

Fixing the Kingdom: Political Evolution and Socio-Economic Challenges in Bahrain

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2008

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Occasional Paper No. 3



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Abstract

Bahrain has entered into a more 'progressive' phase of its history under King Hamad bin Isa Al Khalifa. Various parliamentary and legislative restructuring, in addition to discernable changes within civil society, have taken place. Yet genuine socio-economic challenges remain on the horizon, which may pose risks to the political order. The reforms were driven by a recognition that far reaching political and economic changes were needed in order to combat the risk of a return to the widespread riots that Bahrain was plagued with during the late 1990s. The focus of this study is to show that internal power politics within Bahrain's ruling elite largely explain the manner in which the reforms have been implemented in the initial years of King Hamad's reign. A key aspect of this was a desire by the King to enhance his autonomy vis-à-vis the Prime Minister through a populist mandate. This study also surveys key social and political developments in Bahrain and illustrates some of the important challenges which remain within the Kingdom.

Introduction

When Sheikh Hamad bin Isa Al Khalifa succeeded his father in March 1999, Bahrain began an unexpected journey away from the political order of the past. The reforms under the new King can be viewed as “progressive” since parliamentary and legislative restructuring, in addition to discernable changes within civil society, have taken place.¹ The impact of the changes is noticeable, but genuine socio-economic challenges remain, which pose clear risks to the political order. This paper argues that internal power politics within Bahrain’s ruling elite largely explain the manner in which the reforms have been implemented. A key aspect of the reforms was a desire by the King to enhance his autonomy vis-à-vis the Prime Minister through a populist mandate. It was also driven by recognition that far-reaching reforms were needed in order to ensure stability. A path of controlled elite-driven liberalization was undertaken in the initial years of Sheikh Hamad’s reign, but this fell short of meaningful democratization. In the context of Bahrain’s socio-economic climate, a more far reaching reform would likely have resulted in mounting populist pressure for sweeping political changes that could have challenged the very concept of tribal rule in Bahrain. Bahrain can therefore be best understood as a liberalized autocracy. Nevertheless, socio-economic realities such as rising unemployment, poverty, and decreasing standards of living are increasingly fostering vocal discontent within sections of Bahraini society and risk a return to the instability of the late 1990s, when unruly violence took on a momentum of its own.²

Power Politics and Achieving Autonomy in Decision-Making

Soon after his succession in 1999, Sheikh Hamad began a process of national dialogue and consultation with wider sectors of Bahraini society on their concerns and aspirations for the future. Unlike the previous Emir, the new ruler showed a willingness to enter into a national dialogue with groups other than traditional tribal allies, including all disenfranchised sectarian groups within Bahrain’s diverse society.³ This unprecedented dialogue raised a great deal of expectations and made it seem as if Bahrain was entering a more progressive era.⁴ Sheikh Hamad took the unexpected step of actually visiting several Shi’a religious leaders’ houses, whilst also holding his daily *Majlis* at his palace, where former exiles, opposition figures, representatives of civil societies and journalists, were able to express their views on the shape that future reforms should take.

During this consultation period, Bahrain’s most prominent opposition figure, Sheikh Abdul Amir Al Jamri, was convicted on charges of espionage and inciting social disorder in July 1999.⁵ Given the context of the new reform initiative, Sheikh Abdul received a

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1. David M. Ransom, “Bahrain: New Emir, New Vision,” *Middle East Insight* 16.3 (2001).
 2. J. E. Peterson, “Bahrain: The 1994-1999 Uprising,” *Arabian Peninsula Background Note*, No. APBN-002, (2004).
 3. For a good discussion on the character of Bahraini society, see Fred Lawson’s *Bahrain: The Modernization of Autocracy* (Boulder, Colorado: Westview Press, 1989) and Muhammad Rumaihi’s *Bahrain: Social and Political Change since the First World War* (London: Bowker, 1976).
 4. For a comprehensive analysis of developments in Bahrain in the initial stages of Sheikh Hamad bin Isa Al Khalifa’s rule, see: J. E. Peterson, “Bahrain’s First Steps Towards Reform under Amir Hamad,” *Asian Affairs* 33.2 (2002).
 5. Between 1973-75, Sheikh Abdul Amir Al Jamri served in Bahrain’s first parliament, which was dissolved by the Emir.

pardon the following day. This was the start of a series of royal gestures (makramas) geared towards the opposition to bolster the King's support-base in Bahraini society and to show that he had a genuine desire for reform.⁶ Popular social support in the early days of his succession was important to strengthen his own position vis-à-vis the powerful Prime Minister, Sheikh Khalifa bin Salman Al Khalifa.⁷

During the reign of the previous Emir, Sheikh Isa bin Salman Al Khalifa, it was widely accepted that an arrangement existed with his brother, Sheikh Khalifa, who as Prime Minister, would effectively control the government and economy, while the Emir would limit his involvement to a diplomatic and ceremonial role. The result of this arrangement was that, following the death of Sheikh Isa, the Prime Minister had an entrenched powerbase and role in governance. Upon succession, Sheikh Hamad faced the challenge of how he could increase his own autonomy within the ruling tribe against the competing power circle of Sheikh Khalifa.⁸ The manner in which he sought to achieve greater autonomy was to gain popular support and bolster his position in Bahraini society by adopting a largely populist agenda, which included a number of generous public gestures directed towards the ruling tribe.⁹ All of this translated into furthering his agenda of gaining autonomy of decision-making within the governing elite.

