



Kuwait's Parliament: An Experiment in Semi-democracy

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Summary points

- The political crisis of June 2012 has emboldened Kuwaitis calling for constitutional reforms, above all to improve the functioning of parliament. Supporters of reform across the Gulf region hope that Kuwait will set a precedent by developing a genuine constitutional monarchy; conservatives think quite the opposite.
- Kuwait's parliament has an adversarial relationship with the government. With neither the rights nor the responsibilities of governing, elected representatives largely function as an opposition to the royally appointed cabinet.
- Parliament can veto government actions, but has few powers to propose solutions to problems. There are no clear mechanisms to resolve legislature–executive disputes, except for the outright dissolution of parliament by the ruler, which has become almost routine.
- This state of affairs is widely blamed for a poor recent record of implementing government investment projects and the limited success in bringing in foreign investment. The perception that Kuwait's relative democracy hinders its economic development has negative repercussions for the perceptions of democracy in the Gulf region.
- Parliament could be improved by the introduction of political parties and appointing MPs to ministerial positions, but there are broader questions about the functioning of an elected parliament in an oil-rich, state-dominated economy and the meaning of democracy where most of Kuwait's population are non-nationals.

Introduction

Kuwait's parliament, established in 1963 as part of the country's first post-independence constitution, is the oldest and most powerful institution of its kind in the Gulf Arab countries, all of which are ruled by hereditary monarchs. Kuwait is the closest of these countries to having a constitutional monarchy, where the constitution and the parliament exercise some real constraints on the ruling emir, although most political power still lies with the ruler and his family. As a result, the experience of Kuwait's parliament, and perceptions of its achievements and failures, have a bearing on the ways in which the idea of having a parliament, and the notion of democracy itself, are perceived in the other Gulf countries.

Opponents of democracy use their criticisms of the Kuwaiti example to argue that democracy is not appropriate for the Gulf, while proponents take a more positive view of the Kuwait experience or argue that further democratization is needed to make it function better. At best Kuwait is a semi-democracy. Campaigners who seek more political rights¹ in Kuwait have become increasingly vocal since the uprisings in other Arab countries began in late 2010. In late 2011, after months of youth-led protests, the emir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, dismissed the then prime minister, Sheikh Nasser Al-Mohammed Al-Ahmed Al-Sabah, dissolved the cabinet and called fresh parliamentary elections, which were held in February 2012.

Changing the prime minister in response to popular pressure was something unique in the Gulf, where the position is normally held by a senior member of the royal family for many years. At present, in Saudi Arabia and Oman, the ruler is both monarch and prime minister; in the UAE, the position is held by the ruler of Dubai; in Qatar, the premier is the foreign minister; and in Bahrain,

the prime minister, the uncle of the king, is the longest-serving premier in the world. Ruling-family conservatives in the other Gulf countries will be concerned that the way events in Kuwait develop could be seen as a precedent for their countries. Kuwait also indicates that wealth alone is not enough to forestall demands for more political rights; in 2010, Kuwait was the 15th richest country in the world in terms of GDP per capita.²

In general, Kuwaitis seem to value the existence of a parliament, though they have their criticisms and frustrations with it. When it has been dissolved – which happened in 1976–80 and 1986–1992 – there have been strong calls to reinstate it. The parliament was most recently revived after Kuwait's liberation from the 1990–91 Iraqi occupation, forming part of a renegotiation of the social contract between the ruling family and the nationals; in October 1990 the exiled rulers met with Kuwaiti opposition leaders in Jeddah and promised that when Al Sabah rule was restored, the parliament and constitution would be restored too.³

But the parliament is often criticized for hindering economic development. Recent parliaments have proved unstable and short-lived: the February 2012 elections were the fourth in five years. Less than four months later, in June 2012, the emir adjourned parliament for a month, after the finance and labour ministers both resigned under pressure from MPs, who also sought to question the interior minister.⁴ Later that month, the constitutional court issued an unprecedented ruling saying that the 2012 elections were legally invalid, because it judged that the emir had acted unconstitutionally when he dissolved the previous parliament. On one hand, this was a rare example of the court overruling the emir. On the other hand, the effect was to abolish a parliament dominated by opposition MPs, including Islamists of various stripes, and to

1 Kuwaiti opposition activists usually seek a greater degree of democratic representation within the framework of a constitutional monarchy. They have also mobilized around issues of human rights and corruption.

2 Based on IMF data. Beth Greenfield, 'The World's Richest Countries', *Forbes* magazine, 22 January 2012. <http://www.forbes.com/sites/bethgreenfield/2012/02/22/the-worlds-richest-countries/> (accessed June 2012).

3 See Mary Ann Tétreault, *Stories of Democracy: Politics and Society in Contemporary Kuwait*, Columbia University Press, 2000, p. 85; David Roberts, 'Kuwait', in Christopher Davidson, ed., *Power and Politics in the Persian Gulf Monarchies*, Hurst/Columbia University Press, 2012.

4 Article 106 of Kuwait's constitution allows the emir to adjourn parliament for up to one month. An English translation of the constitution can be found at the International Constitutional Law Project, <http://www.servat.unibe.ch/icl/ku00000.html> (accessed July 2012).

reinstate the more pliable parliament that had gone before it, which included more pro-government MPs. The move was thus seen as serving the ruler's interests.⁵ Its timing added to this perception: it came just after Egypt's constitutional court dissolved that country's first post-Mubarak parliament, which was also dominated by Islamist MPs, in a move widely seen as part of a larger-scale power grab by the military on the eve of Egypt's presidential elections.

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While the court ruled that the previous (2009–11) parliament should be reinstated, the vast majority of its MPs have refused to return, given the intensity of the controversy over the move. It is generally expected that fresh elections will be held before the end of 2012.

Especially over the last decade, economic growth and development in Kuwait have often been perceived as having lagged behind other countries, notably the UAE and Qatar, which are the two least democratic states in the Gulf (neither has an elected parliament, though Qatar has promised to introduce one).⁶ The recent record of implementing government investment projects and bringing

in foreign direct investment has been disappointing, and is partly blamed on the troubled relations between the parliament and the government, which repeatedly fail to work together to push development projects through. That said, Kuwaiti politics are not the only factor differentiating the country from these neighbours: its oil wealth limits the perceived urgency of diversifying the economy into other sectors, unlike in oil-poor Dubai, Oman or Bahrain.⁷

Another concern is that parliament regularly adopts short-term, populist fiscal policies. Kuwait is hardly alone in the Gulf in this regard, but there are particularly acute questions about how the country can go about managing the future expectations of its citizens concerning fiscal policy and the role of the state, in a context where parliament and government are liable to blame each other for any economic problems.

