



THE GULF CRISIS ONE YEAR ON

By Antonino Occhiuto

On 5 June 2017, Saudi Arabia, the United Arab Emirates, Bahrain and Egypt, interrupted relations with Qatar. The result is an unprecedented crisis in the Arab Gulf. The four countries accuse Doha of supporting terrorist personalities and nefarious groups across the Middle East. One year on and the prolonged tensions—in what is considered by many as the last oasis of peace in a region in turmoil—have no end in sight. The implications are tremendous.

QATAR FEELS THE PAIN OF ISOLATION

Since the start of the Gulf crisis, predictions on all the indicators of Qatar's economy have worsened including: the GDP growth rate, unemployment levels, inflation and interest rates. Some investors, such as Vodafone, withdrew from Qatar's marketplace to avoid obstacles in their operations in the larger Gulf economies—Saudi Arabia and the UAE. Doha has been digging into its sovereign wealth fund to prop-up its currency and ensure the stability of its banking sector. As banks from the four boycotting states began removing term deposits held in Qatar, Doha drew on its vast wealth to sustain its economy. The financial rating agency Moody's reported that Qatar injected almost \$40bn out of its \$340bn reserve to support its economy during the first two months of the dispute. Doha's sovereign wealth fund is still considered a solid stabilising factor. In addition, despite the slightly higher cost of passing through Omani and Iranian waters, Qatar's exports of oil and LNG gas—its main economic assets—have been largely unaffected and Doha maintains its export commitments to its Asian and European costumers. This is not to say that other important Qatari businesses are not under strain. Qatar Airways—banned from Saudi, Bahraini, Emirati and Egyptian airspace—is facing substantial losses and will need additional government help if the crisis continues. Likewise, Al Jazeera Media Network, was forced to eliminate jobs while several departments and management positions have been merged or eliminated in a complete restructuring. Since June 2017, several prominent members of the ruling Al-Thani family have visited the EU and the US in a sign that Doha is seriously wor-

ried about the continuation of the crisis...despite their rhetoric to the contrary.

COLLATERAL DAMAGE IN THE GULF...

The one year long impasse is causing economic changes—potentially permanent—across the entire Arab Gulf. Consider the UAE, and Dubai specifically; the financial transactions involving Qatar have shifted from Dubai to London or New York. Also, in terms of losses of business volumes, the exports which previously passed through Dubai's Jebel Ali port have now been rerouted via Oman. For its part, Oman has seen trade with Qatar skyrocket by 2,000 % in the past three months. Additionally, Qatari logistics companies working for businesses related to the Qatar 2022 World Cup are beginning to switch their shipping hubs from Dubai to Sohar in the north of Oman. The ongoing crisis and the de facto paralysis of the Gulf Cooperation Council (GCC) has increased both political and economic pressure on the most vulnerable states in the Arab Gulf. It is certainly not a coincidence that the 88 year old Emir of Kuwait, Sabah Al-Ahmad Al-Jaber Al-Sabah, took the lead in the negotiation efforts—which, so far have failed—as he regards the ongoing dispute as a serious threat to Kuwait's security interests.

Also, the lack of unity among the Arab Gulf states benefits the revisionist Islamic Republic of Iran, which the GCC was originally designed to contain. Tehran not only welcomed the crisis but would also be happy to see it drag on as long as possible. For Tehran's clerical leaders, the confrontation between the Arab Gulf allies came at a particularly auspicious time—when the Sunni Arab world seemed lined up against them after President Trump's visit to Saudi Arabia in May 2017. Iran is playing the long game by offering Qatar a package of support that includes political alliance, access to air and sea routes and food supplies. Since June 2017, visits to Doha by Iranian officials have become frequent as the Ayatollahs' desire to bring Doha permanently out of the GCC and into Tehran's sphere increasingly seems a realistic outcome. So far, this has not materialised and Qatar decided to rely more heavily on Turkey, which does not prevent Qatar from swinging between camps.

...AND BEYOND

The Gulf is strategically important for the US and its two main assets are: the US Fifth Fleet (based in Bahrain) and the Al-Udeid Air Base (in Qatar). While the former prevents Iranian incursions in the region the latter is the centre of US air operations against jihadist groups in the entire Middle East. US Defence Secretary, James Mattis, declared that the fracturing of ties among its Gulf Arab allies hinders Washington's fight against the Islamic State and 'countering the spread of Iran's malign influence.' Despite Trump's initial support for

the measures taken by Riyadh, Manama, Cairo and Abu Dhabi against Doha the US administration has, so far, avoided taking any concrete steps. Arguably, the US could use its leverage to mediate the dispute. Trump has instead decided to exploit the situation to increase Arab Gulf investments in the US arms industry. Likewise, most major EU states have opted to stay out of the dispute—only Germany openly sides with Qatar—and continued to do lucrative business with both sides. The neutrality, or the benevolence, of the West is, arguably, the most important factor allowing Doha to reject all the demands that the Arab Quartet wants Qatar to comply with to restore relations.

The prolonged Gulf crisis is having a much more severe impact by unsettling extremely poor and unstable areas, such as the Horn of Africa, which requires financial and political backing from GCC states. For instance, Somalia has imported the crisis. Qatar backs the central government and the UAE is supporting Puntland's regional government in the country's North. As recently as April 2018, Somali security forces stormed a UAE jet at Mogadishu airport, and seized \$9.6 million (USD) in cash destined for the Puntland Maritime Police Force, an anti-piracy unit backed (since 2014) by the UAE. In the same month Qatar donated 30 buses and two cranes to Mogadishu's regional officials.

One year on and both sides remain entrenched in their respective positions—there has been very limited efforts to solve the crisis. The collapse of the GCC is now likely. Kuwait's mediation efforts received many positive international comments but, de-facto, no support. Policymakers in Washington, and across Europe, are continuing to exploit intra-Gulf tension for economic purposes—Russia recently adopted the same position by selling missile defence systems to both Saudi Arabia and Qatar. Both sides are set to be negatively affected by the continuation of the crisis. In the long term, the Quartet might permanently lose Doha and Qatar's assets to its regional rival, Iran. On the other hand, the economic strain it is subject to since the start of the crisis is likely to increase Doha's reliance on Ankara and Tehran and weaken the foreign policy independence that Qatar's leaders are committed to safeguard. The GCC was formed on shared economic and security interests. Until those interests are prioritised once again the Arab Gulf will remain divided. All considered, severing ties with extremist religious groups such as the Muslim Brotherhood seems as small price to pay to restore Gulf unity.