



### **Energy Priorities of Domestic and Foreign Policy of the Arab Monarchies of the Gulf.**

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*Abstract: This article provides a comprehensive analysis of the patterns of influence of social, political, economic prerequisites, as well as military-political security indicators on the formation of priorities of the state energy policy, the strategy of export and import of hydrocarbons, as a dominant factor in the foreign policy of the Arab monarchies.*

*The analysis conducted by the author indicates a significant influence of the socio-political factor on the formation and implementation of the energy policy of the Gulf states. The social factor plays a significant role in the distribution of income from the sale of energy resources, which are the basis of the economy, the main source of replenishment of the state budget of these countries.*

*Key words: Energy diplomacy, Middle East, interregional and intraregional relations in the Persian Gulf, hydrocarbons, the energy strategy system, geopolitical upheaval.*

Cultural and spiritual traditions, a national-ethnic structure, an established system of statehood with a religious status, and a religious orientation of national institutions of power, became the basis of our own model for regulating economic processes. Its feature, in particular, was the system of distribution of state revenues for each individual citizen with a significant package of social security measures (free medical care for the population, free education system, etc.)<sup>2</sup>.

State revenues from the sale of oil determine the entire system of organization of public life. This is reflected in the subsidization by the state of the household needs of the population, the establishment of relatively low market prices for housing prices, practically interest-free lending, the provision of communal and transport benefits at conditional prices, etc. Special attention should be paid to providing the population with clean drinking water, which was made possible thanks to the creation of a high-quality, effective system of water treatment plants. This, in turn, has led to a decrease in the incidence of disease.

Thanks to an active social policy, the Arabian monarchies in terms of life index (the average level of life expectancy of citizens, which is one of the main criteria for assessing social security and living standards of the population of a given state) are included in a number of economically developed states. Life expectancy for men on average is 72, for women - 76 years.

Energy diplomacy in the Middle East is tied to the desire of oil and gas producing states to search not only potential investors, but also to expand the possibilities of energy sales. True, this is not facilitated by the high level of cross-country rivalry, which is based on the so-called "non-linear" pricing policy for hydrocarbon sources.<sup>3</sup>

The nodal identifier for "hydrocarbon energy" is the focus of the states that need it. Trend indicators in world energy policy, including the activity of specialized brain centers engaged in research of demand and resource extraction, are peculiar sensors that determine the development vectors of oil, gas, coal, and other energy carriers. In the past half century (of course, this does not include the period

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[http://www3.weforum.org/docs/WEF\\_YGL\\_AcceleratingEntrepreneurshipArabWorld\\_Report\\_2011.pdf](http://www3.weforum.org/docs/WEF_YGL_AcceleratingEntrepreneurshipArabWorld_Report_2011.pdf). date of access: 12.03.2020

<sup>3</sup> Amena Bakr, "Saudi Arabia Warns of Shift Away from U.S. over Syria, Iran," Reuters, October 22, 2013. Accessed March 10, 2019 at  
<http://www.reuters.com/article/us-saudi-usa-idUSBRE99L0K120131022> date of access: 01.04.2020

until OPEC was created in 1960, and, especially, the cyclical nature of world economic crises, the last of which emerged in 2008), oil and gas production in the Gulf acts as one of sustainable global factors that determine the development vectors of the global economic trend.

### **Background**

During the work on the thesis, the author revealed some features that are characteristic in most cases only for this region. The current state of the development of interregional and intraregional relations in the Persian Gulf seems to be passing from one acute problem to another, bearing both regional and global character. In most cases, the attention of the world community is fixed on the issues of resolving crises in Yemen, Syria, Turkey, as well as Iranian-Saudi and Palestinian-Israeli conflicts.

International relations are a set of separate active and passive regional relations of states. The degree of activity of the region varies depending on the involvement of regional and external players in it. From this point of view, the region, the Persian Gulf, in particular, the Arabian monarchies are currently one of the most active players in geopolitical processes, due to the presence of large reserves of hydrocarbon resources and a geographically convenient location. From a geopolitical perspective, the region represents the focus of political, economic and, most importantly, energy interests of global actors in international relations.<sup>4</sup>

### ***Socio-political factor as the basis of state energy policy.***

System of socio-economic development determines the dominant role of the state in determining and implementing both domestic and foreign policies of the countries (the energy sector is no exception in this sense), which creates economic and political risks for the sustainable development of the states of the region and their evolution from backward raw materials appendages of industrialized countries to international energy, industrial centers of the world economy.