The narrative that the Kuwaiti parliament is hindering economic development is sometimes used as a basis for broader generalizations about the appropriateness of democracy for the Gulf countries – especially by elites who argue that democracy is culturally inappropriate for the Gulf, or that Gulf citizens somehow have to choose between democracy and economic growth. Would they rather, it is asked, have Dubai's combination of authoritarian rule and economic development, impressive infrastructure and global fame, or an elected parliament that blocks development and routinely collapses?

Yet this view is greatly oversimplified. Despite having had a parliament for most years since 1963, Kuwait was seen in the earlier decades as a leader of Gulf economic development, investing in education, foreign aid and scientific research. This suggests that it is not simply the existence of a parliament in itself that hinders development, but the specific relations between the parliament and the government over the past two decades. More

⁵ As soon as the emir adjourned parliament, there was speculation that a full dissolution would soon follow. See for instance *Kuwait Times*, 'Amir suspends National Assembly for one month – Opposition accuses "sides" of pushing for dissolving house', 19 June 2012, <http://news.kuwaittimes.net/2012/06/18/amir-suspends-national-assembly-for-one-month-opposition-accuses-sides-of-pushing-for-dissolving-house/>.

⁶ See Abdulkhaleq Abdulla, 'Contemporary Socio-Political Issues of the Arab Gulf Moment', Research Paper, London School of Economics Kuwait Programme on Development, Governance and Globalisation in the Gulf States, December 2010, <http://www2.lse.ac.uk/government/research/resgroups/kuwait/documents/PaperAbdulla.pdf>.

⁷ Qatar, which is even richer, has nevertheless been faster to develop sectors beyond oil and gas in the past decade.

broadly, the complex relationship between development and democracy can hardly be judged on one single country case study of a semi-democracy.

This paper seeks to unpack the relationship between the parliament and economic development in Kuwait. It identifies areas where parliament can be said to be hindering development and seeks to explain why, while also noting other possible obstacles to economic development in Kuwait. The paper concludes by identifying some of the ideas that have been suggested for making the relationship between parliament and government more constructive as an enabler for greater political and economic development.

Kuwait's parliament in the Gulf context

Kuwait's parliament, the first to be introduced in the Gulf countries, remains the most powerful elected institution of any in the region. Kuwait had its first elected (by a restricted electorate⁸) legislative council (*majlis*) in 1938, after a campaign by influential merchants. The *majlis* was dissolved after six months when it tried to take control of the country's oil revenues. Fresh elections were held, but the newly elected council was then dissolved the following year because it refused to ratify a constitution that would have increased the ruler's power.⁹

The modern-day parliament was introduced by the post-independence constitution of 1962, which was written by an elected (albeit only by male citizens) assembly. Women only obtained the right to vote in 2005, which more than doubled the electorate. It has been argued that establishing a national parliament, elected by Kuwaitis, helped to contain tendencies towards pan-Arab nationalism in the 1960s, when post-colonial nation-state boundaries were being challenged, and Egypt and Syria, and more briefly Iraq and Jordan, experimented with Arab unions. The rhetoric of Arab unity was particularly worrying to Kuwait given its long-standing border disputes with Iraq.

Kuwait's relatively powerful parliament is often seen as reflecting its specific traditions, whereby the Al Sabah rulers were historically regarded as 'first among equals', rather being revered as royals or seen as holding religious legitimacy. Jill Crystal has described the Al Sabah's position in pre-oil Kuwait as 'Sabah pre-eminence'¹⁰ rather than hereditary monarchy, noting that the financial power of Kuwait's merchants allowed them to limit the power of the ruling sheikh, while Ghanim Al-Najjar has described the relationship between the merchants and the Al Sabah family as 'joint governance' based on 'complete interdependence'.¹¹

The balance of power was altered with the coming of the oil age and the nationalization of the oil sector in 1975, which placed the country's key economic resource in the hands of the government, instead of the merchants who had previously owned it. Al-Najjar also notes that since 1954 the government has owned 97% of Kuwait's land (as public land, not royal property). As in most other Gulf states, the government now controls the bulk of the country's economic resources, which provide the majority of government revenue; it no longer needs to levy taxes or rely on financial contributions from merchants. This means the relationship between parliament and government is somewhat different from the situation in countries where corporate and private taxation provides most of the government's revenue. Yet Kuwait's MPs do seek to scrutinize public spending, raising questions about the government's budget and the state sovereign wealth fund, while also spending much of their time trying to obtain a greater share of rentier-state benefits for their constituents.

The parliament comprises fifty MPs elected directly by voters in five constituencies, while the cabinet ministers, who are royally appointed, are also considered members of parliament by virtue of their office.¹² There is no legal basis for establishing political parties, as in all the Gulf

⁸ The merchants drew up a list of voters from senior members of 150 prominent families.

⁹ Jill Crystal, *Oil and Politics in the Gulf: Rulers and Merchants in Kuwait and Qatar*, Cambridge University Press, 1990, p. 51.

¹⁰ *Ibid.*

¹¹ Ghanim Al-Najjar, 'The Challenges Facing Kuwaiti Democracy', *Middle East Journal*, Vol. 54, No. 2, Spring 2000.

¹² Article 80 of Kuwait's constitution.

states, but there are *de facto* political blocs that perform some of the functions of parties. In the short-lived parliament elected in early 2012, MPs from a range of political movements, including secular Arab nationalists from the Popular Action Bloc, Muslim Brotherhood and Salafi Islamists, formed a loose opposition coalition based on shared complaints against the government and demands for constitutional reform. The 2012 parliament can be broken down roughly as follows: 21 candidates from powerful tribes (such as Al Awazem and Al Mutairi), mainly from rural and suburban areas, including an opposition MP, Musallam Al Barak, who won the highest number of votes ever cast for a single candidate; four candidates from the Islamic Constitutional Movement (associated with the Muslim Brotherhood); four Salafi Islamists; five Shia Islamists; and a variety of liberal nationalists (two of whom are Shia Muslims) and independents from urban constituencies. These are not strictly defined or bounded groups, so estimates of their numbers can vary; for instance, roughly half of the tribal candidates are broadly sympathetic to the Islamist groupings.¹³ Islamists are not a new phenomenon in the Kuwaiti parliament, but have been active participants in parliamentary life for decades. This parliament did not include any women, although Kuwait's 2009–11 parliament included four female MPs, the first to be elected in competitive elections anywhere in the Gulf.¹⁴

Kuwait's demographics and social structures have changed significantly since the parliament was established in 1963, and some have argued the body needs further reforms to adapt to these changes. Following the extension of the vote to women in 2005, there have been calls to lower the voting age from 21 to 18, given that 45% of Kuwait's population is under 25.

