LSE Kuwait Programme

Markets Serving States

The Institutional Bases of Financial Governance in the Gulf Cooperation Council States

Karen E. Young

September 2015 | Number 38

About the Author

Karen E. Young is a senior resident scholar at the Arab Gulf States Institute in Washington. She was research fellow at the LSE Middle East Centre from 2014-15, where she remains a visiting fellow. From 2009-14, she was assistant professor of political science at the American University of Sharjah (UAE). In 2013-14, she was an American Political Science Association MENA Fellow. She has held two Fulbright Fellowships, to Ecuador (1997-99) and Bulgaria (2005-06), as well as fellowships from the American Council of Learned Societies, the International Research and Exchange Board, among others. She was the recipient of a grant from the US State Department Middle East Partnership Initiative in 2011-12.

LSE Kuwait Programme

Markets Serving States: The Institutional Bases of Financial Governance in the Gulf Cooperation Council States

Karen E. Young

September 2015
Number 38

About the LSE Kuwait Programme

The Kuwait Programme on Development, Governance and Globalisation in the Gulf States is a ten-year multidisciplinary global research programme. It focuses on topics such as globalization and the repositioning of the Gulf States in the global order, capital flows, and patterns of trade; specific challenges facing carbon-rich and resource-rich economic development; diversification, educational and human capital development into post-oil political economies; and the future of regional security structures in the post-Arab Spring environment.

The Programme is based in the LSE Middle East Centre and led by Professor Toby Dodge. The Programme organises public lectures, seminars and workshops, produces an acclaimed working paper series, published an edited volume of essays in 2011, supports post-doctoral researchers and PhD students and develops academic networks between LSE and Gulf institutions.

The Programme is funded by the Kuwait Foundation for the Advancement of Sciences.

www.lse.ac.uk/LSEKP/

Abstract

Institutionalization in the Gulf Cooperation Council (GCC) states is proceeding within the financial sector in many ways as a result of economic growth, rather than as a precursor or foundation of economic growth. This paper gives an overview of the architecture of financial governance in the GCC states, situating financial governance in the context of domestic state-building, global capital flows and energy markets. The paper argues that demand for new financial services often originates in the global business and finance communities, while domestic financial institutions dominated by state and ruling family interests may prefer less diversity and range (and requisite regulation). When GCC states do regulate markets, they are able to move quickly, which often privileges state priorities over market depth and diversification. As Gulf states create new economic institutions to govern their markets, they are also creating a framework that enables broader political goals of financial and economic statecraft.

Keywords

economic institutions; economic regulation; financial governance; Gulf Cooperation Council (GCC)

Introduction

Institutionalization in the Gulf Cooperation Council (GCC) states is proceeding within the financial sector in many ways as a result of economic growth, rather than as a precursor or foundation of economic growth. This paper gives an overview of the architecture of financial governance in the GCC states, situating financial governance in the context of domestic state-building and shifts in global capital flows and energy markets. The paper argues that demand for new financial services often originates in the global business and finance communities, while domestic financial institutions dominated by state and ruling family interests may prefer less diversity and range (and requisite regulation). When GCC states do regulate markets, they are able to move quickly, often privileging state interests over market depth and diversification. The result is financial governance that varies widely across the GCC, reflecting disparate state strategies towards foreign ownership, foreign investment and economic openness and mobility within domestic populations (further delineating citizen and resident). Furthermore, the dynamic economic growth within GCC states in the last decade has created opportunities for new economic and financial statecraft, further merging state and domestic financial institutions' objectives. After 2011, the wider Middle East and North Africa (MENA) region has felt the ripple effects of increasing GCC economic power, in intervention by foreign direct investment (FDI) and state-directed aid packages. In this sense, the GCC states are simultaneously managing their financial sectors to maintain growth and competitiveness in global markets, while also reaping the benefits of a light regulatory framework with a significant presence of state-related financial institutions.

The paper proceeds in the following order: section 2 tracks the trajectories of economic growth within the GCC states. It highlights two episodes of resource wealth windfalls, which have created conditions for the expansion of the financial sector, as well as investment opportunities in infrastructure and real estate in GCC national economies. These patterns of wealth generation and domestic investment tell us a lot about how states and state-connected interests (ruling families, state-owned enterprises) have managed and directed economic resources in line with political goals. Demographic challenges in the GCC are closely connected to the different ways in which states manage wealth and direct state resources towards citizens and residents.

Section 3 provides background on the evolving financial governance of GCC states. It underscores the lack of coordination in legal systems, despite GCC agreement to reconcile commercial codes and trade standards. GCC coordination (or lack of it) in trade mirrors the challenges the six states face in streamlining regional bank standards and financial services. Changes in international bank standards after the 2008 financial crisis, particularly the Basel II Accords from the Bank for International Settlements, prompted reform in many GCC states' central banking oversight. However, central banks of the GCC still lack necessary instruments to gain access to information in many bank and non-bank financial institutions. Relying on World Bank and International Monetary Fund (IMF) data, as well as regionally based primary research, including interviews with legal experts and finance professionals, I find that there is a significant diversity in financial governance reform across the GCC. The variance in the strength and design of the regulatory state among GCC members is important, reflecting normative preferences and learning experiences that have permeated institutional designs. For example, we see the strictest regulation of the finance sector in Saudi Arabia, where regulatory institutions have evolved in line with religious norms, as well as practical economic needs of the authoritarian state.

There remains a broad gap in standards for insolvency and restructuring proceedings, as well as the protection of rights of minority investors. Weakness in GCC financial governance is best understood as a pattern of ownership structure in financial architecture and a tendency to limit the availability of financial products. Points of friction are most evident in areas where the internationalization of finance is weak, in both rule-making and market-making. These friction points include not only intra-regional trade, but also the creation of both corporate and sovereign debt instruments, and standard tools of market regulation, such as credit bureaus and central bank oversight. The growing acceptance of corporate governance as a priority for both privately held and publicly held firms has created a limited space for collaborative reform, and more importantly ideational change, between state regulators and private sector actors.

Section 4 proposes an understanding of GCC states' interventions in financial markets as efforts at economic statecraft, that is, efforts by states to influence other actors in the international system relying on fungible, economic resources (Baldwin 1985). As I have argued elsewhere, these interventions are relatively new (and underused before 2011) political tools for Gulf states, as their financial markets grow and become more sophisticated and integrated into global capital flows (Young 2014). As a result of increased revenue from oil and gas exports in the 2000s, there have been new opportunities for domestic investment and economic development projects (i.e., state-building) in GCC states. Governance of windfalls reflects diverse state policy objectives. Within domestic governance of GCC states, there is a diversity of approaches to economic development policy as well. For example, inside the United Arab Emirates (UAE), strategies for growth vary between emirates, as does the ability to access federal oil revenue.

How states and markets are mutually constituted, how one attempts to stretch and limit the other, are key features of political economy. The equally important tensions and reverberations between domestic economic policy and foreign economic interventions are shaping GCC states' abilities to affect the politics of their widening sphere of influence in the MENA region. It should not be a surprise that the thrust of FDI originating in the Gulf towards Egypt is concentrated in real estate and construction entities, many partially or fully owned by Gulf ruling families or state-owned investment funds.[1] The GCC states have created sophisticated financial markets based on their own demands for financial intermediation. These demands have bases in social and religious norms, privileging real estate and tangible assets as equity, as a norm of *Sharia*-compliant investment. These patterns of financial intermediation, investment vehicles and preferred ventures are the first signs of outward-focused economic statecraft.

[1] For example, consider the UAE construction firm Arabtec's contract with the Egyptian army. See Al Sharif (2014).

Efforts by the state, and its respective ruling families, to control or manipulate liberalization in the GCC directly impact some of the specific challenges of the sub-region, including generating private sector growth and employment opportunities for nationals, creating corporate governance regimes and practices, and expanding financial products and services across the population. This paper highlights some of the tensions between the regulatory state, non-state financial interests and sources of economic institutionalization, as well as some of the variance between GCC states in financial regulation. The result is not an exhaustive survey or a comprehensive theory of GCC financial governance or political economy; the paper does, however, present some compelling patterns of *how* state-building and market-making in the GCC are evolving.

Before tackling the puzzle of economic institutionalization and influence, we must understand Gulf states' sources of wealth.

Trajectories of Economic Growth in the GCC: Energy Booms, Demographic Trends and Accumulated Wealth

Situated in a wider Middle East region riddled with poverty and political conflict, the GCC states boast impressive statistics in terms of gross domestic product (GDP) dispersed among very small citizen populations. Population growth in the GCC states is fast-paced, mostly driven by expatriate guest workers. There is a prevailing wisdom that the demographic 'problem' – meaning a minority citizen population among foreigners – of GCC states is increasing, but there is good evidence that the general balance of citizens to expatriates has been consistent, or *slowly* growing, in most GCC states since the late 1970s, with the exception of the UAE and Qatar (Baldwin-Edwards 2011). States with over 50 per cent of populations as non-nationals have had persistent high levels of expatriate workers, while others, such as Oman and Saudi Arabia (KSA), have maintained levels under 30 per cent, underlining the cognizant governance of immigration levels. What has changed is the national origin of many expatriate workers in the Gulf states. In the 1970s, most were Arab nationals. Today, most expatriate workers in the Gulf come from South Asia, mostly Pakistan, Bangladesh and India. According to John Chalcraft, reporting work by the Polish diplomat and early Gulf demographer Andrzej Kapiszewski (Kapiszewski 2006):

> By 1985, the percentage of migrants in the GCC countries accounted for by Arabs had fallen to 56 per cent (from 72 per cent in 1975). Contrariwise, non-Arabs had constituted only 12 per cent of all workers in the Gulf in 1970, but by 1985 Asians comprised some 63 per cent of the Gulf workforce. (Chalcraft 2010: 24)

The shift is a political decision and reveals how Gulf states have actively managed their populations to meet economic needs and to preserve political order.[2] It is most heavily imbalanced towards non-citizens in two of the fastest-growing (in terms of GDP) GCC states: Qatar and the UAE.