Such power politics and competition within the ruling tribe surfaced publically in January 2008 as there was a rare public exchange of letters between the Crown Prince and the King. This was largely prompted by the fact that King Hamad was diagnosed with cancer and his absence from the country provided the Prime Minister with an opportunity to consolidate his own position.¹⁰ Such manoeuvring prompted the Crown Prince, Sheikh Salman, to write an open letter complaining about corruption in government and other "obstacles" hampering the economic reforms he was tasked with implementing. These obstacles were widely interpreted as referring to the incumbent Prime Minister.¹¹ Shortly after Sheikh Salman announced that the government would "not spare any minister implicated in corruption,"¹² the Prime Minister's son was ousted from his position as head of Bahrain's Airport Authority. Also in January, the Minister of Defence, Sheikh Khalifa bin Ahmad al-Khalifa, was removed from his position and Crown Prince Salman was promoted as the deputy to the King over the Bahrain Defence Force; an act which removed any ambiguity regarding who was the second in command of Bahrain.

Also, as part of a consolidation of power by King Hamad and Sheikh Salman, a new law was introduced that increased the number of Ministers who reported directly to the Crown Prince's Economic Development Board from six to sixteen. This law bypassed the office of the Prime Minister. In essence, a rival cabinet had been formed, which underlined the power struggle taking place in the country. This reaction raised questions about the extent to which Sheikh Khalifa furthered his own powerbase during King Hamad's absence. The measures Sheikh Hamad used to bolster his public support bases included granting

6. Abdulhadi Khalaf, "The King's Dilemma: Obstacles to Political Reform in Bahrain," Fourth Mediterranean Social and Political Research Meeting (Mediterranean Programme of the Robert Schuman Centre for Advanced Studies at the European University Institute, 2003).

7. Sheikh Khalifa bin Salman Al Khalifa is the world's longest serving Prime Minister.

8. For a historical discussion on factionalism and power politics within the Al Khalifa tribe, see: Abdulhadi Khalaf, "The New Amir of Bahrain: Marching Sideways," *Civil Society* 9.100 (2000).

9. *Ibid.*

10. Personal Interview, Doha, December 2007.

11. Simeon Kerr, "Bahrain Crown Prince Cuts Lines of Patronage," *Financial Times* (February 23, 2008).

12. *Ibid.*

a one-month basic salary to all government employees, the provision of free electricity for around 10,000 impoverished families, cutting education fees at the University of Bahrain by 80%, and offering financial assistance to single parent families and orphans. These gestures are neither exhaustive nor challenge the structure of Bahrain's political system, but they nevertheless constituted the domestic political context of radical reforms implemented by Sheikh Hamad. These gestures can be interpreted as Sheikh Hamad's desire to strengthen his own position through popular support from Bahraini civil society. This autonomy allowed him to offer sectors of Bahraini society more formal means of political participation, which supplemented the informal traditional ones that had long existed.¹³ These reforms were driven by a quest for stability, which was especially important given the socio-economic challenges of a young population that was suffering from rising unemployment and underemployment. The net effect of these consultations was the formulation of the National Action Charter, which was a public blueprint for government, signalling a clear break from the status quo that Bahrain had experienced since 1975.

The National Action Charter

Although Sheikh Hamad had implemented a number of substantive reforms and political gestures to bolster support for the new political agenda, the most important measures were centred on the constitutional reforms beginning on November 23, 2000. Sheikh Hamad established a Supreme National Committee to draft the National Action Charter (NAC), which was to outline the future structure and principles of government. Ultimately, this charter would lead to the transformation of the country into a constitutional monarchy and would reintroduce the constitutional premise of government.¹⁴ Bahrain, therefore, faced both domestic pressure to quickly reform its political system, and regional pressure to not appear less politically progressive than Qatar. The Committee comprised forty-six leading Bahrainis, including six women, and several leading political and private sector critics. The Committee focused on the experiences of governance in countries such as the United Kingdom, Singapore, Egypt, and, of course, Kuwait, which was the model on which Bahrain's 1973 constitution was drafted.

Within the National Charter, there was vague wording on the role that the chambers of parliament would play. It reads:

the first council [*Majlis Al Nuwab*] shall be formed through direct and free elections and shall have legislative attributes. The second council [*Majlis Al Shura*] shall be appointed and shall comprise people of experience and competence who will offer their advice and knowledge when needed.¹⁵

This was particularly problematic for the opposition, which demanded a return to the single

13. For an analysis on informal political participation and the activities of political societies in Bahrain, see: Katja Niethammer, *Voices in Parliament, Debates in Majalis, and Banners on Streets: Avenues of Political Participation in Bahrain* (San Domenico di Fiesole: European University Institute Working Paper 27, 2006).

14. Coincidentally, Qatar had established a similar committee two years earlier to redraft its constitution and to establish the constitutional principles of governance.