Turnout in the 2012 elections was 60% of eligible voters. As of 2012, there are some 400,000 eligible voters out of a total population of 3.7m, of whom 1.2m are nationals.¹⁵ Of the non-nationals, between 90,000 and 180,000 are stateless people, or *bidoon*, who generally claim to be Kuwaitis but have no passports; their continuing disenfranchisement is a key human rights concern. An estimated 200,000 tribal and Bedouin people from neighbouring countries were given Kuwaiti nationality, and the vote, in the 1960s and 1970s, when the government saw them as loyal, traditional and a useful counterweight to the (largely urban) liberal and Arab nationalist opposition of the time. This policy has gradually backfired as the second generation of the same tribes tend to see their citizenship as a birthright, not a gift, and have become a source of opposition in their own right.¹⁶ Powerful tribes operate as para-political structures, holding their own tribal primaries to select candidates for parliament.

It has sometimes been argued that Kuwait's parliament does not constitute a model for other Gulf states, as each has its own unique history and traditions.¹⁷ Nonetheless, a highly successful parliament in Kuwait would be likely to inspire other Gulf nationals to call for the same rights at home. Indeed, Bahrain's first post-independence constitution, drafted by an elected assembly in 1973, was largely based on the Kuwaiti example, but the parliament was suspended after two years and a new constitution in 2002 diluted its powers. Bahrain's largest political society, Al-Wefaq National Islamic Society, still argues that the Kuwaiti model of an elected parliament with powers to question the prime minister is the minimum that Bahrain should expect.¹⁸ However, some pro-government Bahrainis cite the Kuwaiti experience as an argument against democracy – illustrating the extent to which Kuwait's experience helps to frame the Gulf-wide debate about political structures.

13 Gwenn Okruhlik, 'The Identity Politics of Kuwait's Election', *Foreign Policy*, 8 February 2012, http://mideast.foreignpolicy.com/posts/2012/02/08/the_identity_politics_of_kuwait_s_election#_edn1.

14 Bahrain's elected chamber of parliament has included a female MP, Latifa Al Qaoud, since 2010, but she was elected unopposed.

15 Ghazi Abdul Raheem, *Kuwait Economic Brief*, National Bank of Kuwait, April 2012, [http://kuwait.nbk.com/InvestmentAndBrokerage/ResearchandReports/\\$Document/OtherPublications/en-gb/MainCopy/\\$UserFiles/EBPopulationLabor2012410E.pdf](http://kuwait.nbk.com/InvestmentAndBrokerage/ResearchandReports/$Document/OtherPublications/en-gb/MainCopy/$UserFiles/EBPopulationLabor2012410E.pdf) (accessed July 2012).

16 This experience could have lessons for Bahrain, which in the last decade has naturalized thousands of new citizens, generally thought to come mainly from Sunni countries overseas.

17 Chatham House MENA Programme, 'The Experience of Parliamentary Politics in the GCC', Workshop Summary, <http://www.chathamhouse.org/publications/papers/view/183411>.

18 Author interview, London, April 2012.

Meanwhile, the outspoken nature of the Kuwaiti parliament, in a country that has the greatest degree of freedom of speech of any in the Gulf, can result in criticisms that would be taboo in other Gulf countries – sometimes sparking a reaction from the authorities. For instance, in February 2012, the speaker of the then parliament, Ahmed Saadoun, the head of the Popular Action Bloc, criticized Gulf governments' plans for the greater unification of the GCC countries, pointing to the lack of political freedoms in Saudi Arabia and asking why Kuwait should unite with a country with hundreds of political prisoners. In June 2012, a young Kuwaiti, Hamad Al Naqi, was sentenced to ten years in jail for tweets deemed to have insulted the Prophet (for which the maximum sentence is one year) and the rulers of neighbouring Saudi Arabia and Bahrain (which was ruled to constitute the crime of making statements that harm Kuwait's national interests, for which the minimum sentence is considerably longer, at three years).¹⁹

Kuwaitis are accustomed to a high degree of freedom of speech and make use of it in lively media and in the deeply rooted social institution of the *diwaniyya*,²⁰ a traditional (though also evolving) Kuwaiti socio-political institution that indicates that free discussion and political debate are not the alien or 'Western' concepts that conservative or cultural-relativist critics sometimes suggest. Yet some express concerns about a perceived rise in 'hate speech' – especially statements deemed offensive to tribal or religious groups – and legislation to counter it has been mooted.

Given Kuwait's importance as a rare example of relative democracy, it is hardly surprising that media outlets owned by governments and princes around the Gulf may be keen to emphasize the failings of the Kuwaiti parliament and downplay any advantages.²¹ Kuwait's MPs arguably bear an additional responsibility given their impact on the wider perception of democracy in the Gulf.

Democracy and development

It would be overstating the case to infer from specific criticisms of the recent Kuwaiti experience that democracy is not feasible in the Gulf, or that it necessarily hinders economic development. There is no conclusive evidence that democracy *per se* either encourages or holds back economic development, probably because both democracy and development are very broad concepts. The notion of democracy, as 'government of the people, by the people, for the people' is an abstract idea that can probably never be fully implemented; attempts at applying it encompass a great diversity of possible models that can be adapted to different settings.

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There is a large body of literature on the complex relationship between democracy and economic development, although much of it focuses on whether a particular level of economic development is necessary for (or is conducive to, or necessarily leads to) democracy, rather than whether democratic government helps or hinders economic development. Most of the world's richest countries are democracies, with the four wealthiest Gulf states being the main exceptions,

19 Details of the sentencing were provided by Mr Naqi's lawyer to Human Rights Watch. Human Rights Watch, 'Kuwait: 10 Years for Criticizing Neighboring Rulers', 7 June 2012, <http://www.hrw.org/news/2012/06/07/kuwait-10-years-criticizing-neighboring-rulers>.