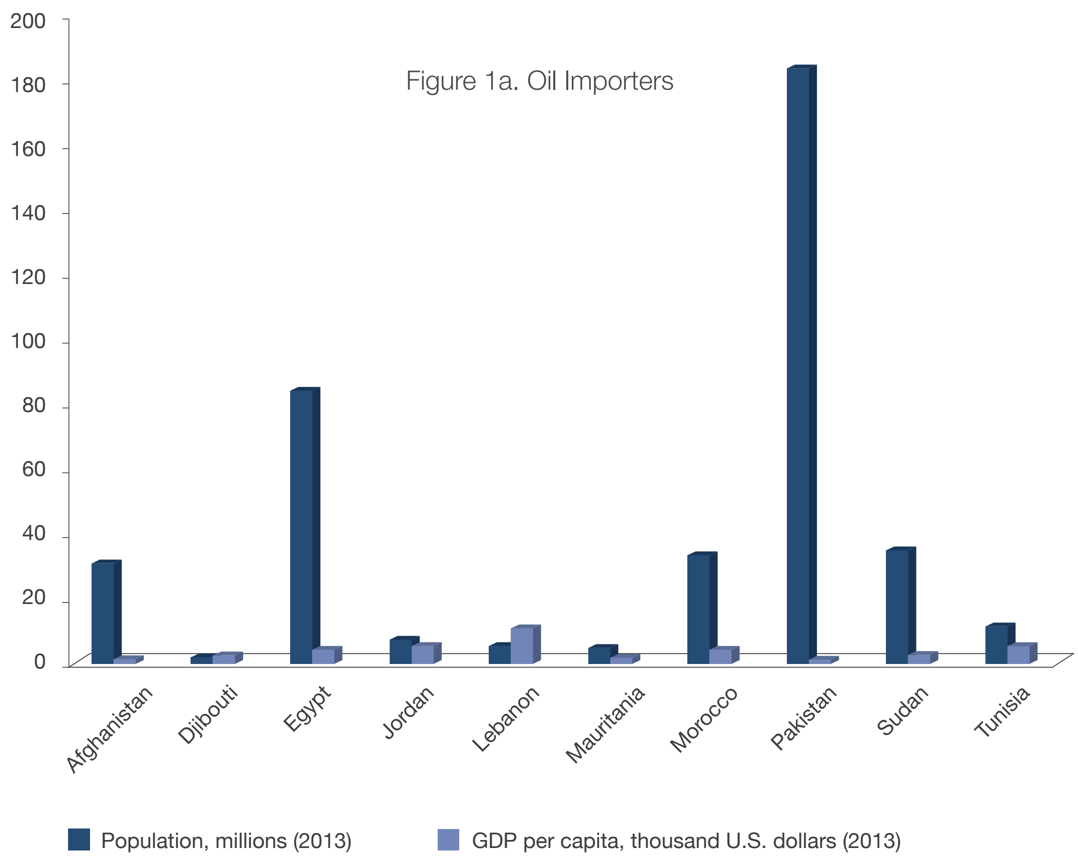
[2] On this point, see also Spiess (2010).

In these two states, we also see dramatic changes in GDP in the resource/commodity boom of the mid-2000s. The general level of economic wealth and population size is shown in Figure 1, the demographic imbalance of citizens to expatriates in GCC states in Table 1, and the GDP growth among GCC states from the mid-1990s to the present in Figure 2.

These figures represent several trends in the global political economy of the last two decades. First, resource wealth has created new financial centres in the GCC, as recipients of foreign investment and sites of capital flows. Second, this wealth has generated feedback or reverberations in global and regional economies as it reacts to crisis and cycles. Just as the first petro-dollar phenomenon cycled through global financial markets through the 1970s and 1980s, the second petro-boom of the mid-2000s is creating similar disruptions. The petro-dollar deposits in international banks in the 1970s–1980s allowed a major expansion of credit by private banks to sovereigns, creating massive infrastructure spending and proliferation of national financial institutions across the developing (mostly oil-producing) world.

Figure 1. GDP and Population for the MENA Region plus Afghanistan and Pakistan, 2013

Source: IMF (2014).



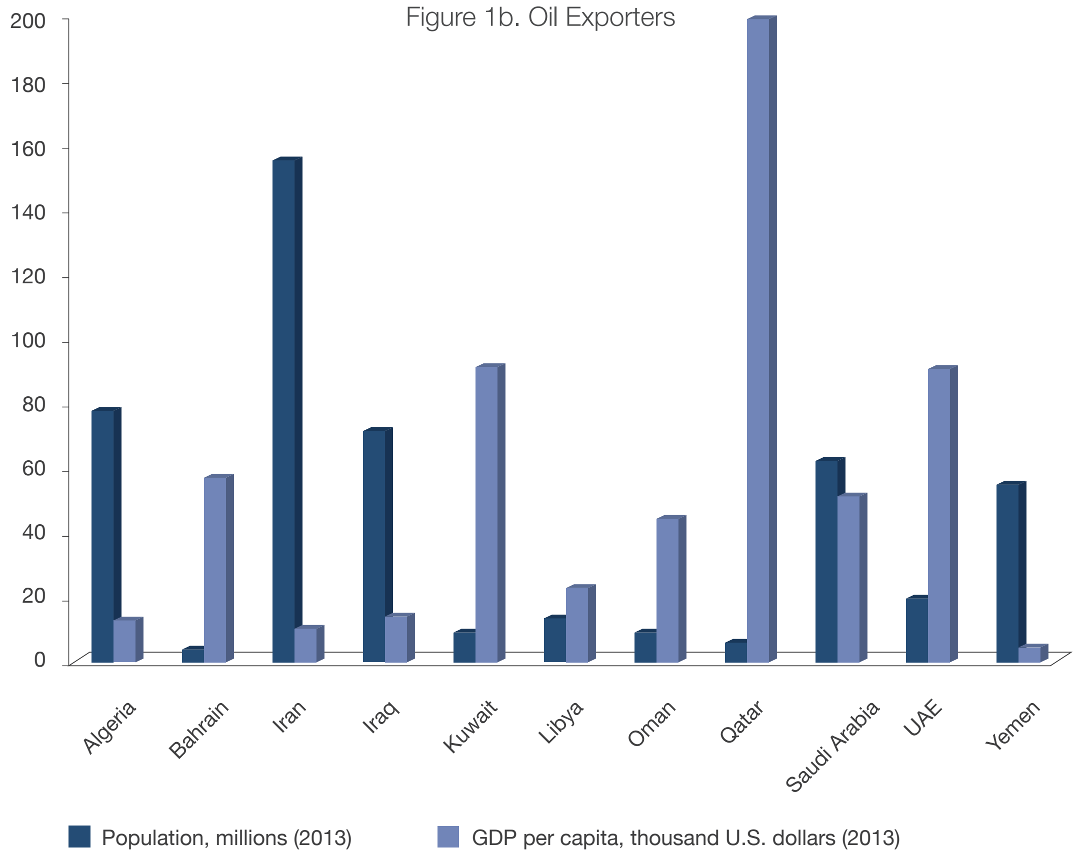


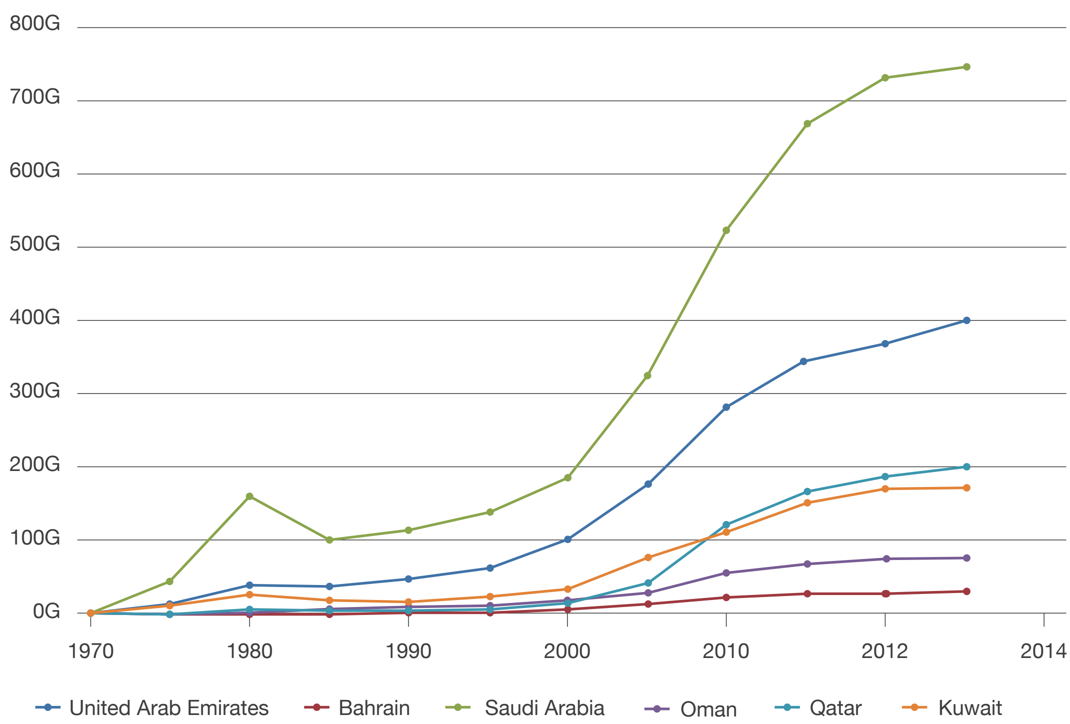
Table 1. Evolution of Foreign Component of Total Population in the GCC, 1975–2008 (%)

Source: Baldwin-Edwards (2011: 13).

Country	1975	1985	1997	2008
KSA	25	23	31	27
Kuwait	52	60	66	68
Bahrain	21	35	39	51
Oman	17	22	28	31
Qatar	59	60	67	87
UAE	70	79	76	81

Note: Data for 1975, 1985, 1997 from Kapiszewski (2001: Table 1.6); data for 2008 calculated from national datasets.