15. Government of Bahrain, "Bahrain National Action Charter" (2001). Available: <http://www.pogar.org/publications/other/constitutions/bahrain-charter-01e.pdf>.

chamber system outlined in the 1973 constitution. There was also a fear that this ambiguous wording was a disguised way of implementing a bicameral parliament, which would lack any real legislative power. With this in mind, J. E. Peterson neatly captured the dilemma faced by the new ruler at this key juncture by noting that:

A worried Amir agreed to meet with four leading Shiah religious figures a week before the referendum. The meeting was held at the home of Sayyid Abdullah al-Ghurayfi, who had been exiled during the unrest, with Shaykh Abd al-Amir al-Jamri also present. The Amir looked over their list of demands, which included a demand that legislative power would belong to the elected body alone and that the function of the *Majlis al-Shura* would be only “*Shura*” or consultation, and then signed the document. Copies of the document with the Amir’s signature and photographs of him signing it circulated widely throughout the country.¹⁶

The NAC was then duly put to a referendum on February 14 and 15, 2001, which saw an 89% electoral turnout.¹⁷ Both genders were given the opportunity to vote, which ultimately resulted in 191,790 (98.4%) people in favour of the NAC. This firmly supported the proposal for a constitutionally grounded monarchy and an elected legislature. What was important, but often overlooked, was the vocal support the referendum received from leading Shi’a clerics, who emphasised that it was part of a reconciliation effort between the government and the Shi’a community. Some in the opposition believed that two main factors account for the high turnout. Firstly, the majority of Bahrain’s citizenry regarded any change to the status quo as being positive, and secondly, there was a genuine fear that the referendum was a ploy for the security apparatus to identify any discontented citizen who boycotted the vote.¹⁸ Indeed, this fear was reinforced by authorities stamping voters’ passports and issuing “certificates of good behaviour” after they cast their votes. There was genuine and widespread fear that boycotters would be readily identifiable in the future and would suffer the consequences.¹⁹ This was compounded by the fact that members of the security forces, the military, and their affiliates were ordered to vote in the referendum.²⁰

The Surprise Parliament Structure

The adoption of the National Charter was a clear strategic victory for Sheikh Hamad. There was an unprecedented level of optimism and outflow of national pride within Bahraini society following the referendum. Sheikh Hamad had effectively reinforced his position within the ruling tribe as a result of the popular mandate he received. The composition of the new National Assembly, *Majlis Al Watani*, was to be announced with the release of the new constitution, approximately one year after the referendum.²¹ The referendum

16. J. E. Peterson, “The Promise and Reality of Bahraini Reforms,” *Political Liberalization in the Gulf*, ed. Joshua Teitelbaum (New York: Columbia University Press, 2008).

17. 192,262 out of 217,000 eligible Bahrainis voted.

18. Personal Interview, Bahrain, June 2006.

19. Personal Interview, Bahrain, December 2006.

20. Ibid.

21. The King has the right, under the constitution, to dissolve parliament and although he retains the power of veto on legislation, the National Assembly may overturn this by a two thirds majority vote. This would require a number of the appointed *Majlis Al Shura* to vote against the King.

however, was on the general idea of reforming governance and not on the constitution itself. This contrasted sharply with the experience of neighbouring Qatar as the referendum, which took place in 2003, was based on the text of the constitution rather than a general, and at times vague, proposal for provisions of governance. In many respects, this was a very sophisticated way of providing the spectre of legitimacy to the new constitution.

With the release of the new constitution, suspicions seemed founded as the National Assembly was to have a bicameral system where the appointed *Majlis Al Shura* would also have a legislative capacity.²² Moreover, with the President of the appointed *Majlis Al Shura* having a casting vote in the event of deadlock, the opposition saw this as evidence of a legislature lacking true substance. What made it more troublesome for the opposition was that there was a prima-facie failure by Sheikh Hamad to carry out his public promise for a sole democratically elected legislature.²³ Compounding this was the view that the drafting of the constitution was a unilateral act which lacked transparency and saw no substantive role played by opposition figures in the drafting process, hence the surprise announcement of a bicameral system.²⁴

In order to underline the contentiousness of this issue, it is worth recognising that the 2002 constitution stipulated in Article 120 that no constitutional amendment was permissible by the parliament on the provision for a bicameral system under hereditary rule. It states:

It is not permissible to propose an amendment to Article 2 of this Constitution, and it is not permissible under any circumstances to propose the amendment of the constitutional monarchy and the principle of inherited rule in Bahrain, as well as the bi-cameral system and the principles of freedom and equality established in this Constitution.²⁵

Therefore, the 2002 constitution safeguarded the traditional tribal rule of the Al Khalifa and prevented any *de jure* future change by the parliament towards fulfilling the opposition's demand for the *Majlis Al Shura* not to have a legislative capacity when comprised of appointed officials. In other words, future changes on the structure or composition of Bahrain's legislature was made ineligible through constitutional amendments by the parliament, but is, however, achievable through a decree of the King under Article 35.²⁶ Importantly, this constitutional provision prevented elected officials from forcing a vote on the political system that could have potentially led to a public confrontation with the appointed house. Given this, it is pertinent to move onto a discussion of the impact this dual chamber structure had on the perceived legitimacy of the parliament and the manner in which this shaped future political opposition.

22. Both houses of parliament are comprised of forty members who serve for four year renewable terms of office.

23. Peterson, "The Promise and Reality of Bahraini Reforms."

24. Khalaf, "The King's Dilemma: Obstacles to Political Reform in Bahrain."

25. Article 120, para. C of the February 14, 2002 Constitution of the Kingdom of Bahrain

26. The Constitutional Court, which was provided for in Article 106 of the 2002 Constitution, gives it the right to rule on the constitutionality of legislation but does not give it the authority to change the constitution.