20 *Diwaniyya* are salon-type gatherings where discussion often focuses on politics (for instance, would-be MPs tend to visit the diwans of prominent families during election campaigning).

21 This concern was raised by some participants in a roundtable discussion in Kuwait in February 2012 (Chatham House MENA Programme, 'The Experience of Parliamentary Politics in the GCC'). It was also expressed in an interview with an opposition MP, Kuwait City, February 2012.

making them interesting case studies for the broader debate. Certainly democracy does not guarantee growth or prosperity, but neither does authoritarian government (for instance, compare China and North Korea). Individual states can also see dramatic changes in their economic development paths over time without necessarily seeing major changes to their level of democracy. For instance, during the 1980s, India used to be held up as an example of an economically inefficient democracy compared with the faster-growing, authoritarian 'tiger' economies of Southeast Asia; yet today India is growing more rapidly than China, and is cited as an example of an economically successful developing-world democracy.²² Democracy does not in fact seem to have been the decisive variable in either period.

In empirical analyses, no simple correlation can be found, as the progress of both democracy and development depends on a broad range of factors. For instance, a government's ability to promote growth will be influenced by the structure and quality of the bureaucracy, the strength of institutions and the rule of law (protection of contracts, property rights and so forth), state-business relations, the country's relative position and comparative advantages in the international system, and so on. Such factors tend not to be directly linked to the existence of representative political systems.

Attempts to find a correlation are further complicated by questions over the definition of democracy ('procedural' definitions focus on the existence of elections, a narrow but objective measure, while 'substantive' definitions focus on wider but less tangible criteria that may include the extent to which there is genuine competition between political parties, freedom of the press, and so on); and over the definition of 'successful' economic development (for instance, whether the focus should be on macroeconomic growth or distributive justice).

It is also noteworthy that many well-established 'democratic' countries have mechanisms for taking certain aspects of economic policy-making out of the control of elected officials, for instance by setting up central banks that are independent of government; the literature on central bank independence²³ presumes that putting interest rates under the control of elected parliaments will result in short-term policies and will render interest rate policy and inflation vulnerable to the electoral cycle.

Full democracy has not been tried in any Gulf state. However, a deficit in other models of democracy in the Gulf and the broader Arab world has encouraged this line of thinking.²⁴ It remains to be seen whether developments in the region since 2011 will gradually change this. As of 2012, however, the GCC state with the next strongest parliament, Bahrain, is also experiencing political turmoil. While this is again largely due to dissatisfaction with a deficit of democracy,²⁵ conservatives in Gulf ruling families sometimes see Bahrain as having made a mistake by pursuing a limited political opening in the first place.

The limits of the Kuwaiti parliament

The current constitutional set-up gives the parliament significant abilities to scrutinize, pressurize and oppose government policies, but virtually no powers to facilitate new policies or better implementation. The main ways in which MPs can exert power are by blocking legislation, questioning and voting no confidence in ministers. The relationship between the parliament and the government is thus structured to be highly adversarial. The results of parliamentary elections are rarely reflected in the emir's choice of ministers. Instead, the institution of parliament often functions as a *de facto* opposition to the government,²⁶ rather than a partner in government (though some parliaments are more adversarial than others). Parliament

22 See Yasheng Huang, 'The Next Asian Miracle', *Foreign Policy*, 16 June 2008, http://www.foreignpolicy.com/articles/2008/06/16/the_next_asian_miracle.

23 See James Forder, 'Central Bank Independence – Conceptual Clarifications and Interim Assessment', *Oxford Economic Papers*, Oxford University Press, Vol. 50, No. 3, pp. 307–34, July 1998.

24 Abdulla, 'Contemporary Socio-Political Issues of the Arab Gulf Moment', p. 22.

25 See Jane Kinninmont, *Bahrain: Beyond the Impasse*, Chatham House MENA Programme Report, June 2012, <http://www.chathamhouse.org/publications/papers/view/183983>.

26 Kristian Coates Ulrichsen, 'Kuwait's Black Monday', *The World Today*, January 2012, <http://www.chathamhouse.org/sites/default/files/TWT0112p18Kuwait.pdf>.

also faces internal divisions and rivalries, as does the government. Social cleavages between Islamists and liberals, and between urban and tribal Kuwaitis, play out in the parliament, while rivalries within the ruling family sometimes spill over into parliamentary rivalries between the supporters of different royal personalities.

When the parliament and the government clash, there are few means for dispute resolution, and the emir has repeatedly resorted to dissolving parliament and calling fresh elections. As noted, this happened most recently in December 2011 for the fourth time since 2006, and the June 2012 adjournment of parliament followed by its dissolution by the constitutional court confirmed widespread speculation in Kuwait that it would again fail to complete a full term.²⁷ Such routine dissolution of parliament means that MPs have little ability to plan policies over a four- or five-year horizon, as they do not know how long they will be able to remain in office.

Parliament and economic development

There are three main areas of economic policy that are often subject to criticism:

- Unsustainable fiscal policy;
- Lack of progress on planned development projects;
- Stalemates over economic liberalization and privatization policies.

The current adversarial relationship between the parliament and the government is one of the factors impeding Kuwait's development, though not the sole factor. The arguments that suggest parliament is a hindrance to economic development can be broadly summarized as follows:

- Parliament adopts populist economic policies that are unsustainable and counterproductive.
- Parliamentary objections have led to the postponement or cancellation of major foreign investment projects including Project Kuwait, a plan to increase

the involvement of international oil companies in Kuwait, and K-Dow, a cancelled plan for a petrochemicals joint venture with Dow Chemicals of the US.

- MPs waste time with in-fighting instead of pushing through development plans.
- Parliament's frequent clashes with government create instability that is bad for business.

There is truth in all of these claims. At the same time, however,

- Gulf countries without parliaments also adopt populist economic policies.
- Objections to Project Kuwait, which would open up the oil sector to greater foreign investment, exist well beyond the parliament, including in the royal family;
- MPs blame the government for failing to push through development plans.
- The adversarial relationship between government and parliament, and the lack of a functioning dispute-resolution mechanism other than the dissolution of parliament by the emir, are specific features of the Kuwaiti constitutional set-up and not intrinsic parts of democracy; steps could be taken to address them.