Figure 2. GDP Growth in GCC States, 1970–2014 (USD billion)



Series: GDP (current US$)
Created from: World Development Indicators
Created on: 01/08/2015

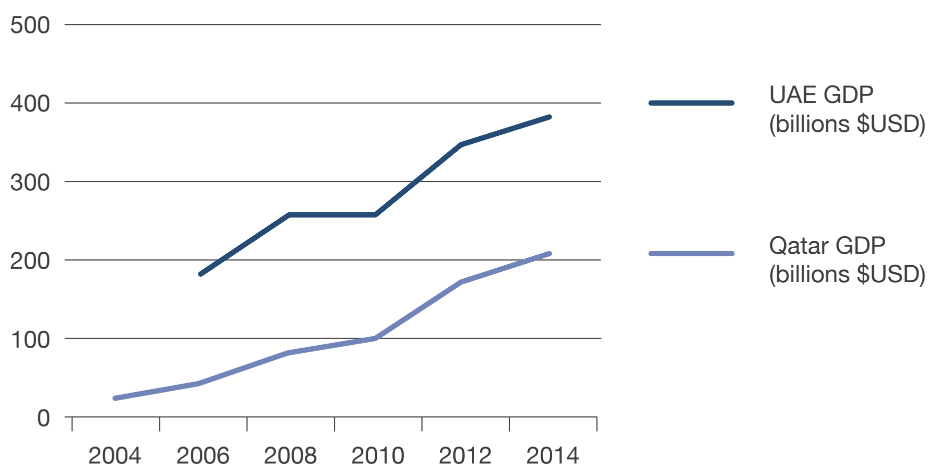
When interest rates rose in the United States by the mid-1980s, many states with new debt were not in stable fiscal positions to repay; hence, we saw a number of sovereign debt defaults and the seizing of international credit markets. There was not another 'emerging market' boom until a decade later, the mid-1990s (mostly driven by equity markets, rather than debt). The 1980s became known as a lost decade in terms of economic growth in the developing world.

The ascent of oil and gas prices (and many other commodities) in the mid-2000s created a new boom, which GCC states were able to harness. The two states positioned to capture this growth were the UAE and Qatar, states that were institutionally immature to capture the first petro-boom of the 1970s. See Figure 3, illustrating the rapid ascent of Emirati and Qatari GDP growth in the 2000s.

Interestingly, the GCC states have emerged relatively unscathed (economically) by the recent neighbouring wars in Syria and Iraq. A 2014 report by the United Nations cites the optimistic growth of GCC stock indices post-2011 compared to other regional exchanges, and argues that the greatest economic risk to the GCC states is a steep decline in oil prices, as occurred briefly after the 2008 financial crisis.[3] We are experiencing this decline now and should expect to see repercussions in government fiscal balances, infrastructure and social spending declines. So-called 'break-even' estimates for fiscal expenditure and oil revenues for the Gulf states are one indication of the future policy options GCC states may have for using social expenditure as a release valve for domestic unrest.

Figure 3. Qatar and UAE GDP Ascent, 2004–14 (USD billion)

Source: Trading Economics, http://www.tradingeconomics.com/qatar/gdp; World Bank data.



There is little cause for (immediate) alarm, however, as most GCC states have very comfortable sovereign debt levels and reserves. See Figure 4 on oil-revenue and state-expenditure balancing; Figure 5 for the movement of oil prices in the last decade, explaining some of the growth surge moments within GCC economies; and Figure 6 on the IMF's estimates of how increased government spending, particularly on salaries, may affect government fiscal balances in the coming years. State spending across the GCC on salaries and infrastructure has steadily increased since 2011. If the IMF projections hold for 2015–18, combined with further declines in oil revenues, we should expect to see deficit spending and a shift in fiscal policy in the sub-region. It is important to keep in mind, however, that GCC states should have little trouble accessing sovereign debt markets, if they seek external financing. (The IMF report was released in October 2014, before oil prices declined sharply in late 2014, meaning that the projections could be *best*-case scenarios should the decline continue.)

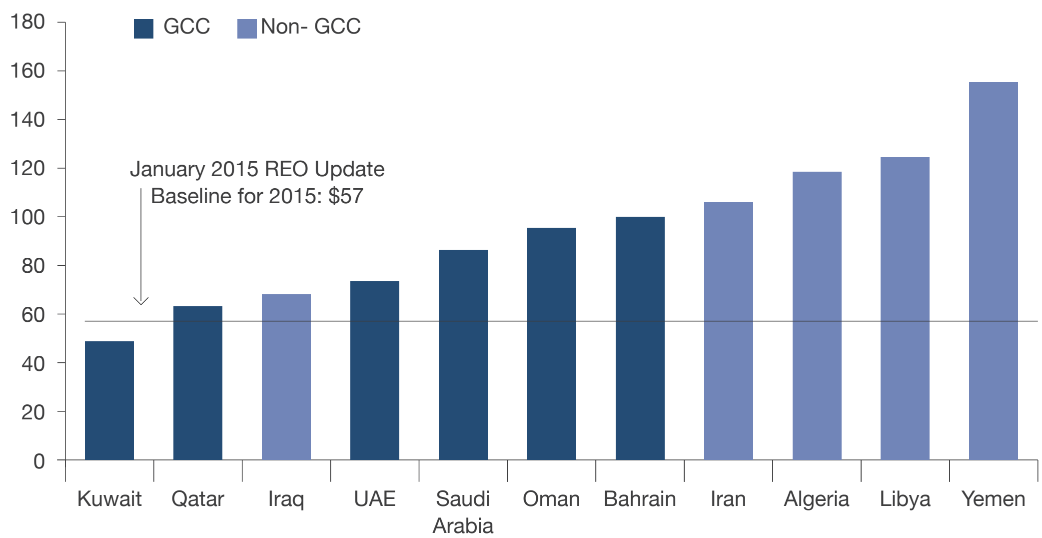
The origin of wealth in the GCC states has been natural energy resources, but financial governance in these states has followed at least two restrictive patterns: one in monetary policy, the other in fiscal policy. The first is a preference for fixed exchange rates in the form of US-dollar-based pegs or currency baskets (in the case of Kuwait).

[3] See recent data from the UN to demonstrate this point, for example United Nations, DESA/UNCTAD (2014: 134) .

The second is a pattern of social relations in which citizens expect state subsidies and infrastructure spending to continue their steady rise since the 1970s, with little to zero personal income tax. Tax policy varies within the GCC, but most taxation is focused on corporates and banks.[4] Corporate tax rates range from 10 per cent in the Qatar Financial Centre (free zone) to 20 per cent income tax on foreign partners/shareholders in Saudi Arabia. There are multiple employee-based tax schemes in Bahrain (paid by corporates/employers). Most taxes in the GCC come in the form of administrative fees to government ministries for licensing and registration (Hourani 2013).

Figure 4. Break-even Prices among GCC Oil Producers, 2015

Source: IMF (2015).



[4] For a legal presentation on GCC regulatory provisions, see Hourani (2013).

Figure 5. Oil Prices, 1968–2016 (USD)

Source: US Energy Information Agency (2015).

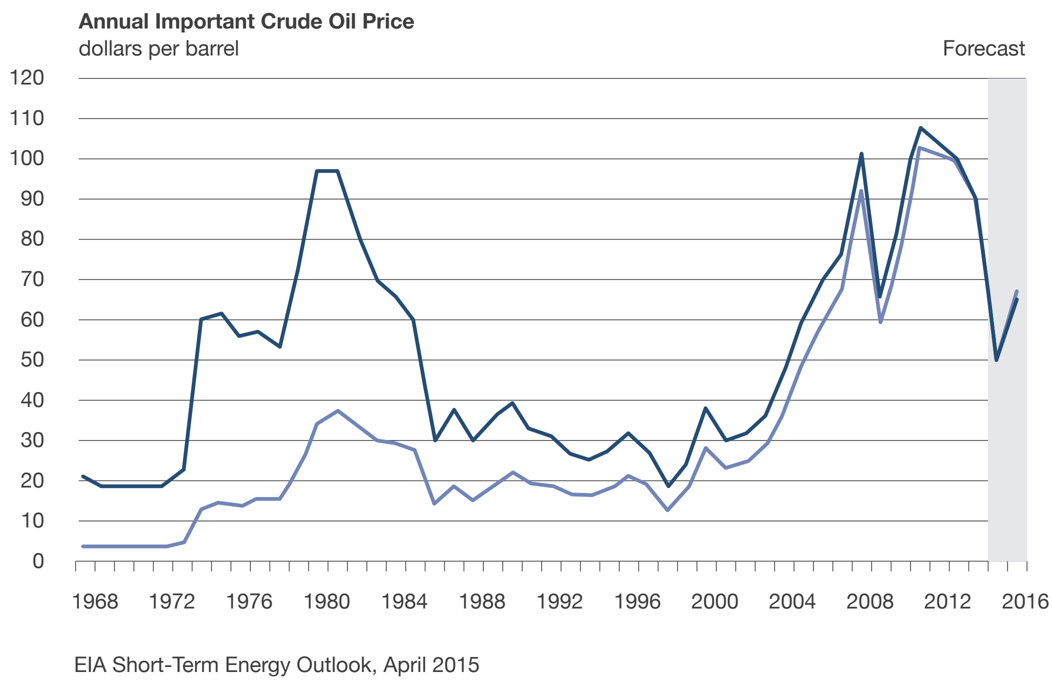
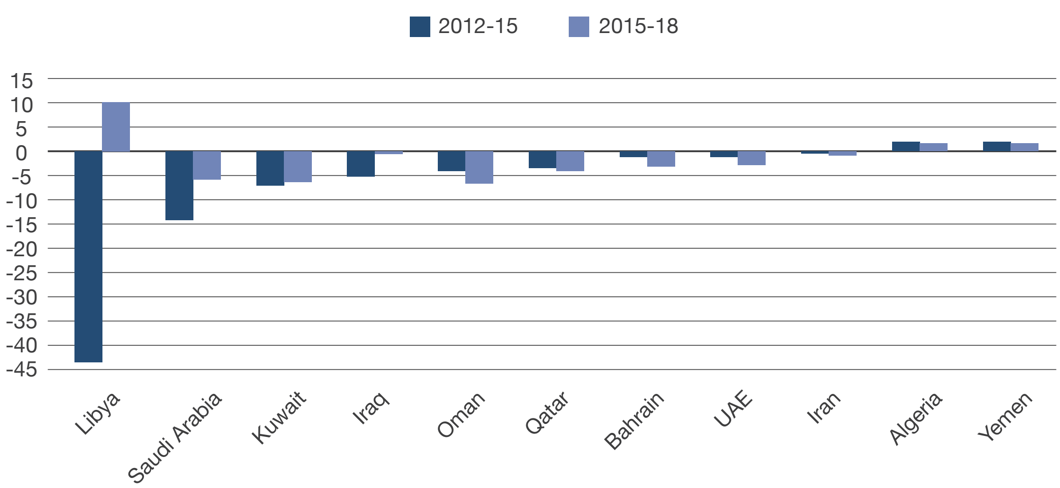


Figure 6. Change in GCC States' Fiscal Balance, 2012–18 (% GDP)

Source: IMF (2014b: 23).

