more available. To compensate for the shortfall, the AidData project at the College of William and Mary and the AEI have attempted to compile activity-level data on Gulf ODA and OOF flows. The Arab Gulf states have also set up agencies and institutions, such as the UAE’s Office for the Coordination of Foreign Aid, that have helped centralise reporting on foreign aid. Since 2010, moreover, the UAE, Kuwait, Saudi Arabia, and Qatar have joined OECD-DAC as participants and have begun to disclose disaggregated activity-level data to the OECD, implying a greater degree of transparency and consistency in the public disclosure of aid data. Beyond aid, several corporations and organisations track direct investments from the Arab Gulf states, including the Financial Times’ fDi Markets, the AEI’s Gulf Financial Aid and Intervention Tracker, and The Netherlands Institute of International Relations (Clingendael).

Setting aside the quality and availability of quantitative data, determining whether economic decisions, activities, or transactions are in fact instances of economic statecraft or not often requires knowing their underlying motivations. In democratic settings where decisions are often deliberated in public out of concern for coalition-building, public opinion, or even democratic tradition, triangulating decision-makers’ motivations is a relatively easier, if still challenging, task. In the

14 Ibid., pp. 1-2
16 https://www.oecd.org/countries/unitedarabemirates/unitedarabemiratesstatisticalreportingtotheoceddfivelmentassistancecommittee.htm
17 Meester, van den Berg, and Verhoeven, ‘Riyal Politik’.  

Arab Gulf states, by contrast, such decisions are often taken by small groups of individuals who tend to be unaccountable to domestic political institutions or audiences. Decision-makers, therefore, often do not feel the need to justify their decisions or publicly deliberate their underlying rationale. This complicates the analytical task of differentiating economic statecraft in the Gulf from other uses of FDI, aid, visa bans, etc. that may be motivated by profit-seeking, humanitarianism, responding to domestic political demands, public health concerns, etc.

The blurred boundary between public and private capital in the Arab Gulf states also raises a host of conceptual and methodological difficulties. Should the study of economic statecraft in the Gulf context remain limited to the use of economic and financial levers of statecraft by government agencies, SOEs, or SWFs? Or should it instead include investments from private corporations and high net-worth individuals or aid from private charitable institutions and foundations, especially those belonging to or closely connected with the ruling elite? Scholars have taken different approaches to answering these questions, resulting in a degree of inconsistency within the literature as to the inclusion criteria of what counts as economic statecraft in the Gulf context.

This workshop aims to grapple with some of these conceptual and methodological challenges that arise in the study of Gulf economic statecraft. It aims to do so by eliciting a scholarly conversation that elucidates the advantages and drawbacks of these various conceptual and methodological choices. It also seeks to address some of the methodological hurdles posed by the lack of data or the often-opaque nature of policymaking in the Arab Gulf states.

Description and Rationale

Objectives and Scope
The objective of this workshop is to build on the nascent academic interest and initiate a multidisciplinary scholarly conversation on the topic of economic statecraft, coercion, and resilience in the Gulf. Economic statecraft in the Gulf has been an understudied topic that has the potential to shed new light on the foreign policies and statecraft of the Arab Gulf states. Studying the Arab Gulf states allows us to examine the practice of economic coercion by hydrocarbon-rich states in a South-North and South-South context. By broadening the scope of the discussion to include economic resilience, moreover, this workshop looks at the Arab Gulf states as practitioners but also as potential targets of economic coercion.