Unsustainable fiscal policy

The unsustainable, short-term nature of fiscal policy is a problem throughout the Gulf, and it would be erroneous to suppose that only elected bodies are prone to populism. Across the GCC, the policy response to the Arab awakenings has included a dramatic expansion of public spending, especially on public-sector salaries and on jobs, and particularly in the security sector. In March 2012, Kuwait's Civil Service Commission announced that there would be a 25% increase in the basic rate of public-sector pay, but even this was rejected by the National Union of Kuwait Workers and Employees, which threatened weekly two-hour work stoppages and said that there should also be an increase in the allowances (such as overtime, night shift pay and food stipends) that many civil servants

²⁷ Author interviews, Kuwait City, February 2012.

receive on top of their basic salaries. In September 2011, oil-sector workers were given pay rises ranging from 35% to 65% depending on the job concerned. A series of strikes followed in the ports sector as Kuwaiti workers there asked for similar increases.²⁸ In March 2012, staff at Kuwait Airways went on strike over pay, forcing the struggling state-owned carrier to suspend flights for three days.

In 2011, the highest pay rises in the Gulf were seen not in Kuwait but in Qatar, where public-sector salaries were hiked by 60–100%, causing consternation in the private sector as Qataris were in effect priced out of most jobs in the sector. All of the GCC states have increased pay for civil servants and security forces and have added to the public-sector workforce since the beginning of 2011.

The Kuwaiti parliament is part of a wider political economy culture that exists across the GCC countries, sometimes described as rentier states. Nevertheless, it bears specific responsibility for certain short-term measures taken in the past, including the repeated cancellation of Kuwaiti nationals' debts, which has created moral hazard and helped to promote an irresponsible credit culture. Debts were cancelled after the 1979 and 1982 stock market crashes and the 1990–91 war, but consumer bailout schemes have been repeated several times since without equivalent crises having taken place, and in the 2012 elections many parliamentary candidates promised voters they would cancel debts again. MPs tend to increase the pressure on the government to ramp up spending, rather than finding solutions for the problems of oil dependence and the lack of fiscal sustainability. They are often described as 'service MPs', whose main function is to obtain economic benefits for their constituents. A focus group on Kuwaiti politics organized by a US NGO, the National Democratic Institute, noted the perception that *wasta* (which roughly translates

as connections, social capital, or 'who you know') from an MP was required to get things done in Kuwait and that this service role diverted MPs from their legislative and oversight functions.²⁹ A representative from the 2009 parliament described MPs wasting their time running around different ministries to obtain favours for their constituents, and lamented a lack of focus on a 'national interest'.³⁰

But parliament and government will both eventually be confronted with a shared dilemma: Kuwait will not be able to sustain its existing fiscal policy approach of near-constant expansion of current spending – mostly on wages, salaries and services (essentially consumption) – while planned capital spending (investment) is often not fully implemented owing to a mix of political and bureaucratic delays. Government spending has trebled since 2005, and the vast majority has gone into unproductive current spending,³¹ with the wage bill more than doubling over the past decade.

In 2012 it was estimated that the existing level of public spending required Kuwaiti oil to be sold at US\$109 per barrel – the highest budgetary break-even price of any GCC state. In mid-February 2012, just after the parliamentary election, the long-serving governor of the central bank, Sheikh Salem Abdulaziz Al-Sabah, resigned after 25 years in office in protest at the unsustainable trends in public spending, which compromised his ability to conduct a prudent monetary policy. Then, in April, an IMF mission to Kuwait stated that if current spending trends continued, the government would be consuming all of its oil revenues by 2017, preventing it from saving any portion for future generations. This would be a major setback for Kuwait, which was the first Gulf country to establish a sovereign wealth fund for oil savings.³²

There is awareness among senior levels of government of the need to address the unsustainable trends in fiscal policy,

28 Clifford Krauss, 'In wave of labor unrest, Kuwait customs strike halts oil shipments', *New York Times*, 10 October 2011, <http://www.nytimes.com/2011/10/11/world/middleeast/customs-officers-strike-in-kuwait-halting-oil-shipments.html> (accessed June 2012).

29 'In urban areas, these services relate primarily to the advancement of business interests, e.g. obtaining commercial permits; whereas in Bedouin areas, the services relate more to personal matters such as employment and healthcare.' National Democratic Institute for International Affairs, *Kuwait: Citizens' Perceptions of Women in Politics, Findings from Focus Group Research Conducted in February 2007*, NDI, February 2007, http://www.ndi.org/files/2204_ku_women_pol_010207_0.pdf.

30 Interview, Rola Dashti, Kuwait City, February 2012.

31 Kristian Coates Ulrichsen, 'Politics and Opposition in Kuwait', Hurst blog, 16 February 2012, <http://www.hurstblog.co.uk/politics-and-opposition-in-kuwait/>.

32 International Monetary Fund, *Kuwait – 2012 Article IV Consultation Concluding Statement of the IMF Mission*, 30 April 2012, <http://www.imf.org/external/nps/ms/2012/043012.htm>.

but a lack of urgency in dealing with these medium-term challenges, particularly at a time when the unpredictable local and regional political situation is generally encouraging governments to take short-term fiscal policy steps. Nor is the parliament helping to change the expectations of citizens about the future economic role of the state. It is unclear how the parliament and government could work together on this issue, and on present trends it appears likely that if economic problems emerge, each will blame the other – as is the case with the stalling of development projects.

Blocked projects

The development plan

Kuwaitis and their media frequently express a sense of malaise at the lack of progress in implementing investment plans while parliament and government are at loggerheads. In 2010 Kuwait approved a US\$111bn plan for partially state-financed investment in infrastructure and development projects, but progress has been limited. In April 2012, MPs highlighted their concerns over delays to the plan, failures to implement projects and questions of transparency, by rejecting the annual bill that the government must submit to parliament to authorize that year's spending under the plan. While this rejection arguably places pressure on the government to improve delivery, the planned infrastructure projects, power stations and hospitals remain unbuilt.