Elections, Legitimacy and Rising Discontent

A mere two months after the constitution was signed into law, municipal council elections were held in May 2002 – the first since 1957.²⁷ In total, 306 candidates, including 34 women, competed for 50 seats in the 12 municipalities. Voter turnout amounted to 51% of the registered electorate; a stark contrast to the 89% of the registered electorate having voted in the referendum over the NAC. For the first round of voting, 51.28% of registered voters went to the polls. Not surprisingly, turnout differed by socio-economic status and along sectarian lines. In some polling stations, turnout was as high as 76%, but as low as 40% in some of the others.²⁸ Women made up 52% of voters, but none were elected. The second round of voting saw a 55% turnout. What made this election of unique significance was that it was the first in Bahrain's history to be conducted on the basis of universal suffrage: women were allowed to both vote and stand as candidates. The results of the election constituted a major victory for the Shi'a Al Wafaq National Islamic Society.²⁹

Nevertheless, although the main opposition party, Al Wafaq National Islamic Society, participated in the municipal elections, it opted to boycott the 2002 parliamentary elections in protest of the provisions in the constitution about the role that the *Majlis Al Shura* would have in legislation. Moreover, their boycott was also partly motivated by electoral districts having an appointed legislature.³⁰ In this regard, Bahrain was demarcated into 12 municipalities within 5 governorates;³¹ in some districts, there were as few as 500 registered voters while in others there were over 10,000.

It was the parliamentary elections that were to be the litmus test for the legitimacy of the reform. The elections took place in October 2002, two years ahead of schedule. The turnout for the first round of voting was 53%, and 43% for the second. The 10% fall in electoral participation can be ascribed to the boycott by Al Wafaq National Islamic Society along with three other prominent groups.³² In total, 174 candidates, including eight women, competed for 40 seats.³³ The results of the election saw the lion's share of seats go to Islamist candidates, with no females elected.

The second election for the *Majlis Al Nuwab* took place on November 25, 2006. In the period immediately prior to the election, one of the more prominent issues that was raised by the Al Wafaq concerned the "Bandargate" allegations. This high profile scandal revolved around a British-Sudanese national, Dr Salah Al Bandar, who was a strategic adviser to the Cabinet Affairs Ministry. Al Bandar published a dossier on the internet which contained a series of serious allegations of impropriety by the government. The dossier claims that bribes and funding totaling US\$2.7 million were dispersed "to manipulate the results of coming elections, [and to] maintain sectarian distrust and division."³⁴

27. The municipalities have no political role and are merely geared towards the provision of social services.

28. Government of Bahrain, *2002 Election Report* (Supreme Committee for the 2002 Election, 2002).

29. With the absence of political parties, the most effective mobilizing force within Bahrain is Islam, which accounts for the ineffectiveness of more secular alternatives.

30. Personal Interview, Bahrain, June 2006.

31. Each governorate has an elected ten member council and oversight and control is exercised by the Ministry for Municipal Affairs.

32. The other key political societies which called for a boycott are: the Arab Nationalist Democratic Society; the Secular National Democratic Action Society; and the Islamic Action Society.

33. Sunni Islamists won twenty seats and, on account of the majority of leading Shi'a societies boycotting the election, the Shi'a societies that contested won four seats.

34. Zara Al-Sitari, "The Al Bander Report: What It Says and What It Means", Bahrain Centre for Human Rights. Available: <http://www.bahrainrights.org/node/528/> (September 2006).

It alleged that the Minister of Cabinet Affairs established a “secret web [working] through a media group, an electronic group, an intelligence team, a newspaper, a Shi’a to Sunni conversion program, and civil societies to carry out these activities.”³⁵ Al Bandar included photocopies of receipts, letters, account sheets, and bank statements as part of his allegations. In October 2006, these issues prompted a petition signed by over one hundred leading activists calling for an investigation into the allegations. Despite this timely bombshell, the elections took place the following month.

What is interesting here is that the four main political opposition societies that boycotted the 2002 elections ultimately decided to participate in the election process despite this scandal.³⁶ A key explanation for the participation of opposition groups in the 2006 elections stems from the provisions of the Political Societies Law No. 25 of 2005.³⁷ The law’s provisions allowed for:

[T]he minister of justice to refer to court any society that violates the provisions of Bahrain's constitution, or this law or any other Bahraini law. The minister of justice may ask the court to freeze the activities of the violating society for 3 months during which the society corrects the violation or removes its causes. The minister may also ask the court to dissolve the violating society, liquidate its assets and determine who receives them if that society commits grave violations of Bahrain's constitution or of this law or any other Bahraini law.³⁸

With the law tightening the manner in which societies could operate and, most importantly, requiring them to register in order to maintain their political status, there was recognition by the Shi’a religious leadership that it was facing a clear dilemma: registration was required in order for the opposition societies to remain legal entities.³⁹ This was the primary motivation behind Al Wefaq’s spiritual leader, Sheikh Isa Qassim, the Grand Ayatollah Al-Sistani, and Fadlallah, reluctantly endorsing their religious followers’ participation in the election.⁴⁰

Since the opposition societies had submitted to the registration and procedural requirements of the new law, a debate was sparked amongst key members on whether a boycott should be maintained. Registration to vote was seen by many to equate to an implicit acceptance of the constitution.⁴¹ Compounding this was an increasingly dominant view that the boycott was distracting the political societies away from the real issues of poverty, housing, and employment, all of which mattered greatly to rank and file members.⁴² The net effect of these factors gave the Chairman of Al Wefaq, Sheikh Ali Salman, the flexibility to ultimately change policy and opt to contest to the 2006 parliamentary elections.