The dominance of the state in economics and politics, due to over-reliance on the export of energy resources, features of social policy leads to excessive "bloating" of the public sector of the economy, its inefficiency. An example is the Syrian experience, characterized by wasting and covering exorbitant and aimless government spending through the sale of hydrocarbons.<sup>5</sup> The excessive dependence of state revenues on energy exports has another negative consequence, the lack of a clearly formulated and long-term strategy for the development and transformation of both the economic sector and the state system in the countries of the region.

In addition, the revaluation by states of the possibilities of using the energy factor in promoting national interests in the international arena, including in conditions of high volatility of world energy markets, negatively affects their ability to effectively counteract external destabilizing factors and the influence of extra-regional power centers.

According to experts, in order to prevent possible future shocks, the states of this region need to implement measures to possible imbalance of the economic and socio-political spheres. Moreover, it is important to focus on solving two fundamental problems:

- overcoming the reduction in the dependence of social welfare of citizens, the human factor in the development of the country from income derived from export of energy resources;
- overcoming the one-sided development of the country's economy, due to its focus on the use of the region's energy potential.

The resolution of these problems is directly related to the inevitable correction of the foundations of state and social construction, the technological re-equipment of the energy segment, and its re-orientation to the industrial development of the countries of the region.

<sup>4</sup> Laura El-Katiri and Bassam Fattouh «A Brief Political Economy of Energy Subsidies in the Middle East and North Africa» <https://journals.openedition.org/poldev/2267> date of access 24.03.2020

<sup>5</sup> Lynch, Marc «The New Arab Order Power and Violence in Today's Middle East» <https://www.foreignaffairs.com/articles/middle-east/2018-08-13/new-arab-order> date of access:06.03.2020

In this regard, the states of the region, while modernizing their strategies in the socio-political sphere, are considering the feasibility of redirecting funds from the sale of hydrocarbons to:

- development, improving the quality of education and lowering the threshold of social subsidies. Increasing the level of education, in particular in universities, will allow monarchies to increase the number of economically active population, increase the mobility of citizens to provide for themselves with their own incomes;

- reduction in the number of unemployed due to the commissioning of previously unused or backward, including industrial, sectors of the economy;

- filling new jobs with national personnel, etc.

At the same time, in the medium and long term, the injection of a significant share of state revenues from the sale of oil and oil products into the social sphere will remain the most important priority of the energy policy of the countries of the region, a condition and a means of relative socio-political stability of the monarchies, maintaining the achieved standard of living of their people.

***Export and import of hydrocarbons, the energy strategy system is a dominant factor in the foreign policy of the Arab monarchies.***

The international-political "mosaic" of dispositions of importing countries, which is taking shape at various stages, as well as external interference in their internal affairs by some states interested in hydrocarbons seems to be undoubted.<sup>6</sup> In our opinion, it is advisable to consider energy diplomacy in the Middle East as a complex and systemically organized activity, which is framed by goal-specific goals for this region. In fact, this is a type of activity that reveals the essence of the energy policy of the Middle East states, promotes their negotiation process, and ensures the development of strategies and tactics in oil and gas transactions.

Energy diplomacy in the Persian Gulf is a set of foreign policy and foreign economic functions aimed at protecting the interests of the Middle East states in the production, transportation, industrial "terminalization" and consumption of energy resources.

The meaningful relationship between the energy relations of the Persian Gulf countries in their respective foreign policy is characterized by the fact that energy diplomacy acts as a key "nerve" affecting the quality of security, cooperation of a state with foreign partners.

Turning from general to particular, it seems advisable to give a brief analytical summary of the energy diplomacy of the countries studied.

In terms of the energy factor and energy sales, **Saudi Arabia** (268.3 billion barrels. 16.2% of global reserves)<sup>7</sup> is undoubtedly the leader among the rest of the monarchies in the region. However, having the de facto status of the "gendarme" of the Persian Gulf, the Kingdom has an ambiguous foreign energy policy, due to its strategic and political proximity to the United States. Saudi Arabia at this stage can be described as a more or less reliable exporter of energy resources and a supporter of the US foreign policy.