In defence of the role of parliament in this process, a newly elected opposition MP has argued the following:

The parliament is not responsible for Kuwait not developing as much as Dubai. To give you an example, the previous government presented a development plan, and it was approved almost unanimously. But in reality we didn't see anything implemented, because of the struggle among people who were interested in getting a chunk of the case, the projects and tenders. The funds have not been used, they are still with the Ministry of Finance.³³

Certainly there are a number of specific projects – notably Project Kuwait and K-Dow, described in more detail below – that have been blocked because of parliamentary objections. While corruption is a genuine concern, there is also a risk that corruption accusations can be used as a political tool, and as the perennial counter to accusations of inaction. Corruption is a problem not only in the business sector but in the parliamentary elections themselves, and there are routine accusations of government interference and vote-buying dating back to the 1960s. These undermine parliament's legitimacy, as MPs are sometimes seen as representing vested interests rather than voters' interests; the perception of corruption among politicians was one of the main factors driving the protests of 2011.

It is not only the parliament that has failed to deliver projects. The executive is sometimes the decision-maker in project cancellations. And the bureaucracy often under-spends on the capital budget – as is also seen in other Gulf states, including Bahrain and Saudi Arabia – as a result of inefficiency and waste. According to one former official,

The accusation that bureaucracy is behind the procrastination of projects has an element of truth. Also, the executive has sometimes scrapped projects because of opposition from MPs who have not necessarily represented the majority in parliament. We sometimes give in to pressure from groups in parliament that happen to be more organized.³⁴

K-Dow

In 2008, the government approved an agreement for the Petrochemicals Industries Company, a subsidiary of the state-owned Kuwait Petroleum Company, to set up a petrochemicals joint venture with Dow Chemicals of the US. The project, K-Dow, had the ambitious aim of becoming the world's leading producer of petrochemicals and plastics.³⁵ However, the government approved the deal during the parliamentary recess, and on its return

³³ Author interview, Kuwait City, February 2012.

³⁴ Meeting in London, June 2012.

³⁵ Dow Chemicals press release, 'Dow and PIC of Kuwait Sign Binding Joint Venture Agreement to Launch K-Dow Petrochemicals', Midland, MI, USA and Kuwait City, Kuwait, 1 December 2008, <http://www.dow.com/news/corporate/2008/20081201a.htm> (accessed June 2012).

parliament exercised its legal right to review the contract. In the event, opposition MPs forced the government to cancel it, amid accusations of profiteering. In May 2012, an international court of arbitration ruled that Kuwait's government must pay US\$2.2bn to Dow for cancelling the deal after the initial agreement; Dow had expected US\$7.4bn of investment from PIC into the joint venture. Meanwhile, Dow signed a deal to establish a world-scale petrochemicals joint venture with Saudi Aramco, Saudi Arabia's state-run oil company, with projected revenues of US\$10bn per year after the planned 2016 start date.³⁶

MPs are sometimes seen as representing vested interests rather than voters' interests; the perception of corruption among politicians was one of the main factors driving the protests of 2011

The episode was widely criticized in Kuwait's media given the cost to the public purse. For instance, in the *Kuwait Times*,³⁷ Badriya Darwish, a prominent journalist, argued MPs were being hypocritical in lamenting the fine for cancelling a deal that they themselves had helped to cancel: 'Sheikh Nasser's government was forced to cancel the deal after the shark attack by MPs. Now MPs are crying, "Why was the Dow deal cancelled?"' She also noted a view that MPs had been more concerned with scoring political points against the then prime minister, Sheikh Nasser, than with the national interest. In *Al-Jarida*,³⁸

Hamad Nayef al-Anzi pointed to responsibility at all levels, first criticizing 'obstinate' MPs for their 'political stubbornness' over the deal despite knowing of the penalty clause, then the government for being 'unable to defend its projects in the face of a few deputies standing in its face', and finally noting that 'the people must know they have a key role to play at the level of this entire situation'. On the latter, he argued that voters rewarded MPs who brandished corruption accusations, without ever being able to verify their accuracy. He concluded that 'worse is yet to come, as long as some deputies' hobby is to intervene in the government work and obstruct its projects before they are even launched'. The cabinet has said it will set up an inquiry into the reasons behind the cancellation of the deal, although this had not been initiated at the time of writing and appears to be in limbo.

Project Kuwait

The longest-running dispute over a proposed project relates to Project Kuwait, a plan originally developed in 1997 by the state's Supreme Petroleum Council, which aimed to more than double oil output in the country's less developed northern oil fields from 400,000 to 900,000 barrels per day (b/d) with greater and deeper involvement of international oil companies (IOCs). (For comparison, current total Kuwaiti oil production stands at 2.7mbd,³⁹ and the broader development plan for the sector aims to increase production to 4m b/d by 2020.⁴⁰)

Currently the participation of IOCs in the upstream oil sector is heavily restricted, as is also the case in Saudi Arabia. Some operate on the basis of technical service agreements (whereby they are paid a pre-determined fee for their services, as opposed to production-sharing agreements, where they receive a share of production). However, it was argued that Kuwait needed to increase

36 Business Wire, 'Dow and Saudi Aramco Announce Joint Venture to Drive Downstream Growth through World-Scale Chemicals Project', July 2011, <http://www.businesswire.com/news/dow/20110725005690/en> (accessed June 2012).

37 Badriya Darwish, 'The row over Dow', 27 May 2012, <http://news.kuwaittimes.net/2012/05/27/the-row-over-dow/>.

38 Hamad Nayef al-Anzi, 'The Dow, what is worse is yet to come!', *Al-Jarida*, 29 May 2012, <http://aljarida.com/2012/05/29/2012495064/> (accessed June 2012).

39 Figure for April 2012, according to International Oil Agency, *Oil Market Report*, May 2012, p. 19, <http://omrpublic.iea.org/omrarchive/11may12sup.pdf> (accessed June 2012).

40 See, for instance, speech by Hashim M. El-Rifaai, Chairman and Managing Director, Oil Development Company, 'Kuwait Project: A New Form of Relationship', http://www.kuwaitproject.com/common/speech_eurogas_english.pdf.

inward investment in the oil sector so as to access technological expertise⁴¹ that only IOCs have, mainly in order to boost production of heavier/harder-to-reach oil, and also to develop Kuwait's skills base and to use global best practice to reduce costs. Kuwait's largest oil fields have been operating for over four decades, and as they mature, the oil they contain becomes harder and costlier to reach.