35. Ibid.

36. The opposition parties that boycotted the election were: the Shi’a Islamist parties, Al Wefaq and Al Amal, in addition to the leftist National Democratic Action Society (also known as the Waad party) and the former Baathists.

37. A law legalizing political parties was expected since the introduction of the new constitution and a draft law on this was presented to the Council of Deputies in December 2003, but none was enacted. See: United Nations Development Program, Program on Governance in the Arab World. Available: <http://www.pogar.org/countries/civil.asp?cid=2> (May 2008).

38. Ibid.

39. Edward Burke, *Bahrain: Reaching a Threshold: Freedom of Association and Civil Society in the Middle East and North Africa* (Madrid: FRIDE Working Paper 61, June 2008).

40. Paul Melly, “Bahrain Opposition Realigns, Hawks Choose No Compromise Option,” *Gulf States Newsletter* 770 (November 2005).

41. Ibid.

42. Personal Interview, Bahrain, June 2006.

This decision resulted in the emergence of a breakaway faction of Al Wefaq called the Haaq Movement, headed by Hasan Mushaim, the former Vice Chairman and co-founder of Al Wefaq.⁴³

The Haaq Movement rejected the legitimacy of the constitution given that the referendum was not over the actual text of the constitution and that Sheikh Hamad reneged on his promise to have a unicameral legislature. Although the Haaq movement had only a relatively small number of supporters compared with Al Wefaq, it nevertheless called on its members to boycott the election. Eventually, Al Wefaq, headed by the cleric Sheikh Ali Salman, secured 17 out of 18 of the candidates fielded, which translated to 42.5% share of the seats in the parliament.

Since gaining power, the Al Wefaq has called for the Minister at the centre of “Bandargate” to be brought before parliament. The ongoing nature of this scandal, and failure to reach a resolution, is increasingly undermining the credibility of the government on any issue of contention where trust and cooperation are needed. For Bahrain, this issue is all the more pressing given the various socio-economic challenges it faces and their ability to collectively undermine the economic reform project. Indeed, given its history of violent unrest, which was particularly unsettling in the late 1990s, the structural reforms that have been implemented so far are effective as a safety valve meant to lesson political tension. This was a luxury not available to the public during the riots that occurred in the twilight of Emir Isa bin Salman’s reign. It is also an effective strategy of moderating opposition figures, as their participation in formal mechanisms of government effectively makes them stakeholders in the political system.⁴⁴



A painting of Shi'a Iranian leaders on a Bahraini village wall

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43. Another key individual in the Haaq movement includes Ali Rabea who was a prominent member of the left-wing National Democratic Action Society, and Dr Abduljalil Al Singace, who acts as the organization’s Director of Media and International Relations.
44. Gerd Nonneman, “Political Reform in the Gulf Monarchies: From Liberalisation to Democratisation? A Comparative Perspective,” *Reform in the Middle East Oil Monarchies*, eds. Anoush Ehteshami and Steven Wright (Reading: Ithaca Press, 2007).

Socio-Economic Challenges to the Political Process

Since the suspension of Bahrain's first parliament in 1975, the country regressed into a police state. The regime's primary objective has been to safeguard the position of the ruling elite.⁴⁵ This was partly influenced by the West's desire for maintaining the status quo to ensure a secure flow of oil resources from the region. However, these policies had detrimental consequences as they fostered socio-political and economic alienation between large sections of Bahrain's Sunni and Shi'a communities.⁴⁶ Sectarianism remains an important social concern within Bahrain.

Historically, within the GCC, Bahrain has had a unique sectarian character. Although the Shi'a sect is commonly accepted as constituting the majority of Bahrain's population,⁴⁷ it is increasingly difficult to give an accurate picture as the government has granted citizenship to a large number of Sunnis from countries within the region in order to redress the sectarian imbalance.⁴⁸ During the 1990s, Bahrain conferred citizenship to around 10,000 Sunni families from Saudi Arabia, Yemen, Syria, Jordan, and Pakistan to work in the military and security forces.

This has made the Shi'a feel largely excluded from the government – especially because they are not allowed to enlist in the military due to government concerns over their loyalty. This has led to resentment among Bahraini Shi'a who cannot understand why their loyalty to Bahrain is being questioned. It is now common for Bahraini Shi'a to see this citizenship program as a means of changing the demographic composition of the population in favour of the ruling elite.⁴⁹ This perception has been reinforced by the Bandargate scandal. The situation is understandably difficult for the vast majority of Shi'a, especially since they face higher unemployment at a time when non-Bahrainis are given legal residency and employment with good salaries and housing benefits.⁵⁰ This feeds into wider socio-economic challenges that will be discussed below.

The context of Bahrain's unique sectarian and economic character stifles the conditions for the development of a bourgeois middle class. This is in marked contrast with the picture emerging in Saudi Arabia, for example.⁵¹ Without the growth of a strong private commercial sector, the emergence of a middle class that would have an interest and capacity to fight for a greater political voice is limited. A secure middle class would also moderate the opposition and give the government the self-confidence to move forward with reform.

45. Steven M. Wright, "Generational Change and Elite Driven Reform in the Kingdom of Bahrain," *Durham Middle East Papers* 81.7 (2006).