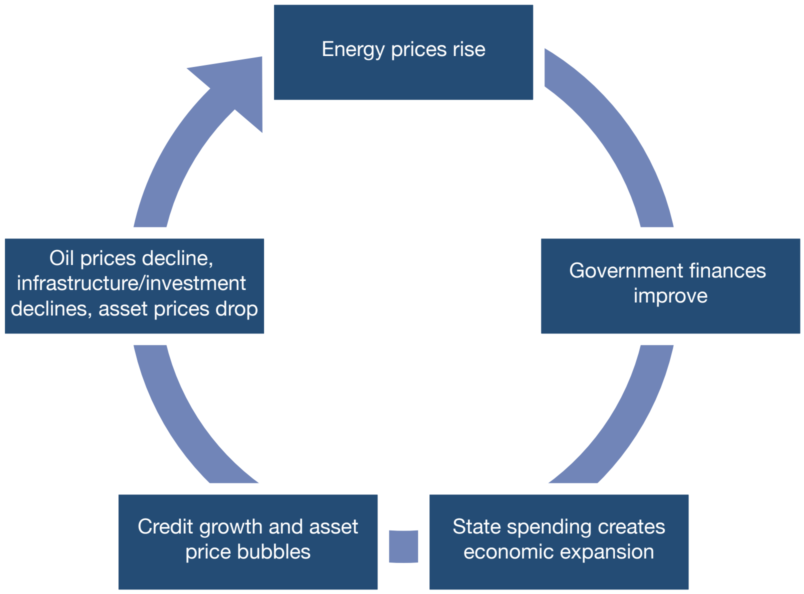


The problem with these patterns is that GCC economies become highly sensitive to oil and gas prices and subsequent boom/bust cycles. During periods of high energy prices, government finances improve, which creates domestic liquidity (government money goes into the domestic banking system), and investor and lender confidence rises. This translates to higher asset prices, often most visible in real estate. As financial institutions have an incentive to keep lending, they also increase their exposure to risk, again, especially in the construction and real estate sectors. Because other financial instruments (e.g., corporate bonds, derivative products) are less common in GCC markets, and investors (both private and state-related) prefer on a normative basis more tangible and *Sharia*-compliant assets and opportunities, there are concentrated risks in the bank system. In October 2014, an IMF report presented at a meeting of GCC finance ministers and central bank governors underscored the cyclical nature of GCC economic growth and contraction-associated risk with oil-price fluctuations. State–society relations, specifically the prevalence of citizens in public sector employment, play a large part in the cycle of risk (IMF 2014b). As the IMF report argues:

> With banks mostly lending to nationals, and nationals mostly working in the government sector, banks' personal lending is importantly exposed to oil developments affecting government employment and wages. The average share of nationals employed in the public sector is over sixty per cent (and varies between thirty five per cent for Bahrain and eighty seven per cent for Qatar), while, on average, seventeen per cent of total employment is in the public sector. Oil revenues fuelling public sector wages and employment in turn fuels personal credit, increasing banks' indirect exposure to the oil sector. (IMF 2014b: 13)

When energy prices fall sharply, the cycle reverses, putting pressure on banks to call in loans (Arvai, Prasad and Katayama 2014: 9–11). Central banks have little ability to intervene in interest rates, as monetary policy is tied to the US Federal Reserve decisions. For that reason, bank regulation and capital adequacy ratios (the standards of the Basel II Accords) become the primary form of financial regulation in many GCC states. Figure 7 summarizes parts of the cycle.

Figure 7. Energy price and market effects in GCC states



Saudi Arabia, with zero capital controls and no central bank intervention in interest rates or central bank discount policy (on a normative basis to avoid enforcing interest payments within the kingdom), should be most vulnerable, in principle, to this cycle.[5] Saudi banks are also closely regulated to maintain high capital adequacy ratios, while secure in their ability to rely on the government for capitalization when needed. It is a bipolar regulatory regime of zero monetary policy with tight bank regulation and a moral hazard of expected state intervention in bank bailouts, if needed. (Not surprisingly, no Saudi banks have failed since the 2008 crisis.) The Saudi regulatory regime, in the Saudi Arabian Monetary Agency (SAMA), has shown flexibility as well. In 1955, SAMA financed a large tranche of government debt, though its 1952 charter prohibited extending credit to the government. The 2008 crisis also showed SAMA's ability to react quickly with an explicit deposit guarantee across the bank system. (Ramady 2009: 237)

The 2008 financial crisis became a turning point, a critical juncture, in GCC states' financial regulations. With limited fiscal and monetary solutions, much of the state intervention in the finance sector focused on central bank authority to regulate banks and assess risk in their portfolios, guarantee deposits and inject liquidity (from government reserves) into the bank system (Khamis and Senhadji 2010a). The terms of these reforms were based largely on external sources, namely the international

[5] Bank control laws in Saudi Arabia are passed by royal decree, starting in 1952 with the creation of the Saudi Arabian Monetary Agency (SAMA), with members appointed by the king for four-year terms. For a discussion of this regime, and the prohibition of interest inherent (but still vague) in financial regulation in the kingdom, see Ramady (2009).

standards of the Basel II Accords from the Bank for International Settlements, a voluntary best-practice guide in international finance. The following section provides an overview of evolving financial governance in the GCC states, highlighting how increased oversight has come slowly, through the diffusion of international best practices adapted to maintain the growing profile of GCC financial centres.

Evolving Financial Governance

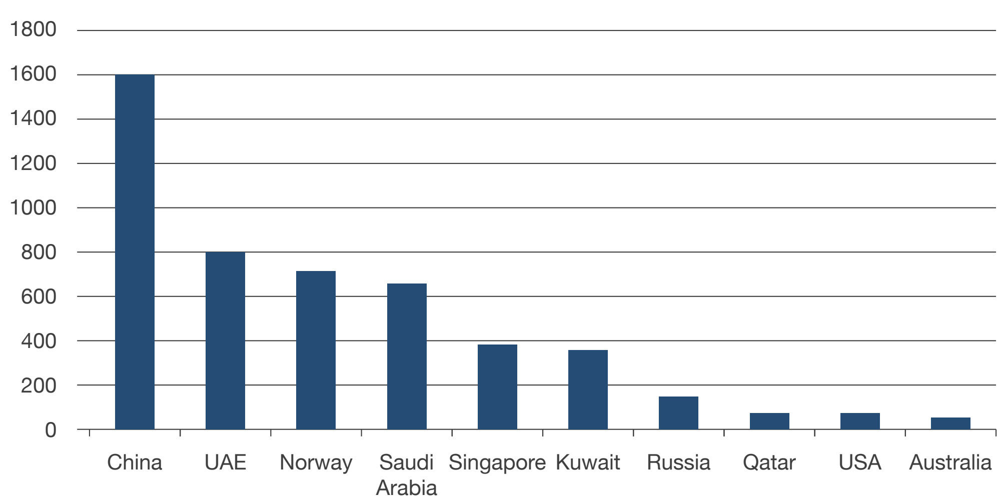
Market size matters, and comparatively, the GCC is still very small. According to analysis by Deutsche Bank, finance in the GCC is below 1 per cent of global assets (Kern 2012). This is in juxtaposition with the enormous size of some of the GCC states' sovereign wealth funds, which traditionally invest government resource wealth in international capital markets, outside of the region. (See Figure 8.)

But not all finance flows outwards. As Steffen Hertog has argued, average inflows of FDI in the GCC have been dramatically increasing since 2001, amounting to over USD30 billion. In the 1990s, FDI going into the GCC amounted to less than USD1 billion (Hertog 2014: 7). A 2014 McKinsey & Co. study by James Manyika and Susan Lund affirmed these findings, arguing that FDI and financial flows are steadily increasing in the GCC and wider MENA region, yet intra-regional trade is largely commodity based and lagging in the service sector and knowledge intensity. The UAE leads in attracting regional FDI:

> FDI … , both in and out of MENA countries, is also growing quickly. These flows have grown twenty two per cent per year since 2002, twice as fast as the world average. The region's inflows of FDI were fifteen per cent higher than its outflows – but they were concentrated in just a handful of recipient countries. The UAE, Israel, Iraq, Morocco and Egypt together attracted almost eighty per cent of MENA's total FDI inflows in 2012. (Manikya and Lund 2014: 1)

Figure 8. Sovereign Wealth Funds Originating in GCC States (USD billion)

Source: Snoj (2014).



Economic integration within the GCC is occurring as an outcome of individual state efforts at liberalization and private sector competition for regional investment, not as a unified regulatory framework or shared policy goal. GCC states trade and service markets are not well integrated, though the private and public investment between GCC states is very strong.[6] What this tells us is that GCC financial markets are interdependent, and similarly constituted and designed, yet they are not supporting the kinds of growth in knowledge-connected goods and services that characterize dynamic growth in other industrialized countries. The difference is a reliance on commodity-fuelled growth and the patterns of investment and intermediation mentioned above. As Serhan Cevik and Katerina Teksoz put it more succinctly, 'The absence of deep domestic capital markets and ties with governments are the main obstacles to further development' (Cevik and Teksoz 2012: 9).

The connection between the bank sector and the diversity of financial services and products on offer is very important. Because bank ownership is concentrated and largely restricted to foreign entities across the GCC (with variations: in Bahrain with no restrictions, and in the UAE, where there is a restriction on the proportion of ownership, we yet see more foreign banks and individuals exercising right to ownership), we also find that bank assets tend to be concentrated in asset type, mostly in loans. According to a post-crisis IMF survey of the GCC bank sector, banks' assets were mostly composed of traditional loans and Islamic finance products – as much as 50 per cent in Saudi Arabia and 71 per cent in the UAE. Securities, as a proportion of bank assets, were scarce, accounting for only 8 per cent of bank assets in Qatar and as much as 23 per cent in Saudi Arabia.[7] A similar analysis of GCC bank assets found that only 1 per cent was held in equities or derivatives (Al-Hassan, Khamis and Oulidi 2010: 13). Except in Bahrain, all GCC states have limits on foreign ownership of banks. (See Table 2.)

[6] For an early discussion of the post-2008 financial crisis effects on GCC states and their interdependence, see Rossi and Davis (2009).

[7] See Al-Hassan, Khamis and Oulidi (2010: 13). Al-Hassan et al. also cite a survey by Bankscope noting the limits of bank sector assets, underlining the narrow holdings and arguably normative and legacy preferences of bank directors.

Table 2. GCC Ownership Structure in the Bank Sector

Source: Al-Hassan et al. (2010: 8–13; Appendix III, Table 8, Table 11).