Supporters of Project Kuwait want to deepen and expand the role of IOCs in the Kuwaiti oil sector, bringing them in to manage and operate entire fields (rather than mainly providing technical advice), under contracts in which Kuwait shares some of the production risks with the IOCs. The constitution prevents Kuwait from transferring the ownership of its oil resources to foreign companies, and thus the country cannot grant or sell equity or concessions to IOCs. However, Project Kuwait supporters suggested introducing service contracts where IOCs would be paid a fee per barrel produced (with revenue thus more directly linked to production results than in the technical service agreements, where the fee is paid for services rendered rather than for barrels produced). But opponents of the project want to keep Kuwait's main economic resource in the hands of the national public sector.

Stalemates over liberalization and privatization

There has been a trend of economic liberalization across almost all the Arab countries over the past decade.⁴² Among the GCC countries, Saudi Arabia, traditionally one of the most difficult places to do business, has opened up significantly to the private sector, including the foreign private sector, as was symbolised and cemented by its joining the World Trade Organization in 2005. The UAE operates a hybrid model where foreign investment is capped in most

areas, but most foreign firms invest in export-oriented free zones where there are few restrictions. Kuwait has changed little in terms of its openness to foreign investment, and since other countries have tended to liberalise more, Kuwait has become relatively closed simply by standing still. By contrast, in the mid-to-late 1990s, Kuwait was regarded as a relatively fast economic reformer.⁴³

There are a number of reasons why Kuwait has not made more efforts to attract foreign investment in recent years. One is that it does not urgently need it. As a net exporter of capital, Kuwait has no need to attract inflows of capital to finance its development. Given the relatively high nominal oil prices seen since 2003, Kuwaitis have been able to enjoy a high standard of living mainly on the basis of their oil wealth. The main argument in favour of foreign investment is not a need for capital, but a desire for skills, expertise and technology, all of which can come with the right sort of foreign direct investment. The need to develop skills is an important part of long-term diversification away from oil – but is not an urgent priority for politicians.

Privatization has had a bad name in Kuwait, not least because of concerns about corruption.⁴⁴ There are good reasons to doubt the ability of privatization to deliver improved efficiency if it takes place in a context of corrupt practices, or if private contracts are awarded on the basis of nepotism and personal connections rather than efficiency or cost. On the other hand, Kuwait's public sector also has its limitations: Kuwait has few world-class state companies, with the exception of KPIC and Zain, a telecoms company; and in 2007 Zain, which is minority state-owned, quietly transferred its headquarters to Bahrain, generally seen as having a more efficient business environment.

41 'The justifications given to seek the assistance of International Oil Companies concerning the oil sector field are purely technical ... the local expertise was only able to produce "easy oil", which Kuwait has been producing since the national administration was in charge of the operation after the nationalization of Kuwait oil in 1975.' Ministry of Oil, 'Kuwait Project', Ministry of Oil website, <http://www.moo.gov.kw/default.aspx?pagelid=198> (accessed June 2012).

42 Algeria has been the main exception. The impact of the political transitions on liberalization is as yet unclear but the newly elected Islamist movements in Egypt and Tunisia have suggested they will maintain a broadly pro-market orientation.

43 See, for instance, 'Kuwait has proceeded with economic reform more successfully than other Arab countries', in Pete W. Moore, 'What Makes Successful Business Lobbies? Business Associations and the Rentier State in Jordan and Kuwait', *Comparative Politics*, January 2001, <http://www.jstor.org/stable/10.2307/422375>.

44 Paul Salem argues that opposition to privatization has been linked to fears of excessive Western influence, in Paul Salem, *Kuwait: Politics in a Participatory Emirate*, Carnegie Papers, No. 3, June 2007, Carnegie Middle East Centre. <http://www.policyarchive.org/handle/10207/bitstreams/6437.pdf>.

Opposition to privatization and liberalization in Kuwait can also stem from the merchant class. Established merchants who benefit from the existing system may have little interest in allowing more competition that could undermine their own sources of income.⁴⁵ At the same time, there have been periods where Kuwaiti merchants and the Kuwait Chamber of Commerce and Industry contributed to economic policy-making, for instance in helping to stabilize the economy after the disastrous collapse of the informal stock market, Souk Al-Manakh, in 1982.

Transparency and human development

Kuwaitis interviewed for this paper also noted some of their country's economic achievements. Kuwait began to diversify its sources of income by establishing the region's first sovereign wealth fund (before independence and the formation of the parliament), the Kuwait Investment Organization. This fund constitutes an important source of non-oil revenue and a mechanism for cross-generational equity (saving part of the monies derived from a depleting resource for the use of future generations). It is also one of the relatively more transparent sovereign wealth funds in the Gulf,⁴⁶ along with Bahrain's Mumtalakat.⁴⁷ In general, fiscal transparency is relatively high in Kuwait.

Kuwait also ranks highly in human development indices. It was noted at a Chatham House workshop in Kuwait that definitions of development vary, with a participant arguing that having a parliament is a crucial part of Kuwait's human development.⁴⁸

Unusually in the Gulf, Kuwait has had a minimum wage for expatriate workers since 2010. This was introduced by the labour minister rather than by the parliament, but follows significant work by Kuwait's well-developed civil society on labour issues. The Kuwait Centre for Human Rights was one of the first NGOs in the Gulf to highlight the human rights problems facing migrant workers there.

Nonetheless, relations between citizens and expatriates remain profoundly unequal, and the local debate about democracy rarely takes into account any possibility of enfranchising the expatriate workers who make up the vast majority of the private-sector workforce, as this would be a profound and fundamental threat to the entire economic model.

Possible reforms

As discussed above, both the constitutional set-up and the increasingly normalized practice of dissolving the parliament encourage an adversarial relationship between the legislature and the executive. Civil society campaigners, MPs and activists have identified a number of possible reforms to the Kuwaiti system that might help to break the pattern of stalemate and non-cooperation between the government and the parliament.

There have been repeated hopes that changes of MPs would result in a more constructive and consensual parliament. Such hopes were expressed in particular in 2009, when four women were elected to parliament for the first time. Yet in practice the MPs who sought a more cooperative relationship with the government, including the four female MPs, suffered losses at the polls in the next election in 2011 – suggesting the public was not impressed by their approach.