46. Louay Bahry, "The Socioeconomic Foundations of the Shiite Opposition in Bahrain," *Mediterranean Quarterly* 11.3 (2000). See also: Falah Al-Mdaires, "Shi'ism and Political Protest in Bahrain," *Digest of Middle East Studies* 11.1 (2002); Louay Bahry, "The Opposition in Bahrain: A Bellwether for the Gulf?," *Middle East Policy* 5.2 (1997).

47. Estimates are varied and suggest that the Shi'a constitute 50-80% of Bahrain's population. Given that no survey has ever been conducted on this issue, it is simply not possible to determine a valid sectarian picture of Bahrain. Secondary source material however, consistently indicates that the Shi'a is the dominant indigenous religious sect in Bahrain.

48. Habib Trabelsi, "Bahrain's Shiite Muslims Cry Foul over Dual Nationality Plan," *Khaleej Times* (June 16, 2002).

49. Mansoor Al Jamri, "State and Civil Society in Bahrain," Middle East Studies Association Annual Conference (Chicago: 1998).

50. Bahry, "The Socioeconomic Foundations of the Shiite Opposition in Bahrain."

51. Giacomo Luciani, "From Private Sector to National Bourgeoisie: Saudi Business," *Saudi Arabia in the Balance: Political Economy, Society, Foreign Affairs*, eds. Paul Aarts and Gerd Nonneman (New York: New York University Press, 2005).

With Bahrain's socio-economic structure showing little evidence of a stable middle class, the ability for civil society to currently act as a fundamental driver of reform is limited. This lessens the prospect for a gradualist transition being achieved through long-term economic success as happened in South Korea and Taiwan.⁵² Indeed, such socio-economic hardship, which is steadily increasing, means that there is a risk that the simmering discontent may well become too acute and raise the risk of a return to the violent protests of the late 1990s.⁵³ Although the uprising of the mid 1990s had been brought under control, periodic street protests and underground opposition has continued.⁵⁴

Unemployment and economic hardship, combined with political disillusionment, is the prime driver of the challenge Bahrain will continue to face in the medium term. Importantly, official statistics on Bahrain's unemployment rate mask the reality of its uneven distribution within society. Moreover, the validity of such official statistics is also questionable. According to the Labor Minister, Dr. Majeed Al Alawi, Bahrain's unemployment rate, as of July 2008, was 3%. This figure was comprised of 3,532 females and 533 males and was said to represent a 13.5% drop from the number of unemployed in 2004.⁵⁵ Whilst the Minister attributed this sharp decline to the success of a National Employment Project, which provided training opportunities and a benefit allowance for jobseekers, this dramatic statistical fall is, in reality, largely attributable to an alteration of the criteria for classifying unemployment. Therefore, with official statistics presenting an invalid picture, it is increasingly difficult to ascertain the extent of the unemployment problem in Bahrain as estimates vary widely from 15 to 30 percent.

Nevertheless, what does seem clear is that levels of unemployment and underemployment are disproportionately higher amongst the Shi'a community when compared with the national average. Reforming the labor market to counter this disparity is likely to be a difficult endeavour. Overall, this problem should not be underestimated as the number of Bahraini nationals within the labor market by 2013 would be effectively double that of 2003. This is attributable to the fact that 27% of the population is under the age of 14, and around 5,000 new Bahraini nationals enter the labor market each year.⁵⁶

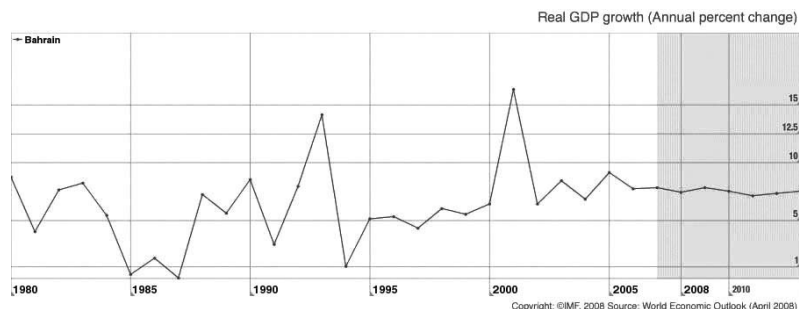


Figure 1. Source: World Economic Outlook (April 2008).

52. Stephan Haggard, *The International Political Economy and the Developing Countries* (Brookfield: E. Elgar, 1995).

53. Anoush Ehteshami and Steven Wright, "Political Change in the Arab Oil Monarchies: From Liberalization to Enfranchisement," *International Affairs* 83.5 (2007).

54. Munira Fakhro, "The Uprising in Bahrain: An Assessment," *The Persian Gulf at the Millennium: Essays in Politics, Economy, Security, and Religion*, eds. Gary G. Sick and Lawrence G. Potter (New York: St. Martin's Press, 1997).

55. Soman Baby, "Bahrain's Jobless Rate Slashed," *Gulf Daily News* (July 2, 2008).

56. Figures based on 2006 population statistics.

This translates into a need for the economy to provide three times more jobs than it has over the past decade.⁵⁷ Indeed, a report by McKinsey into reforming Bahrain's labor market indicated that real GDP growth rates at upwards of 10% per year were required to create enough new jobs in the labor market.

