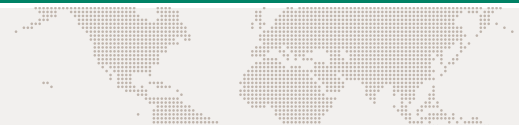


## GULF ROUNDTABLE SUMMARY



## PARTICIPATING SCHOLAR

Michael Herb is one of America's leading scholars on the Gulf, concentrating on issues of democratization and governance in the GCC states. He has written on transitions to democracy in Muslim majority countries, relations between the parliament and the government in Kuwait, and rentier state theory, and he has consulted to multinational companies on the business environment in the Gulf. He is an Associate Professor of Political Science at Georgia State University and the author of *All in the Family: Absolutism, Revolution and Democracy in the Middle Eastern Monarchies*. As part of his work, Dr. Herb maintains a database on Kuwaiti parliamentary politics. He received his Ph.D. and M.A. in Political Science from UCLA and his B.A. in Political Science from the University of Washington. ■

## The Democracy Tax

### Accountability, Transparency and Efficiency in the Gulf

While democratic countries tend to be wealthier than authoritarian countries, few argue that democracy creates wealth. Still rarer are those who suggest that democracy inhibits wealth creation. The Gulf, however, may be an exception. According to Michael Herb, an associate professor of political science at Georgia State University, "A lot of Kuwaitis, and especially Kuwaitis who are from the merchant elite, tend to blame Kuwait's economic problems on the parliament. ... It's quite frequently said that it's an obstacle to development." Herb compared governing systems in the United Arab Emirates and Kuwait in a Gulf Roundtable at CSIS on February 19, 2009, and he concluded that democracy can create incentives in oil-rich states to inhibit the private sector and constrain economic growth.

Underlying all of the wealthy Gulf economies is a common economic arrangement: Governments or government-owned enterprises employ perhaps 90 percent of citizens in the workforce, and that employment is the primary means by which Gulf governments redistribute oil wealth to their citizens. By contrast, the private sector is almost entirely foreign. In most capitalist democracies, citizens see the private sector as a vital generator of employment and tax revenue, which enhances citizens' lives and enables the government to provide services. In the Gulf, that link is broken, and the private sector is peripheral to most citizens' livelihoods.

For the most part, regional parliaments tend to be weak [and they have deferred to the interests that many ruling families have to nurture the private sector in order to advance their own interests and those of the elites around them.] In Kuwait, by contrast, the ruling family's economic interests are more limited, and Kuwait's much more robust parliament has used its muscle to make private sector growth and foreigners' interests secondary to the interests of ordinary citizens. Those citizens seek to use the state to maximize the benefits they receive from their country's spectacular oil wealth.

Herb highlighted three ways in which Kuwait differs from a place such as Dubai, 530 miles to the southeast. The underlying reason, he said, has to do with the ownership of land. In Dubai, the ruling family controls all undeveloped land and derives much of its income from development and real estate. Private sector development and foreign direct investment fuel demand for land and in this way help finance the leadership. In Kuwait, the government controls undeveloped land, not the ruling family. While private sector developers would be eager to acquire this land, the government—with parliamentary encouragement—often parts with it only temporarily and

## THE GULF ROUNDTABLE SERIES

The CSIS Middle East Program launched the Gulf Roundtable in April 2007 to examine the strategic importance of a broad range of social, political, and economic trends in the Gulf region and to identify opportunities for constructive U.S. engagement. The roundtable defines the Gulf as the United Arab Emirates, Saudi Arabia, Oman, Qatar, Bahrain, Kuwait, Iraq, and Iran. The roundtable convenes monthly, assembling a diverse group of regional experts, policymakers, academics, and business leaders seeking to build a greater understanding of the complexities of the region. Topics for discussion include the role of Islamist movements in politics, the war on terror, democratization and the limits of civil society, the strategic importance of Gulf energy, media trends, trade liberalization, and prospects for greater regional integration. ■

on unfavorable terms. Rather than being seen as a perquisite of the ruling family, many Kuwaitis see land as a limited national resource, and they resist its transfer to private interests.