Ownership	Bahrain	Kuwait	Oman	Saudi Arabia	Qatar	UAE
Foreign (limits)	None	49%	35%	40% non-GCC nationals 60% GCC nationals	49%	40%
Government/ quasi-govern-ment (sector)	*	13%	30%	35%	**	41.5% (of which 10.3% is royal family direct)

*Notes: *Total sector figure not available in source, but four of the largest banks in Bahrain have partial government or quasi-government ownership. The most significant are the National Bank of Bahrain, 49 per cent held by government, and the Bank of Bahrain and Kuwait, jointly held 32 per cent by the Bahrain government and 48 per cent by the Kuwaiti government. **In Qatar, the large Qatar National Bank is 50 per cent government owned, and the smaller Al Khalij Commercial Bank is 18 per cent held by a quasi-government entity. Total figure not provided.*

Financial intermediation has limits in the GCC because of regulatory preferences against foreign ownership, normative preferences for more straightforward asset-backed finance, and concentrated bank ownership with state ties. Bank ownership in the GCC is not always linked to individual ruling family members, but it is consistently linked to public sector or government (or government-related entity) ownership. In authoritarian, family-ruled systems, the distinction between the family business and family members can be muddled. Al-Hassan et al. (2010: 8) argue that the variance within GCC states is broad, ranging from 13 per cent government ownership of banks in Kuwait to 30 per cent in Oman and 35 per cent in Saudi Arabia. Board membership, and by extension corporate governance, becomes an important indicator of influence.

Awareness of corporate governance in the bank sector and in any non-financial commercial entity is now more widely accepted in GCC states, though implementation is varied and generally driven by private, rather than state, efforts at reform.[8] Corporate governance is a trending topic in some reform circles, and also among elites who are using the diffusion of the international norm to achieve professional advancement at the individual level. In an interview with a leading Dubai state-owned entity executive, he described the pressure to 'be on a board', now seen by government leadership as part of CV-building as much as a practice shift in corporate governance to open board membership to more locals (non-royal family members).[9]

---

[8] For a general overview of the norm and efforts by private and public sector entities to enforce it, see Koldertsova (2011).

[9] Author interviews, Dubai, February 2015.

The project is nationalist as much as it is about economic opening and information sharing. Both are approached with some trepidation. Across the GCC, corporate governance codes have sometimes developed via state regulators (Saudi Arabia), but private actors have also played a significant role where they have a voice. Codes and guidelines in the region emerge as early as 2002 in Oman, and as recently as 2010 in Qatar. Most corporate governance efforts in the GCC extend to specific guidelines for banks (with the exceptions of Oman and Qatar). The Saudi Capital Market Authority (CMA) refined its code for public companies in 2009 to name any corporate board member holding more than 5 per cent of the company as inappropriate to be named as an 'independent' board member (Koldertsova 225 :2011). (As mentioned previously, most large firms in Saudi Arabia are not listed companies and would not fall under this advice.)

Spearheading the corporate governance effort in the UAE has been Dr Nasser Saidi, who served in the quasi-state project Dubai International Financial Centre (DIFC) as chief economist from 2006 to 2012. In that time, with OECD support, he created a mechanism for corporate governance public dialogue through the Hawkamah Institute for Corporate Governance.[10] The space of the DIFC, as an interlocutor between international high finance and the more local patterns of wealth distribution and investment through entities held by the ruling family and the creative city-building of Dubai's Sheikh Mohamed bin Rashid, made an ideal opportunity for norm diffusion and public relations manoeuvring. The result, up to 2015, is that board representation and optics (public perception of independence or at least some diversity within local elite circles) are prized, but the limited number of locally listed public companies remain tightly linked to local politics. Dubai is, in this case, exceptional in its engagement with the issue, at least at the level of business community awareness. Yet across the GCC, any substantial change in regulation of corporate governance, in banks and across commercial entities, is limited in effect as the largest companies and banks remain either family-owned or concentrated in an ownership structure with significant public sector presence. The initiation of norm diffusion, particularly with frequent encouragement and intervention by international actors like the OECD and World Bank, signals a shift and at least a ruling interest in the outside perception of corporate governance as a feature of the 'new' markets of the Gulf.

[10] Author interviews in DIFC, January 2015, February 2015. See also www.nassersaidi.com.

Table 3. World Bank: Credit Indicators

Source: World Bank (2015b: Table 1).

What the getting credit indicators measure
Strength of legal rights index (0-12)
Rights of borrowers and lenders through collateral laws Protection of secured creditors' rights through bankruptcy laws
Depth of credit information index (0-8)
Scope and accessibility of credit information distributed by credit bureaus and credit registries
Credit bureau coverage (% of adults)
Number of individuals and firms listed in largest private credit bureau as percentage of adult population
Credit registry coverage (% of adults)
Number of individuals and firms listed in public credit registry as percentage of adult population

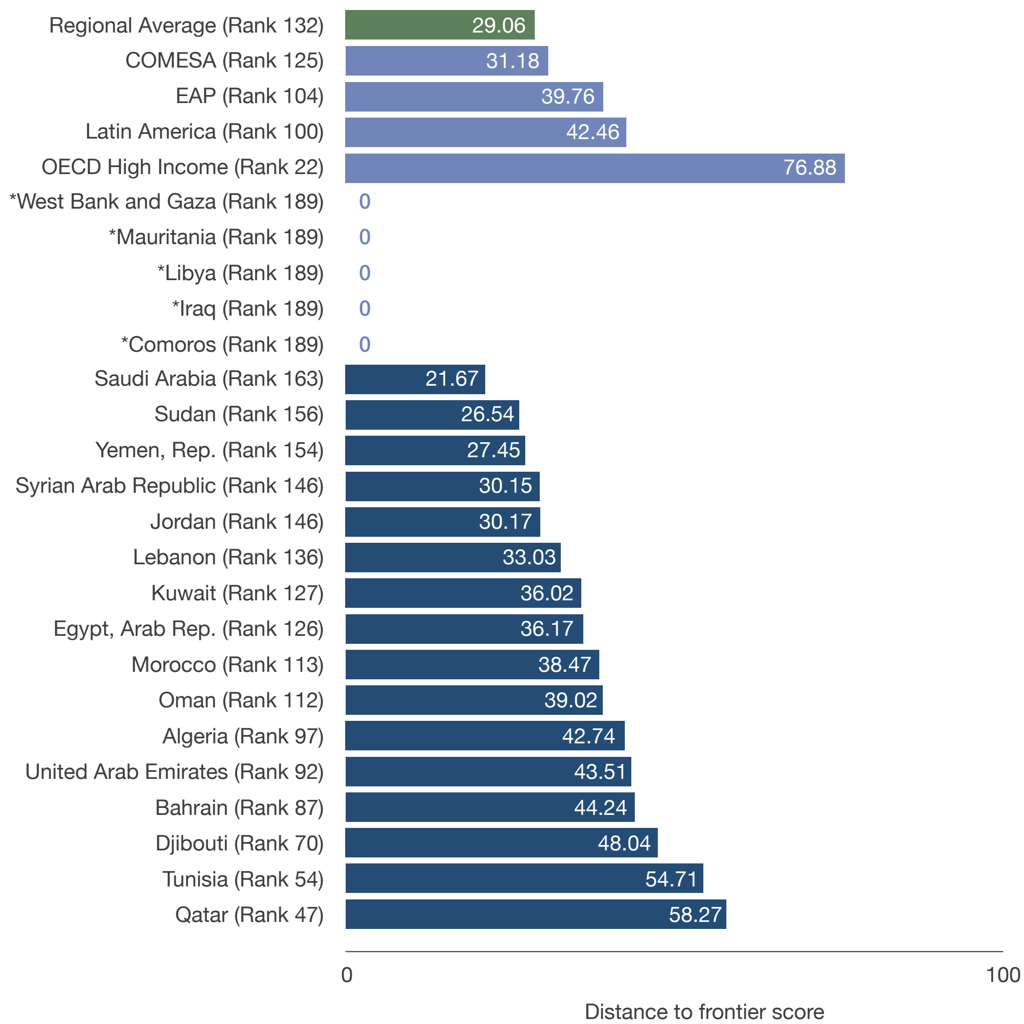
Governance of the financial sector includes rights for investors and shareholders, bank regulation, procedures and rights for creditors in insolvency and restructuring proceedings, and the regulation of stock markets and debt markets. A good measure of how these regulations function, the annual World Bank *Doing Business* survey provides evidence of rule-making in GCC finance. The report creates an index on credit with the following components: strength of legal rights, depth of credit information, credit bureau and registry coverage, as a percentage of the adult population, all listed in Table 3.

The 2015 report findings for the GCC states demonstrate that credit registries have improved and there are noted increases in the frequency of insolvency proceedings, yet legal rights of investors, access to firm financials, and the ease of ending insolvency and contract disputes are not consistent within the GCC, nor does the GCC lead the wider MENA region. For example, Saudi Arabia ranks behind Sudan in ease of resolving insolvency in the 2015 *Doing Business* report, while the UAE ranks just above Algeria (World Bank 2015: 86). These are the reforms and practices that corporates and investors, both national and foreign, seek. See Figures 9 and 10.

It is important to note, however, that while accessing credit (and credit information), resolving insolvency and enforcing contracts can be difficult, there is not a uniform size or capacity of financial markets in the GCC. Each state may require tailored reform to protect the kinds of credit, lending and investing its citizens and residents seek. In terms of stock markets, we see a deeper equity market in Saudi Arabia, with a volume of trade similar to that of smaller European markets (though new issues are few).[11] However, in places like Qatar and Oman, equity markets are very underdeveloped, with little volume. Financial services also vary as a portion of economic activity within GCC states. In Bahrain, the financial sector contributes 18 per cent to the economy, with banking sector assets amounting to over double the GDP. Bahrain has had the largest retail banking sector in the region, while the UAE is second and growing. Bank sector assets in Oman account for only 4 per cent of GDP (Ayadi and de Groen 2013: 6).

Figure 9. World Bank: How Economies in the Arab World Rank on Ease of Resolving Insolvency

Source: World Bank (2015a: 86).