Compounding this alarming trend is the rising percentage of personal debt that exists within Bahrain. According to Bahrain's Monetary Agency, the distribution of loans from commercial organisations in Bahrain indicate that since 2004, around 45% of all loan financing have been directed towards personal loans. This figure is set to rise further, thus compounding the problem. Whilst rising debt and unemployment/underemployment are genuine problems, inflation, especially in relation to real estate, is now becoming an acute problem. Misappropriation of lands⁵⁸ and real estate speculation by nationals from other GCC countries is resulting in land prices becoming too expensive for Bahraini nationals to afford. Given Bahrain's youthful population, there is rising discontent over the unaffordability of housing and land faced by many young Bahrainis. Indeed, the average wage in Bahrain is now disproportionate to the average prices for a plot of land and so even real estate loans become difficult to obtain.⁵⁹ According to the Central Bank of Bahrain, in 2008, the average monthly salary, including allowances for Bahraini nationals working in the private sector, was US\$1379.⁶⁰

On the issue of real estate, it is noticeable that one of the most significant social problems facing Bahrain's population is the misappropriation of lands, as mentioned above, and the shortfall in the number of housing units available.⁶¹ In 1974, the parliament attempted to enact legislation to regulate the distribution of government land, but the government authorities rejected the proposal. As this remained an unresolved issue, the situation by the year 2000 saw over 90% of habitable lands go into private ownership.⁶² This has also affected communal areas such as beaches, which is a visible reminder to wider society of the impact that the misappropriation of lands has had. Overall, the net effect of this is a reduction in the availability of land for Bahraini citizens and an increase in land prices making them unaffordable for the majority of Bahraini families.

This has been further compounded by the growing trend of real estate speculation from other GCC nationals, continued inflation, and the government's lack of investment in affordable housing units.⁶³

Geopolitics: Overcoming Domestic Challenges and Risks

When examining stability and state-centric power relationships in Bahrain, it is common to encounter criticisms ranging from fears that the violent riots and acts of internal subterfuge of the 1990s could resume, to speculation on a mass uprising. Bahrain finds itself within an increasingly competitive arena, where it has to compete for foreign investment with Dubai, Doha, and Abu Dhabi. Nevertheless, the government in Bahrain may be viewed as secure,

57. William Wallis, "Jobless Corner of Bahrain a Far Cry from Glossy Malls," *Financial Times* (November 25, 2004).

58. Rebecca Torr, "Land Grab Fuelling Housing Crisis," *Gulf Daily News* (July 6, 2008).

59. Personal Interviews, Bahrain, December 2006 and April 2007.

60. Central Bank of Bahrain, *Economic Indicators* (Manama, 2008).

61. Torr, "Land Grab Fuelling Housing Crisis."

62. Personal Interviews, Bahrain, December 2006.

63. Global Investment House, *Bahrain Real Estate Sector: Provocative Policies and Investment Friendly Climate*. (Kuwait, 2006).

with latent risks, for the foreseeable future. Despite a number of reforms since Sheikh Hamad's assumption of power, political discontent amongst large sections of Bahraini society remains. The means by which stability is safeguarded derives from two key factors: first, the government could rely on the effectiveness and loyalty of the armed forces and internal security apparatus in quashing any domestic challenge. Indeed, since the Bahraini armed forces and internal security services have a large number of foreign-born nationals and exclude Shi'a Bahrainis from their ranks, there appears to be a sense among the ruling elite that this is sufficient to safeguard its position. Second, there is a widely held view among the ruling elite that they can rely on support from other ruling tribes in the GCC, such as Kuwait and Saudi Arabia, if the internal situation became too difficult to manage. Although such support networks are seen to be substantive in terms of direct intervention, the real comfort is mainly psychological as it reinforces a sense of security and gives the elites power over civil society. Indeed, an end was brought to the years of violent unrest in the late 1990s after the implied threat that Saudi paratroopers would be sent to Bahrain to quash the uprising.

The construction of the financial harbor shows a clear ambition on behalf of Bahrain to not only foster its "business friendly" image, but also to model itself on a small offshore commercial centre such as Monaco. As the head of the Economic Development Board (EDB), the Crown Prince was responsible for creating a proposal to develop a comprehensive economic reform program for Bahrain. This included a reform of the labor market through new legislation and schemes for education, vocational training, and enhancing the incentives for businesses locating to Bahrain. According to the Heritage Foundation, Bahrain has the freest economy in the Middle East: it was ranked nineteenth globally, above Germany and France.⁶⁴ Progress has also been made towards improving Bahrain's business image, which included the high profile Formula One racecourse to encourage tourism. Whilst Bahrain is an attractive location for a number of businesses, it faces very strong competition from Dubai, which continues to be the preferred regional hub for commercial businesses locating to the region. Yet economic diversification has not been overly successful as the economy has remained largely dependent on Bahrain's oil income.⁶⁵ Indeed, in 2006, oil revenue accounted for 77% of total government revenues.⁶⁶

The challenge Bahrain faces from a growing labor market is problematic, and the growth rates required to create enough new jobs to prevent the rise in unemployment are unlikely to be achieved. Although Bahrain achieved an average real GDP growth rate of 7% between 1999-2007, the challenge will be for the government to use the oil revenue wisely, particularly after the rapid decline in oil prices following the global economic downturn in late 2008, and also to undertake targeted investment, which does not result in uncomfortable levels of inflation for the poorer sections of society.

Overall, with the main driver of insecurity stemming from unemployment and poor liquidity for key sections of Bahraini society, it is becoming apparent that Bahrain will increasingly look to Qatar to combat the socio-economic pressures it is facing. The announcement of the 45km Qatar-Bahrain "Friendship Bridge" is a key development,

64. Heritage Foundation, "Index of Economic Freedom 2008." Available: <http://www.heritage.org/research/features/index/countries.cfm/> (June 2008).