**Kuwait** (104 billion barrels)<sup>8</sup> is the second largest monarchy hydrocarbon exporter in the region. If we look at the energy line of this state, before the events of its occupation by the Iraqi armed forces with the ensuing war, Kuwait had a tendency to be a self-sufficient and independent country. After the war in Iraq, the state's foreign policy was completely reoriented to the West. The state's current energy diplomacy is clearly positioned as a US ally and reliable supplier of hydrocarbons.

The course of the **United Arab Emirates** (97.8 billion barrels)<sup>9</sup> in the world arena is interconnected with a number of regional issues and issues such as ensuring stability and security

<sup>6</sup> Christopher M. Blanchard, "Saudi Arabia Background and U.S. Relations," Congressional Research Service, February 12, 2014

<sup>7</sup> EIA International Energy Statistics and Short-Term Energy Outlook, September 2018.

<sup>8</sup> ibid

<sup>9</sup> ibid

through consensus on the creation of the state of Palestine and the withdrawal of Israeli troops from the zone of occupation.

Regarding the rest of the monarchies of the region, the UAE has a high level of independent foreign policy through its close cooperation with China, Kazakhstan, Japan and other eastern centers of power. The external energy course and the basis of state energy are oil export and the desire to gain a stable share in the global energy sector.

In the field of foreign energy policy, **Qatar** (25.240 billion barrels) advocates dialogue between the countries. A significant position of the foreign policy of this country is occupied by its relations with the Arab monarchies. Qatar's external energy course follows a relatively controversial line in terms of the extraction and sale of energy resources, but more specific in terms of security. As a result of Qatar's close relationship with the United States and European powers, the country pursues a relatively independent and multi-vector policy.

**Bahrain** (62.28 million barrels of oil, 46 billion m<sup>3</sup> of gas)<sup>10</sup> is a more active ally and associate of American foreign policy in the region. The basis of its foreign policy in the region and the world is oil exports. However, unlike the two previous countries, Bahrain has a more flexible policy regarding its overseas partner regarding regional issues. The deployment of the American naval forces in the country and close cooperation in the field of security with the United States make themselves felt in the energy sector and energy production issues.

The most independent and versatile energy sector policy is **Oman** (900 billion m<sup>3</sup> of gas)<sup>11</sup>. The moderate and flexible external energy policy of the state makes it possible to assert that the country's policy in the region and international relations is relatively independent of the external influence.

By the 21st century, large countries-exporters and importers of Middle Eastern hydrocarbon raw materials have formed their concepts related to the energy factor. Most often, the energy policy of states consists in the implementation of foreign policy interests, ensuring the country's energy security and solving foreign economic problems of the development of national energy companies.

Maintaining hydrocarbon prices acceptable to them is vital for energy producers. For these purposes, there is almost constant diversification and consolidation of sales markets, primarily in order to achieve pricing in their interests.

It is rational to qualify all of the listed focus as energy resource diplomacy, bearing polyphonic content. Moreover, the in-depth processes of such diplomacy are significantly different from the ordinary negotiation process. This is expressed in ensuring favorable conditions on the world oil and gas markets, in strengthening the position of countries in the global energy community.<sup>12</sup>

In the study of the main directions of the energy course of monarchies, several key points were identified. Among which:

- at this stage, the importance of energy resources in world politics is one of the key types of the state's resource base. A large number of consumers of hydrocarbon resources of the so-called final processing, practically do not have their own deposits, or have insufficient level of industrial development to implement large-scale geological exploration campaigns and energy strategies.

Despite the pace of development of energy, including nuclear and alternative, its traditional types such as oil and gas remain the most popular and flexible in the world market;

- regardless of the development and structuring of the international energy industry (export, import, transit), there are a number of problems requiring a targeted solution, including the problem of ensuring the energy security of the state as the main subject of international relations, the formation on

<sup>10</sup> ibid

<sup>11</sup> ibid

<sup>12</sup> Krane, Jim «Stability versus Sustainability: Energy Policy in the Gulf Monarchies»  
<https://www.bakerinstitute.org/media/files/files/b20a5933/Krane.pdf> date of access: 26.03.2020

the international scene at the beginning of the 19th century. multinational monopolistic companies that directly affect pricing, the economic and financial components of energy resources dictate the need for an integrated approach on the part of importing countries, the high concentration of hydrocarbons in certain territories negatively affects the nature of international relations, primarily due to competition among leading powers for the right "Possession" and uninterrupted supply of energy resources;

- a situation of strategic uncertainty in the Middle East, challenges to the energy security system entail direct threats to the global hydrocarbon trend. In this regard, there is reason to consider the Middle East region as one of the most vulnerable "centers" of world energy production. Here, we note that the Western community seeks to get Middle Eastern oil at the most "affordable" prices for them, considering this opportunity as a key direction in achieving its energy goals.

