

MIDDLE EAST NOTES AND COMMENT

Enlisting “B” Students

by Jon B. Alterman

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Intrastate turmoil and interstate tension have dominated Middle Eastern headlines for more than two years, but the underlying strategic challenges facing the region have not changed. The problem comes down to people.

A human capital problem is shared throughout the Middle East, but it has particular relevance to the Gulf Cooperation Council (GCC) countries, where the promise of economic progress has been central to state authority. Using the proceeds of oil and gas sales, huge infrastructure projects have brought electricity, water, and transportation to populations that lacked them two generations ago. Generous subsidies for housing, medical care, education, and near-universal state employment of the national workforce have put even more of that petroleum wealth in the hands of the public. But the region’s political economy has locked states into rising costs without assurance of rising revenues. Each citizen that is born puts a claim on the state totaling several million dollars. Many people are better at taking than giving. States need to find more ways to shift the balance.

In some individual cases, they already have. There is a small elite of probably thousands of talented citizens who create tremendous value, as any visitor to the Gulf knows. Some work for their governments, some work in quasi-public institutions, and some are in the private sector. Many have gone to the best schools around the world, and they have worked for prestigious global companies. While much of the senior leadership in the Gulf states has led a life very close to home, they are supported by a large cadre of nationals who are highly educated, cosmopolitan, and “world class” in every sense of the term.

Government strategies have played a large role developing the all-stars. Governments give citizens scholarships to elite institutions, and then give the citizens large responsibilities when they come home. Career trajectories that might take twenty or thirty years in a Western context sometimes take five years in a Gulf context. Deep pockets allow governments to take risks, and faith in their own elites gives these governments strategic patience as they develop their new highly skilled workforce.

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Hungry Arabia

Yemen’s National Food Security Strategy aims to make 90 percent of Yemenis food secure by 2020. Yemen’s food problems are partly problems of governance, and partly problems of politics.

The UN Food and Agricultural Organization estimates that nearly half of Yemenis were food insecure in 2012. Imports play a role: for years, Yemen has imported almost all of its rice and corn and more than 90 percent of its wheat (three of the four most consumed food items). Lack of access to cash and credit, a monopolistic market structure for distribution, and political instability all make it difficult for Yemenis to access imported food. In addition, road closures raise transport costs, and merchants often close their stores to avoid protests or violence. Crippling inflation also plays a role, and vulnerable families find that spending more than a third of their income on food still leaves them hungry.

Yemen launched a National Food Security Strategy in 2010, and it established the Food Security Supreme Council in May 2013 to implement the strategy. Both are positive signs of the government’s commitment to tackling a serious challenge. Yet, the strategy’s success relies on government capacity on two levels: to implement and monitor food security programs, and to provide the macroeconomic stability to keep markets open, cash flowing, and prices stable. Yemen’s politics have been roiled for years, and insurgencies in the north and south have taxed government resources. As the National Dialogue Conference process stalls and conflict with al Qaeda expands, the requisite stability may remain elusive. ■

Unconventional Energy and the Future of the Gulf

Edward L. Morse, global head of commodities research at Citi Group, and David Gordon, head of research and director of global macro analysis at the Eurasia Group, spoke at a CSIS Gulf Roundtable entitled “Unconventional Energy and the Future of the Gulf” on September 25, 2013. Morse argued that the geopolitics of oil in the Middle East is undergoing a fundamental transformation due to the growth of energy production in North America. Gordon noted that the unconventional revolution has already had political effects in the region, but he also warned that it may not be long before new surprises in technical innovation upset current predictions. You can read a full summary of the event [HERE](#). ■

In short, the Gulf states have figured out what to do with their “A” students. They educate them, they empower them, and they strengthen them. Those individuals, in turn, strengthen the country.

Yet, for all of their strength, this group of “A” students is necessarily small. On their own, they will be unable to shift the countries of the Gulf from their singular dependence on oil wealth. While the GCC can rely on the strength of these citizens in the current environment, the model will not sustain them through harder times. Somehow, the rest of society needs to be brought along.

In wealthy societies, one can accept that some percentage of the population is vulnerable; they will necessarily take more than they give. The mark of an advanced society is to care for them in some way.

There is a huge middle, though, that doesn’t fit into either of these paradigms. Consider these people the “B” students—people who are not all-stars, but who are certainly capable of making significant contributions. They require a different strategy. What works wonders for the “A” students will neither yield tremendous benefit nor turn many “B” students into “A” students. Instead, it racks up costs and raises expectations without a commensurate increase in output. In truth, the promise of many of these individuals is as much cumulative as it is individual—hundreds of millions of smaller changes often amount to more than hundreds of larger ones.

For the most part, the “B” students in the Gulf are tremendously risk averse, and the rich rewards of government employment make them even more so. They often lack discrete skills, because there is no market signal to focus demand for skills. If there is no correlation between expectations and productivity, tension is inevitable.

Governments appear to understand the importance of broader economic contributions to the state. They have piloted labor force nationalization programs and new technical and vocational training programs, and encouraged public-private partnerships for education and training. The approaches are still tentative, however, and they have only reached limited numbers of people. They have not yet been transformational. Citizens’ expectations remain high, and they have been rising so steadily that they have developed their own momentum. While many of the factors driving these trends are economic, the task of persuading populations to alter their behaviors, shift preferences, and in many cases endure near-term individual sacrifice in exchange for long-term communal benefit is a fundamentally political task.

The problems described here are not unique to the Gulf, or even to the Arab world. But they are especially acute in places like the Arab world, which have large cohorts of young people who come onto the job market every year. Even in times of relative plenty, meeting their needs can be hard. In times of relative scarcity, it can be impossible.

The turmoil of the last two years cannot be ascribed to any single cause, be it economics or demographics or climate change. But the region will remain volatile and subject to repeated disruption until the problems of human capital are addressed. Focusing on the “A” students may be sufficient to succeed in good times, but resilience can only come from enlisting the “B” students as well. Doing so requires more than merely pouring resources into scholarships. It requires using economic resources to give the “B” students new tools and ambitions and an approach to politics that creates a willingness to sacrifice for the common good. ■ 10/22/2013

Links of Interest

Haim Malka recently coauthored a new analysis paper on the Maghreb, [“Jihadi-Salafism’s Next Generation.”](#)

AP quoted Jon Alterman in [“US cutting hundreds of millions in military, other aid to Egypt.”](#)

Reuters quoted Jon Alterman in [“After Syria, U.S. Congress wary of Obama’s Iran thaw.”](#)

Reuters quoted Jon Alterman in [“Analysis: Stage is set, but Iran talks face technical, political hurdles.”](#)

The Washington Post quoted Jon Alterman in [“Obama’s officials to revamp digital diplomacy at the State Department.”](#)

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