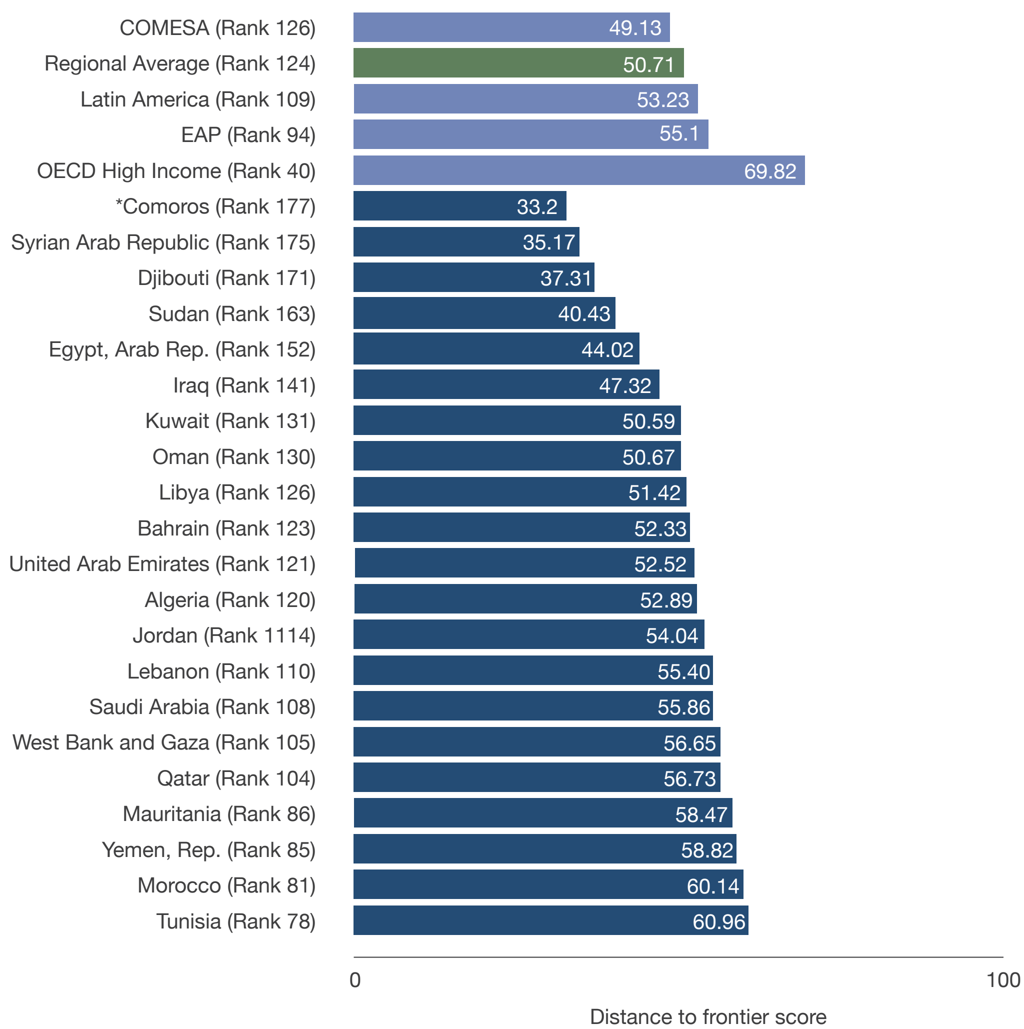
Note: COMESA = Common Market for Eastern and Southern Africa; EAP = East Asia Pacific.

[11] Author interviews, Dubai, February 2015; Doha, December 2014, February 2015.

The variance in financial sectors extends to government regulation. GCC bank sectors are particularly vulnerable to concentrated risk, meaning that many of their loan portfolios are concentrated in certain sectors, such as real estate and construction. Different states have created different regulatory mechanisms to counter this risk and many reforms emerged after the 2008 financial crisis.[12] GCC regulators and ministers of finance, along with the IMF, are acutely aware of this risk.

Figure 10. World Bank: How Economies in the Arab World Rank on Ease of Enforcing Contracts

Source: World Bank (2015a: 80).



Note: COMESA = Common Market for Eastern and Southern Africa; EAP = East Asia Pacific.

[12] On bank reform, see also Garbois and Bhatnagar (2013). On the issue of concentrated risk in the GCC bank sector, see IMF (2014b).

In Saudi Arabia and Oman, for instance, banks are restricted in their categories of lending, and hence less than 10 per cent of loans are outstanding in the real estate sector (Ayadi and de Groen 2013: 7).

After 2009, the UAE regulators implemented deposit guarantees, central bank liquidity support, capital injections (including the informal loan to the emirate of Dubai after the Dubai World debt standstill)[13] and monetary easing (lowered interest rates) to deflect the effects of the crisis. Other policy responses varied considerably between GCC states. Because Qatari banks had lent heavily to the government, it purchased bank assets – the only GCC state to do so as a crisis response. Qatar did not, however, use policies of monetary easing, as every other GCC state did. Stock market purchases by states occurred only in Kuwait and Oman, though stock markets in Oman have very low volume (Khamis and Senhadji 2010a: 4). See Table 4 for a depiction of GCC policy responses to the 2008 financial crisis.

Table 4. GCC Policy Response to the Global Financial Crisis

Source: Khamis and Senhadji (2010a: 4).

Country	Bahrain	Kuwait	Oman	Qatar	KSA	UAE
Deposit guarantee	x				x	x
Central bank liquidity	x	x	x	x	x	x
Long-term government deposits	x	x	x	x	x	x
Capital injections		x		x		x
Bank asset purchases				x		
Stock market purchases		x	x			
Monetary easing	x	x	x		x	x

Likewise, capital adequacy standards (what banks hold in deposit relative to what they lend) are generally well above international benchmarks, the Basel II Accords, within the GCC. This is a central bank regulation and across the GCC the standards are high. On paper, there is little lending to governments from the private bank systems of the GCC. Among GCC states, Qatari banks are heaviest lenders to the government, focused on infrastructure projects. But in practice, the connectedness of firms in terms of ruling-family ownership, state-owned enterprises or related firms makes it difficult to gauge banks' credit exposures to GCC governments. There is also a regional concentration in lending. The IMF has warned that GCC banks' credit exposures to the GCC and other Arab countries is between 75 and 100 per cent for four of the GCC countries, with the UAE and Bahrain showing less concentration in the region (though still around 50 per cent in both cases) (IMF 2014b: 13).

[13] See Young (2014: ch. 3) for further detail on the Dubai World debt restructuring.

The measurement of non-performing loans is also opaque in many GCC environments. After the 2008 crisis, many GCC governments made major liquidity injections into local bank systems. If reported non-performing loans are so low, then the level of liquidity injection seems extreme.[14] (At the individual level, there is the precedent of GCC state-sanctioned personal loan forgiveness programmes in Kuwait in 1991 and 2013, and also recently in the UAE.[15]) After these policy responses to the financial crisis, non-performing loans as a proportion of total loans have also decreased in every GCC country except for the UAE and Bahrain. While the increase in non-performing loans in Bahrain is not significant, that in the UAE reflects the problems in the country's real estate sector (Ayadi and de Groen 2013: 10).

The legal framework dealing with bankruptcy and liquidation is dated across the GCC, with limited exceptions. Kuwait is the only country to have reformed the framework since the financial crisis, with most basic commercial law of the region dating to the early 1930s (Markaz Research 2013). Another exception is Decree 57 of the DIFC, but that decree holds for the restructuring of only one corporate entity, namely Dubai World. The court system within the DIFC was established to deal with disputes among parties registered in the free zone, using US and UK commercial law. After the Dubai financial crisis, the ability to use the DIFC court system was extended by decree to any parties in dispute in the emirate of Dubai who agreed to move their process into the system. The flexibility of a decree-based legal entity allows the emirate of Dubai to shift as financial norms and crises demand. The DIFC is a regulator of non-deposit, non-retail banks. The UAE Central Bank has authority over all deposit banks in the country. The bankruptcy of a DIFC financial institution would be a contractual matter, rather than one requiring a federal lender of last resort or central bank to intervene. For example, if an asset management firm were to fail in the DIFC, there would be the contract between parties accepting risk, with courts in either the DIFC or a foreign jurisdiction hearing the dispute. In the event of a dispute involving fraud or criminal activity among DIFC registered parties, the UAE criminal courts would have jurisdiction.[16] See Table 5 for a view of bankruptcy and liquidation laws across the GCC.

In contrast to the pace of reform in insolvency, there is rapid growth of a select type of financial intermediation and product in the GCC: Islamic finance. The popularity of the Islamic bond, or *sukuk*, has revitalized the banking industry across the region since the financial crisis. It has also created a new market of advisory services for foreign firms operating as issuers, advisors and legal support on these asset-backed debt instruments. The challenge in the growth of the *sukuk* market is that it also remains relatively untested in insolvency proceedings. Though a *sukuk* may have real estate as collateral, that asset is not always easily divided or liquidated.[17]

---

[14] For a detailed account of post-crisis responses by GCC states in national bank systems, see Khamis and Senhadji (2010b). The authors do not make this point explicitly, but they do indicate the difference in public disclosure of non-performing loans and government policy responses in bank liquidity support across the GCC.

[15] Westall (2013). See also Arabian Business (2012).

[16] Author interviews with legal and banking experts, DIFC, January 2015; London, March 2015.

[17] See, for example, the problem of using undersea or reclaimed land as collateral in a debt restructuring by Nakheel, the Dubai government-backed property developer. Nakheel successfully restructured much of its debt between 2010 and 2014, but many of the debt instruments were innovative and untested at the time. Author interviews, Dubai and London, February 2015. See also Bianchi and El Baltaji (2011).

Table 5. Bankruptcy and Liquidation Legal Framework in the GCC

Source: Markaz Research (2013).

Country	Law dealing with liquidation and bankruptcy	Chapter/ Article	Date of promulgation
KSA	a) Commercial Court law		a) June 1930
	b) Bankruptcy Preventive Settlement Law		b) January 1996
UAE	Commercial Law, Federal Law No. 18	Book 5	1993
Qatar	a) Commercial Law No. 27		a) 2006
	b) QFC Insolvency Regulations		b) 2005
Kuwait	Companies Law No. 25	Articles 297–326	2012
Bahrain	Bankruptcy and Composition law		1987
Oman	Commercial law	Book 5, chs 1–4	1990

Ownership structure in financial intermediation is extremely important and tends to be concentrated across MENA states. While the number of stock exchanges has been increasing, the use of these platforms remains somewhat limited in both volume and listings. As an OECD report notes, across the region (with perhaps the exception of Jordan), in Bahrain, Lebanon, Egypt, Kuwait, Morocco, Oman, Saudi Arabia and the UAE, the largest twenty companies in each country are not listed on the local stock exchanges.[18] In Saudi Arabia there are only two large companies listed; in Kuwait only three; and in Oman only two. The Saudi, Kuwaiti and Omani corporate sectors are dominated by private, family-owned businesses and state-owned enterprises. In the UAE, most of the largest corporations are state-owned, are not listed (e.g., Abu Dhabi Investment Authority, Dubai Holding) or are family-owned (e.g., Al Fardan Exchange and Finance, Al-Taweelah, Habtoor.) In contrast, Bahrain's largest companies do tend to be publicly listed (even with partial government ownership) and they are mostly finance-related (e.g., National Bank of Bahrain, Al-Ahli Bank, Taib Bank and Investcorp SA).