65. Victoria Robson, "Unemployment Undermines Bahrain's Success," *Middle East Economic Digest* (January 27, 2008).

66. Central Bank of Bahrain, "Economic Indicators".

which is likely to figure heavily in Bahrain's efforts to address high unemployment. The project agreement was signed in June 2006, and the bridge is expected to be completed around 2012. The project can be viewed as having the potential to result in a significant proportion of Bahraini labor locating to Doha. Moreover, given the scale and potential for economic development in Qatar, it is reasonable to assume that a number of Bahraini nationals could be absorbed into the Qatari market. Although Bahrain and Qatar have had a turbulent history of political rivalry and tension, there are widespread tribal linkages between the two countries, which reinforce the prospect of labor flows and increased remittances from Qatar to Bahrain.

In September 2006, it was announced by the Bahraini Ministry of Labor that:

Bahraini jobseekers would be provided with jobs in Qatar through an employment office being established in that country. The office would also follow up labor affairs of Bahrainis working in Qatar and help them cope with obstacles facing them. The office will be part of the Ministry of Labor's National Employment Program (NEP) and run by the ministry and the Qatari Civil Service Affairs and Housing Ministry. The office will be located in the [Qatari] Ministry of Civil Affairs and Housing as part of a memorandum of understanding signed by the two labor ministers early this year.⁶⁷

What can be concluded is that the internal simmering discontent in Bahrain is likely to progressively rise in the interim period until shortly after the bridge is completed. This indicates that the socio-economic challenges in Bahrain are likely to be kept in check over the medium to long-term due to the ability for unemployed Bahraini labor to target neighboring Qatar.

Conclusion

Bahrain has entered a more liberal phase under King Hamad. The driver of change is clearly the King's camp within the ruling tribe. His motivation for introducing the reform process and the manner in which it has been done are of particular interest here. It is clear that two competing camps exist within Bahrain's ruling tribe. The competition and interaction between the King's camp and the Prime Minister's, which had effectively ruled Bahrain since independence, is a key factor. This explains the manner in which the reforms have been implemented. Upon coming to power, King Hamad faced the immediate challenge of having to bolster his position against that of the Prime Minister in order to exercise power and implement the reforms necessary to prevent Bahrain descending into the violent unrest that threatened the ruling tribe in the late 1990s.⁶⁸ Preventing a resurgence of social protest was thus a primary motivating factor behind the reforms. The public manner in which the reforms were implemented is largely attributable to internal power politics and the manoeuvring that both the King and the Crown Prince, Sheikh Salman, did vis-à-vis the Prime Minister. Steadily, it is becoming increasingly clear that King Hamad and the Crown Prince have the upper hand.

67. Bahrain Ministry of Labor, "Employment Office in Doha to Help Bahrainis." Available: <http://www.mol.gov.bh/MOL/En/News+and+Events/Ministry+News/21-9-2006.htm>, (September 2006).

68. Fakhro, "The Uprising in Bahrain: An Assessment."

Bahrain faces genuine social and economic challenges, largely fuelled by rising unemployment and inflation. The sheer volume and speed of new entrants into the labor market is a real challenge. Yet even though progress in encouraging foreign investment has been achieved, it is clear that unemployment and financial difficulties faced by the poor in Bahrain continues to rise. Such conditions fuel the simmering discontent and enter Bahrain into a vicious cycle: discontent leads to public protests, which deter foreign investors fearing the risks associated with instability, thus hindering the economic growth that is needed to combat socio-economic problems.

It is a mistake to view Bahrain's problems as wholly sectarian: this perspective fails to recognize the economic and ethnic character of the society and the factors fuelling demands for political change. Indeed, in several of the neighbouring Persian Gulf countries, such as the UAE, no such political and security problems exist. The populations in these countries have high standards of living, making any calls for greater social and political freedoms unnecessary. Bahrain is, after all, undeniably more liberal than the UAE, both socially and politically. In the case of Bahrain, the economic conditions of society are directly related to its political and security climate. Therefore, it is possible to understand how well Bahrain will overcome its social and political challenges by the scale of its economic development and the degree to which living standards rise.

As highlighted above, whilst the Economic Development Board of Bahrain has made progress in attracting investment and creating more jobs, a key solution for Bahrain's socio-economic challenges will, in the medium to long term, ultimately come from Qatar. The opening of the bridge promises to see an interesting trend of Bahraini nationals being absorbed into the growing Qatari market, provided they are not overly deterred by high rental costs for accommodation in Doha. Bahraini laborers will be viewed as desirable in Doha because they will integrate with local culture better than other expatriates. Such a scenario is interesting as an increasing proportion of revenue to Bahrain will therefore come from foreign remittances into the country. This is itself an important change in the often turbulent political relationship that the two countries have had historically.

In the medium to long-term, and after a greater proportion of Bahrainis begin to work in Qatar, it is reasonable to assume that some of the socio-economic challenges Bahrain faces will steadily decline. This allows for a more optimistic assessment of Bahrain's political climate despite the simmering social discontent, which is likely to continue to find ways of expressing itself.

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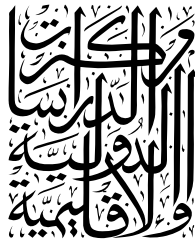
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