Some Kuwaiti civil society groups call for a law to permit the formation of formal political parties. They argue that this would require MPs or ministers to negotiate deals with coherent groups that have an agreed political platform, rather than with individuals who are more likely to pursue the narrow interests of their voters. (Of course, patronage politics, which still exist to some extent in the most advanced democracies, could hardly be expected to disappear overnight.) However, in recent Kuwaiti elections, despite the existence of informal political blocs, independents have proved popular with voters.⁴⁹

45 Salem, in *Kuwait*, argues the ruling family and traditional nationalist opposition have long agreed on a state-centric economic structure.

46 B. Philip Winder, 'Sovereign Wealth Funds: Challenges and Opportunities', *Middle East Journal*, Vol. 17, No. 2, Summer 2010, pp. 31–37, <http://mepc.org/journal/middle-east-policy-archives/sovereign-wealth-funds-challenges-and-opportunities>.

47 Mumtalakat is the only Gulf sovereign wealth fund that borrows on international markets; it needs to be more transparent in order to obtain credit ratings.

48 Chatham House MENA Programme, Kuwait Study Group, 'The Experience of Parliamentary Politics in the GCC'.

49 Mary Ann Tétrault and Mohammed Al-Ghanim, *The Day After 'Victory': Kuwait's 2009 Election and the Contentious Present*, Middle East Report, July 2009, <http://www.merip.org/mero/mero070809>.

The Kuwaiti Transparency Society has called for the establishment of a strong, independent anti-corruption commission, to take the responsibility for corruption investigations out of the hands of parliament, arguing this would make such allegations less politicized and would free up MPs' time to focus on other issues.⁵⁰

Over and above all this, there appears to be a need for systemic reform. The current system provides incentives for populist policies and 'service MP' practices, both because of the rentier-state model and because of voter priorities; candidates are often selected on the basis of identity affiliations, whether tribal or religious, rather than economic policy platforms. This voter behaviour is arguably quite rational in a system in which parliaments are assumed to be unstable and short-term, and where MPs are far more likely to be able to obtain benefits for their supporters than to push through significant political changes.

There is a need to find alternative mechanisms for resolving disputes between the parliament and the government without resorting to the now virtually routine dissolutions of parliament. These have damaged confidence in the parliamentary process, creating a sense of permanent political instability. At a minimum there needs to be greater clarity about the constitutional and legal conditions under which parliament can be dissolved; if it is to remain a royal prerogative, it could be thought of as a last resort instead of the first port of call when tensions arise. The disputes between the government and the parliament have typically arisen over parliament's efforts to question ministers; dreading the humiliation of a grilling, ministers regularly resign rather than submit to parliament's exercise of its constitutional rights. Including representatives of elected blocs in the government would give them a greater stake in supporting it. Whether this happens depends on the ruling family's willingness to share power, which is probably the greatest issue of contention in Kuwait and the wider Gulf today.

Underlying all this are the issues of political culture – both among the government and among the governed – in such an oil-rich country. Looking at the attitudes of Kuwaiti citizens, Ghanimah Al Otaibi has argued that 'the real problem is not a lack of legal or policy frameworks but rather one of public apathy';⁵¹ that Kuwaitis feel like the beneficiaries of their country's wealth and not its owners; and that a more involved and politicized citizenry could reduce corruption and strengthen the functioning of parliament. Kuwait already has one of the more politicized societies in the GCC to build upon, with a strong tradition of local debate.

‘ A better-functioning and more sustainable Kuwaiti parliament could help to build a stronger basis for economic development, which will continue to be hindered if parliaments remain short-lived and insecure ’

Creating a more constructive relationship between parliament and government would require a shift of mentality on the part of the rulers regarding the sharing of power and the perception of the role of opposition.⁵² There are likely to be different views in the ruling family on these issues; immediately after the 2012 election, there was widespread speculation that the ruler would be willing to grant a higher share of cabinet seats to the parliamentary majority than ever before, and in late 2011 there were rumours that the ruler might be considering a non-royal prime minister.⁵³ Neither materialized, possibly owing to differences of opinion within the ruling family.

50 Interview, Kuwait Transparency Society (a local anti-corruption NGO), Kuwait City, February 2012.

51 Ghanimah Al Otaibi, *Kuwait: Taxing the Way to a Better Democracy*, Brookings Doha Centre, 2006, http://www.brookings.edu/~media/centers/doha/06_bdc_essay_runnerup.pdf.

52 Tétreault and Ghanim, *The Day After 'Victory'*; Ulrichsen, 'Kuwait's Black Monday'.

53 Sultan Al Qassemi, 'Arab monarchies: surviving the revolts', *Al Arabiya*, 4 November 2011, <http://english.alarabiya.net/views/2011/11/04/175381.html>.

However, pressure for reform appears to be rising. The repeated dissolutions of parliament have created an unsatisfactory situation for democrats and conservatives alike, by weakening the ability of the legislature to function and by denting investor confidence.

Two youth movements, the Fifth Wall and Kafi, are pressing both the government and the established political class to do more to fight corruption; in 2011, some of them went as far as to storm parliament. The resulting dismissal of the government and parliament underlined the potential for street protests even in such a wealthy Gulf monarchy as Kuwait. The latest dissolution appears only to have emboldened the opposition, which has proved (in the 2012 election) that it enjoys extensive popular support, and which is now

calling more loudly for greater political representation. There is scope to strike a new bargain between parliamentary representatives and government, which could include giving MPs more positive powers to legislate, and assuring them that the parliament will be allowed to serve its full term, while holding MPs themselves more responsible and accountable on the basis of expanded powers.

A better-functioning and more sustainable Kuwaiti parliament could help to build a stronger basis for economic development, which will continue to be hindered if parliaments remain short-lived and insecure. Moreover, a more effective parliament with greater youth representation could be a valuable alternative to the prospect of more unruly dissent on the street.

Future Trends in the GCC

This paper forms part of the MENA Programme's ongoing project on 'Future Trends in the GCC'. The project aims to research, analyse and anticipate future scenarios for the political and economic development of the GCC states. The research has two main tracks: political and economic development, looking at the prospects for the GCC countries to adapt and develop their systems to meet the aspirations of their citizens; and identity politics, assessing the politics of sectarianism and prospects for developing more inclusive national identities. These themes are explored in the context of relevant changes in the wider Middle East region.

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