The differences across the GCC states in practices in financial services and ownership structures, including government or ruling-family ties and foreign ownership, portray a spectrum of views on liberalization and financial governance. The Bahraini case is interesting for its openness to foreign ownership, yet still with a strong state presence in bank ownership competing alongside many others. In the Saudi case, we see a more regulated (or coddled) bank sector and limited financial product offering, while what little is offered on exchange platforms is more actively traded. Given the opportunity, one would expect the Saudi financial sector might grow very quickly, necessitating an

[18] See, for example, OECD (n.d.). This is a growing area of empirical research on the political economy of the region, though data collection remains difficult.

expansion of state legal oversight and possibly creating a direct conflict between the goal of economic growth and the state priority of following Islamic law. It is in the UAE, the state with the most liberal approach to free zones and financial centres with experimental legal systems, that the heaviest presence of the state and ruling families is evident. These findings are somewhat counterintuitive, until we consider the prevailing shared wisdom of ruling Gulf monarchies: markets exist for state and family survival and wealth strategies.

Political Targets of Economic Growth: GCC Economic and Financial Statecraft

Using economic resources for political ends is economic statecraft. These resources are not just cash injections or FDI, but any resource that has a 'reasonable semblance of a market price in terms of money', following David Baldwin's definition (Baldwin 1985: 13). All kinds of transactions, aid, logistical support in emergencies, as well as punitive acts like sanctions, are possible mechanisms of economic statecraft. Financial statecraft, as Benn Steil defines it, is 'aspects of economic statecraft directed at influencing capital flows' (Steil 2008: 3). Table 6 illustrates the differences between economic and financial statecraft. GCC states are engaged in a standoff of sorts in financial statecraft, in their competition to *attract* regional FDI to their parallel free zones and financial centres, and in their competition to *place* FDI (and aid) in the wider MENA region.

The GCC proposes a currency union, but progress has stalled for the last several years. In practice, however, the states are already in a union of sorts because of their shared monetary policies tied to the US dollar. This restriction on currency manipulation has led the states to compete fiercely on attracting capital flows, while a focus on intra-regional trade has been more modest. Emulating free zones in Doha, Abu Dhabi and Dubai are an excellent example of competitive financial statecraft between the GCC states. After 2011, we see a hybrid economic and financial statecraft emerging from the GCC towards the wider MENA region, in the form of foreign aid, debt forgiveness, hard currency deposits to shore up central banks, and a plethora of financial sanctions on both individuals and political groups from national bank systems.[19]

[19] One example of the use of financial sanctions by GCC states includes the changing stance towards Hezbollah after 2013, though implementation of these sanctions remains unclear. National political movements, and individuals associated with civil society groups linked to religious political parties (e.g., the Muslim Brotherhood), have also experienced this kind of financial and security state targeting. See Al Arabiya (2013).

Table 6. Economic and Financial Statecraft

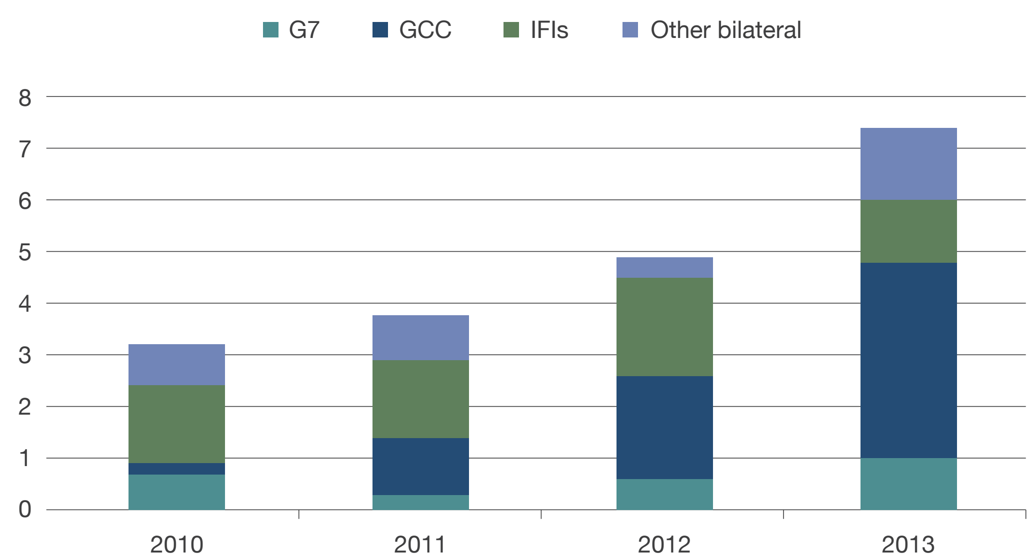
Source: Steil (2008: 4).

Economic statecraft	Financial statecraft
Trade privileges, tariffs, quotas	Capital flow guarantees and restrictions
Trade sanctions	Financial sanctions on non-state actors
Foreign aid	Underwriting foreign debt in currency crisis; *(liquidity injections in foreign banks)**
Regional trade agreements	Currency unions/dollarization

*Note: * Author addition.*

Figure 11. Financial Assistance to Oil-Importing MENA States, 2010–13 (% GDP)

Source: IMF (2014a: 37).



Note: IFIs = International financial institutions.

The GCC is emerging as the dominant source of financial assistance to oil-importing MENA states, in either loans, aid or central bank deposits, as Figure 11 shows. This is a rebalancing of the regional order, particularly lessening the leverage of international financial institutions like the World Bank and IMF, and of traditional power brokers, that is, the United States and Russia. In the case of Egypt, the acceptance and return of aid and loans have demonstrated the intra-GCC competition for influence in domestic politics.[20] Confident that other GCC countries would continue to provide help, Egypt returned USD2 billion in a soft loan to Qatar after the counter-revolution bringing General Sisi to power in 2013.

5. Conclusion

This paper has attempted to demonstrate that financial governance within the GCC is varied, as are market size and depth among Gulf states. The structure of ownership in much of the finance sector, specifically in bank sectors with a heavy state or ruling-family controlling presence, has created a mismatch in demand for protection of creditor and borrower rights. While there have been reforms in creating better information flows about borrowers in new credit bureaus and registries, laws protecting the rights of investors and shareholders are still few. Differences in policy approaches to financial crisis are clearly evident and in line with the composition of risk in different GCC markets. More importantly, situating financial governance in the context of domestic state-building and shifts in global capital flows and energy markets reveals why GCC states are vulnerable to boom/bust cycles. The dynamic economic growth within GCC states in the last decade has created opportunities for new economic and financial statecraft, further merging state and domestic financial institutions' objectives. We see this shift explicitly after 2011, when the GCC states actively engaged financial and economic statecraft towards a widening sphere of influence in the MENA region.

[20] The most visible example has been GCC aid to Egypt since 2013. See Arabian Business (2013).

Bibliography

Al Arabiya, 2013. Hezbollah Caught Between the GCC and the EU? *Al Arabiya*, 5 August. http://english.alarabiya.net/en/views/news/middle-east/2013/08/05/Hezbollah-caught-between-the-GCC-and-the-EU-.html

Arabian Business, 2012. UAE government Pays Off $544m Debt of Citizens. *Reuters*, 25 January. http://www.arabianbusiness.com/uae-government-pays-off-544m-debt-of-citizens-442300.html

Arabian Business, 2013. Egypt Says Received $7bn of Total $12bn Gulf Aid. *Reuters*, 29 September. http://www.arabianbusiness.com/egypt-says-received-7bn-of-total-12bn-gulf-aid--520582.html

Arvai, Z., A. Prasad and K. Katayama, 2014. *Macroprudential Policies in the GCC Countries*. IMF Staff Discussion Note, March, SDN/14/01. Washington, DC: International Monetary Fund.

Ayadi, R. and W. P. de Groen, 2013. *Banking and Insurance in the GCC Countries: Is there Regulatory Convergence with the EU?* Research Papers No. 4, July. Rome: SHARAKA.

Baldwin, D., 1985. *Economic Statecraft.* Princeton: Princeton University Press.

Baldwin-Edwards, M., 2011. *Labour Immigration and Labour Markets in the GCC Countries: National Patterns and Trends.* Kuwait Programme on Development, Governance and Globalisation in the Gulf States, Research Paper No. 15. London: London School of Economics and Political Science.

Bianchi, S. and D. El Baltaji, 2011. Palm Island Builder Nakheel Backed Bond with Undersea Land, Chairman Says. *Bloomberg*, 27 September. http://www.bloomberg.com/news/2011-09-27/nakheel-to-issue-remainder-of-sukuk-before-end-of-this-year.html

Cevik, S. and K. Teksoz, 2012. *Lost in Transmission? The Effectiveness of Monetary Policy Transmission Channels in the GCC Countries*. IMF Working Paper No. WP/12/191. Washington, DC: International Monetary Fund.

Chalcraft, J., 2010. *Monarchy, Migration and Hegemony in the Arabian Peninsula*. Kuwait Programme on Development, Governance and Globalisation in the Gulf States, Research Paper No. 12. London: London School of Economics and Political Science.

Garbois, C. and M. Bhatnagar, 2013. *The New Reality of GCC Banking*. A.T. Kearney. http://www.atkearney.com/documents/10192/4000436/The+New+Reality+of+GCC+Banking.pdf/b1d598ca-2b1b-447f-acd4-cdde91d37cc5

Al-Hassan, A., M. Khamis and N. Oulidi, 2010. *The GCC Banking Sector: Topography and Analysis*. IMF Working Paper No. WP/10/87. Washington, DC: International Monetary Fund.

Hertog, S., 2014. *GCC Economic Integration: Focus on the Nitty-Gritty of Convergence, rather than High Profile Projects*. GRC Research Papers, September. Geneva: Gulf Research Center.

Hourani, H., 2013. *Regulatory Regimes in GCC States: Legal Considerations*. Abu Dhabi: Al Tamimi. http://www.itp.net/events/wm08/files/Husam%20Hourani.pdf

IMF, 2014a. *Regional Economic Outlook, Middle East and Central Asia*. October. Washington, DC: International Monetary Fund.