This workshop builds on the growing academic interest in Gulf economic statecraft by inviting multidisciplinary contributions from the fields of International Political Economy (IPE), Foreign Policy Analysis (FPA), political science, international law, and others. It seeks to examine the following questions:

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18 Kuwait, due to elite factionalism and vocal parliament, may be an exception.
● How should we think about and conceptualise Gulf economic statecraft? How does Gulf economic statecraft compare to economic statecraft deployed by other countries in other regions? How does it fit in the wider literature on economic statecraft? What are its commonalities and specificities?
● What are the motivations behind Gulf economic statecraft? What foreign policy objectives does Gulf economic statecraft serve?
● What tools and instruments of economic statecraft have the Arab Gulf states deployed? How do they decide which tools to use? Do different tools have different effects on target nations?
● How effective is Gulf economic statecraft? To what extent have the Arab Gulf states been able to exploit their economic and financial leverage to achieve their strategic objectives? Which factors condition their success?
● In what ways do the Arab Gulf states’ political institutions and political economies condition their vulnerability to external economic coercion?
● What are the implications of the Arab Gulf states’ state capitalist development model for their ability to use economic statecraft?
● What effects have energy prices had on Gulf economic statecraft? How is the prospect of lower oil prices – and therefore potentially declining government revenues – affecting how Gulf policymakers think about economic statecraft?

**Contribution to the Field of Gulf studies**

Although economic statecraft and coercion has been studied and theorised by scholars since at least the 1980s, Gulf and Middle Eastern area studies have only recently begun to examine the economic statecraft of the Arab Gulf states.19 The academic literature and policy debates have tended to focus on the US-China rivalry and its ramifications in the economic field, paying relatively little attention to economic statecraft in the Gulf. The 2011 Arab Spring, however, has accentuated scholarly interest in the economic statecraft of the Arab Gulf states.20 The scholarly interest in researching the


political and governance implications of Gulf foreign aid or financial intervention has also been fuelled by the increasing availability of data on Gulf foreign aid and investments.

Despite these advances, the literature on the economic statecraft of the Arab Gulf states is still in its infancy. This workshop aims to invite multidisciplinary contributions from the fields of International Political Economy (IPE), Foreign Policy Analysis (FPA), political science, international law, and others on the topic of economic statecraft, coercion, and resilience in the Gulf. By doing so, the workshop seeks to arrive at a more refined, multi-perspectival understanding of the topic of economic statecraft, coercion and resilience in the Gulf while contributing to the multidisciplinary character of Gulf studies. In the aim of connecting the field of Gulf studies more closely to broader theoretical debates on economic statecraft, this workshop also seeks to test, refine, and explore the explanatory potential of theories and models of economic statecraft, using the Arab Gulf states as case studies.

**Workshop Agenda & Paper Topics**

Papers submitted to the workshop are expected to address some of the following topics:

- The policy effectiveness of various strategies and tools of Gulf economic statecraft, including trade, investments, foreign aid, other forms of financial support, visa bans, etc.
- The role of state-owned enterprises, sovereign wealth funds, and national champions in Gulf economic statecraft
- Global energy markets and OPEC/OPEC+ as privileged arenas of Gulf economic statecraft
- Comparative analyses of economic statecraft in the Gulf and in other regional contexts
- The Arab Gulf states’ arms purchases and the defence policy – economic statecraft nexus
- Migration to the Gulf and economic coercion in a South-South context
- Inside the black box of Gulf economic statecraft: the policy process, the input of the private sector, and the articulation between political and economic imperative in the making of economic statecrafts
- The financialization of Gulf capital, investments in American and European sovereign bonds, and their implications for Gulf economic statecraft
- Regional and international financial institutions as instruments and targets of the Arab Gulf states’ economic statecraft
- The historical evolution of Gulf economic statecraft
- Economic statecraft as a foreign policy strategy of the small Gulf states
- Economic coercion in the Gulf and international law

**Publication Plan**

The workshop organisers plan on publishing accepted papers that satisfy the peer-review process within a special issue of an academic journal that specializes in

economic statecraft, political economy, international relations, or Middle Eastern area studies.

**Acknowledgment of and Agreement with the Workshop Director and Publication Guidelines**
We hereby acknowledge and accept the GRM’s Workshop Director Guidelines and Publication Guidelines.
Bibliography


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