Flowing from this, Kuwait has been willing to forgo a tourism industry in large measure because parliament refuses to countenance the presence of alcohol in the country. Dubai's coastline is no more spectacular than Kuwait's, and capital for real estate

*The Kuwaiti parliament has real influence in politics, but this influence is essentially negative; it has the power to obstruct, but it is not responsible for ruling.*

development is even more abundant in oil-rich Kuwait than in Dubai. But average Kuwaitis are government employees, not private-sector job seekers. They see little benefit from abandoning conservative social views to encourage a tourism industry. Parliament's strength, combined with the absence of the ruling family's interest in developing commercial real estate, means that Kuwait gets far fewer visitors than nearby states such as Bahrain or the UAE.

Also, Kuwaitis and the residents of other Gulf states tend to view foreigners differently. The dynamic private sectors of cities such as Dubai depend on highly skilled foreigners to help diversify the economy away from oil. Yet, foreigners in Kuwait generally work as domestic servants or in other positions providing services to Kuwaitis. Thus, Herb argued that Kuwaitis view foreigners merely as "generators of convenience" rather than as generators of wealth or foreign exchange. Parliament shares the population's skepticism toward the non-native community.

Parliament itself is part of the problem, Herb said. As a group, Kuwait's parliament has proven more adept at blocking action than promoting it. Kuwait's parliamentary elections largely occur freely and fairly, with Kuwait's five electoral districts each electing ten members of parliament. Yet, the winners of elections do not form the government. The emir appoints the prime minister—thus far, always a member of the ruling family—and the emir then appoints his cabinet, generally choosing at least one from the parliament itself.

While parliament does not have the power to appoint ministers, it does have the power to remove them. At its discretion, the Kuwaiti parliament can call individual ministers for questioning and, subsequently, hold a vote of confidence in that minister. In practice, ministers generally step down before losing a confidence vote.

Parliament's power theoretically extends to questioning the prime minister - by custom a senior member of the royal family - although none has ever been questioned. Increasingly, emboldened parliamentarians have threatened to do precisely that, including in the period last December when the government withdrew from a

controversial joint venture with Dow Chemical that aroused parliamentary ire.

The Kuwaiti parliament's real influence in politics is essentially negative; it has the power to obstruct, but it is not responsible for ruling. In addition, the parliament bears no cost for strangling private sector growth because the majority of Kuwaiti citizens have no stake in the private sector. As a parliamentary democracy, then, Kuwait finds itself with a less dynamic economy than its more authoritarian neighbors.

Yet, parliament acts in alignment with the preferences of the majority of Kuwait's citizens. Herb allowed that system may prove unsustainable. He noted that there is an authoritarian wing of the ruling Al Sabah family that would like to dissolve the parliament. Herb thought such a move would likely backfire in the face of popular protest.

But Herb pointed to other potential reforms that could help improve the performance of the Kuwaiti parliament. For example, the selection of a "commoner" to be prime minister could create an opportunity for bolder leadership, since his removal from office would not create a crisis of legitimacy for the ruling family. Herb also suggested that creating a single electoral district for Kuwait's 1.3 million citizens and introducing a more robust party system could lead to larger and more stable voting blocs in parliament that had more of an interest in positive accomplishments.

Herb suggested that Kuwait represents a paradox, since it is both the Gulf's most democratic state and also its least dynamic economically. For all of the disappointment many in Kuwait's business community have in the current system, it does manage to represent the desires of the majority of Kuwaitis. ■

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#### The CSIS Middle East Program

Jon B. Alterman  
Director

Haim Malka  
Deputy Director

Lindsey Stephenson  
Program Coordinator/  
Research Assistant

Christie Bahna  
Graham Griffiths  
Ryan Taugher  
Interns