IMF, 2014b. *Assessing Concentrated Risk in GCC Bank Sectors*. Annual Meeting of the Ministers of Finance and Central Bank Governors, Kuwait City, Kuwait, 25 October. Washington, DC: International Monetary Fund.

IMF, 2015. *Regional Economic Outlook, Middle East and Central Asia*. January. Washington, DC: International Monetary Fund. https://www.imf.org/external/pubs/ft/reo/2015/mcd/eng/pdf/menapp0115.pdf

Kapiszewski, A., 2001. *Nationals and Expatriates*. Reading: Ithaca Press.

Kapiszewski, A., 2006. *Arab versus Asian Migrant Workers in the GCC Countries*. Paper presented to the United Nations Expert Group Meeting on International Migration and Development in the Arab Region, Beirut, 15–17 May.

Kern, S., 2012. GCC Financial Markets Long-Term Prospects for Finance in the Gulf Region. *Current Issues, Global Financial Markets*, 14 November. Frankfurt: Deutsche Bank.

Khamis, M. and A. Senhadji, 2010a. *Impact of the Global Financial Crisis on the Gulf Cooperation Council Countries and Challenges Ahead*. Middle East and Central Asia Department, IMF. Washington, DC: International Monetary Fund. https://www.imf.org/external/pubs/ft/dp/2010/dp1001.pdf

Khamis, M. and A. Senhadji, 2010b. *Impact of the Global Financial Crisis on the Gulf Cooperation Council Countries and Challenges Ahead: An Update*. Middle East and Central Asia Department, IMF. Washington, DC: International Monetary Fund. http://www.imf.org/external/pubs/ft/dp/2010/dp1002.pdf

Koldertsova, A., 2011. The Second Corporate Governance Wave in the Middle East and North Africa. *OECD Journal: Financial Market Trends*, 2010/2, pp. 219–26.

Manyika, J. and S. Lund, 2014. A Disconnected Middle East. *Cairo Review of Global Affairs*, 14 May. http://www.mckinsey.com/insights/mgi/in_the_news/a_disconnected_middle_east

Markaz Research, 2013. *Dealing with Bankruptcy in the GCC: A Key Missing Block in the Reform Agenda*. Markaz Kuwait Financial Centre, January. Kuwait City: Markaz.

OECD, n.d. *Ownership Structures in MENA Countries: Listed Companies, State-Owned, Family Enterprises and Some Policy Implications*. OECD Publications. http://www.oecd.org/mena/investment/35402110.pdf

Ramady, M. A., 2009. Evolving Banking Regulation and Supervision: A Case Study of the Saudi Arabian Monetary Agency (SAMA). *International Journal of Islamic and Middle Eastern Finance and Management*, 2 (3), pp. 235–50.

Rossi, V. and R. Davis, 2009. *The Rising Influence of the Gulf Region in Finance and Business*. Think Piece, International Series No. 2, Issue 12, February. London: Chatham House/Chartered Insurance Institute.

Al Sharif, A., 2014. UAE's Arabtec agrees $40 Billion Housing Project with Egypt Army. *Reuters*, 9 March.

Snoj, J., 2014. Biggest Sovereign Wealth Funds. *BQ Doha*, 4 March. http://www.bqdoha.com/2014/03/biggest-sovereign-wealth-funds

Spiess, A., 2010. *Demographic Transitions and Imbalances in the GCC: Security Risks, Constraints and Policy Challenges*. Policy paper presented at the 2010 Exeter Gulf Studies Conference: The 21st-Century Gulf: The Challenge of Identity, 30 June–3 July.

Steil, B., 2008. *Financial Statecraft: Role of Financial Markets in American Foreign Policy.* New Haven: Yale University Press.

United Nations, DESA/UNCTAD, 2014. *World Economic Situation and Prospects 2014.* New York: United Nations.

US Energy Information Agency, 2015. *EIA Short-Term Energy Outlook*, April. http://www.eia.gov/forecasts/steo/realprices

Westall, S. 2013. Kuwait's Parliament Approves Personal Debt Relief Law. *Reuters*, 9 April. http://www.reuters.com/article/2013/04/09/us-kuwait-parliament-debt-idUSBRE93809O20130409

World Bank, 2015a. *Doing Business 2015: Going Beyond Efficiency*. Regional profile 2025: Arab World. http://www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Profiles/Regional/DB2015/DB15-Arab-World.pdf

World Bank, 2015b. *Doing Business: Getting Credit Methodology*. http://www.doingbusiness.org/methodology/getting-credit

Young, K. E., 2014. *The Political Economy of Energy, Finance and Security in the United Arab Emirates: Between the Majilis and the Market.* London: Palgrave Macmillan.

Published Kuwait Programme Research Papers

Contemporary Socio-Political Issues of the Arab Gulf Moment
Abdulkhaleq Abdulla, Emirates University, September 2010

Mission Impossible? Genuine Economic Development in the Gulf Cooperation Council Countries
Duha Al-Kuwari, LSE Middle East Centre, September 2013

The Right to Housing in Kuwait: An Urban Injustice in a Socially Just System
Sharifa AlShalfan, LSE Kuwait Programme, May 2013

Kuwait's Political Impasse and Rent-Seeking Behaviour: A Call for Institutional Reform
Fahad Al-Zumai, Gulf University for Science and Technology, June 2013

Sovereign Wealth Funds in the Gulf – An Assessment
Gawdat Bahgat, National Defense University, July 2011

Labour Immigration and Labour Markets in the GCC Countries: National Patterns and Trends
Martin Baldwin-Edwards, Panteion University, March 2011

The Qatari Spring: Qatar's Emerging Role in Peacemaking
Sultan Barakat, University of York, July 2012

Gulf State Assistance to Conflict-Affected Environments
Sultan Barakat and Steven A Zyck, University of York, July 2010

The Reconstruction of Post-War Kuwait: a Missed Opportunity?
Sultan Barakat, University of York, and John Skelton, Mercy Corps Liberia, November 2014

Kuwait and the Knowledge Economy
Ian Brinkley, Will Hutton and Philippe Schneider, Work Foundation and Kristian Coates Ulrichsen, LSE Kuwait Programme, April 2012

'One Blood and one Destiny'? Yemen's Relations with the Gulf Cooperation Council
Edward Burke, Centre for European Reform, June 2012

Monarchy, Migration and Hegemony in the Arabian Peninsula
John Chalcraft, LSE Department of Government, October 2010

Gulf Security: Changing Internal and External Dynamics
Kristian Coates Ulrichsen, LSE Kuwait Programme, May 2009

Basra, Southern Iraq and the Gulf: Challenges and Connections
Kristian Coates Ulrichsen, LSE Kuwait Programme, February 2012

Social Stratification in the Gulf Cooperation Council States
Nora Colton, University of East London, January 2011

The Islamic Republic of Iran and the GCC States: Revolution to Realpolitik?
Stephanie Cronin, University of Oxford and Nur Masalha, St Mary's University College, August 2011

Persian Gulf – Pacific Asia Linkages in the 21st Century: A Marriage of Convenience?
Christopher Davidson, School of Government, Durham Univeristy, January 2010

Anatomy of an Oil-Based Welfare State: Rent Distribution in Kuwait
Laura El-Katiri, Bassam Fattouh and Paul Segal, Oxford Institute for Energy Studies, January 2011

The Private Sector and Reform in the Gulf Cooperation Council
Steffen Hertog, LSE Department of Government, July 2013

Energy and Sustainability Policies in the GCC
Steffen Hertog, Durham University and Giacomo Luciani, Gulf Research Center, November 2009

Economic Diversification in GCC Countries: Past Record and Future Trends
Martin Hvidt, University of Southern Denmark, January 2013

Constructing a Viable EU-GCC Partnership
Christian Koch, Gulf Research Center, January 2014

Volatility, Diversification and Development in the Gulf Cooperation Council Countries
Miklos Koren, Princeton University and Silvana Tenreyro, LSE, June 2010

The State of e-Services Delivery in Kuwait: Opportunities and Challenges
Hendrik Jan Kraetzschmar and Mustapha Lahlali, University of Leeds, January 2012

Qatar 'Rises Above' its Region: Geopolitics and the Rejection of the GCC Gas market
Jim Krane, Rice University and Steven Wright, Qatar University, March 2014

Gender and Participation in the Arab Gulf
Wanda Krause, Department of Politics & International Studies, SOAS, September 2009

Saudi Islamists and the Arab Spring
Stéphane Lacroix, Sciences Po, May 2014

Challenges for Research on Resource-Rich Economies
Guy Michaels, LSE Department of Economics, March 2010

Nationalism in the Gulf States
Neil Partrick, Freelance Middle East consultant, October 2009

The GCC: Gulf State Integration or Leadership Cooperation?
Neil Partrick, Freelance Middle East consultant, November 2011

Saudi Arabia and Jordan: Friends in Adversity
Neil Partrick, Freelance Middle East consutant, July 2013

The GCC states: Participation, Opposition and the Fraying of the Social Contract
J.E. Peterson, Center for Middle Eastern Studies, University of Arizona, December 2012

The Difficult Development of Parliamentary Politics in the Gulf: Parliaments and the Process of Managed Reform in Kuwait, Bahrain and Oman
Greg Power, Global Partners and Associates, October 2012

How to Spend it: Resource Wealth and the Distribution of Resource Rents
Paul Segal, Oxford Institute of Energy Studies, October 2011

Second Generation non-Nationals in Kuwait: Achievements, Aspirations and Plans
Nasra Shah, Kuwait University, August 2013

Governing Markets in the Gulf States
Mark Thatcher, LSE Department of Government, March 2009

Western Policies towards Sovereign Wealth Fund Equity Investments: A Comparison of the UK, the EU and the US (policy brief)
Mark Thatcher, LSE Department of Government, August 2012

National Policies towards Sovereign Wealth Funds in Europe: A Comparison of France, Germany and Italy (policy brief)
Mark Thatcher, LSE Department of Government, April 2013

The Development of Islamic Finance in the GCC
Rodney Wilson, School of Government, Durham University, May 2009

Cover Image: Investors sit inside the Kuwait Stock Exchange buidling in the financial district of Kuwait City, February 2012. © Kuwaitelections2012, source: flickr.com.

Kuwait Programme
Middle East Centre
London School of Economics
and Political Science
Houghton Street
London WC2A 2AE

+44 (0)20 7955 6639
@LSEKuwait

www.lse.ac.uk/LSEKP