Taking into account the policy of the Arab monarchies in the issue of securing energy security, it is advisable to develop and adopt a national strategy for ensuring the energy security of Uzbekistan, which provides, in particular, for the diversification and energy policy.

#### ***Geopolitical and military-political security of the Arabian monarchies.***

In this section, the author analyzes the geopolitical situation in the Persian Gulf. The following are issues that impede security in this region.

It seems important that the Persian Gulf and the Middle East lack a common paradigm of regional security capable of more or less consolidating and grouping states. The Arab uprisings of 2011, as well as the Syrian crisis, showed that past regional political orientations were not adapted to today's realities. This, in turn, created a struggle for the formation of a fundamentally new course, and to date, not a single new national idea has acquired a regional status.

Geopolitical landmarks have a geographical and resource connection with North Africa, the Near and Middle East. An even higher priority in this aspect is the Strait of Hormuz, which is of strategic importance. The possibility of political influence on the Strait of Hormuz opens up a mechanism for regulating economic relations between the Mediterranean Sea and the Indian Ocean. In this matter, the fundamental factor is the political and/or economic influence directly on the Arabian monarchies due to their close proximity and territorial space.

One of the most significant issues for ensuring the region's security is uninterrupted production, free export of energy resources and oil pricing for consumer countries. In addition, the almost complete dependence of the monarchies on energy exports brings the problems of ensuring integrated security to higher priorities.

Being the owners of 60% of the global reserves of proven hydrocarbon reserves, the Middle East states are the main exporting players, occupying a leading position in the energy market. Focusing on the political problems arising in the region, we see a correct explanation of the reasons for this kind of behavior of the regional model of relations. In this vein, there are a number of interests of not only world, but also regional powers.

(1) Almost all consumers of Middle Eastern oil are developed countries with a high standard of living, requiring maintaining this level on the proper level. The consequence of the pace of production in power centers is that energy consumption is proportionally increased. If only a few among them - France, Japan - were able to ensure their energy independence, the remaining ones are still active consumers of hydrocarbon raw materials. This circumstance directly leads to the promotion of energy interests (diplomacy, military presence, artificial instability in the exporting countries) of these countries for the uninterrupted supply of oil products.<sup>13</sup>

<sup>13</sup> Fattouh, B. and L. El-Katiri (2012b) Energy Subsidies in the Arab World, Arab Human Development Report Research Paper, (New York: UNDP Regional Bureau for Arab States) <http://www.arab-hdr.org/publications/other/ahdrps/Energy%20Subsidies-Bassam%20Fattouh-Final.pdf> date of access 18.012.2019

(2) The relative political and economic instability of oil exporting countries is a guarantee of the interest of the oil states themselves in the production and export of hydrocarbons, which creates a favorable atmosphere for long-term prospects.

(3) Technological aspects and the relative scarcity of the energy potential of the alternative energy sector naturally guide importing countries towards cheap and mobile hydrocarbon provision. In this case, this is also the basis of the modern international institutional framework for creating an integrated mechanism for ensuring the energy security of the entire international community. Almost all countries of the region, and this fact should be emphasized, have justifiable concerns for the safety of oil fields and specialized logistics. The real threat to industry facilities in Arab countries is posed by international terrorist groups operating there.

The situation is aggravated by the interest of external players - the USA, EU, Russia, China, Japan, India, each of which is trying to promote its interests in the region. The strategic and energy significance of the monarchies has become the basis for their inclusion in the official state document of the zone of interests of the United States.

The problems of ensuring security in the region, in addition to the above, are the presence of territorial disputes between countries of the region. Among the most pressing disputes to be resolved are the contradictions between Qatar and Bahrain, Qatar and Saudi Arabia, Iran and the UAE, Kuwait and Iraq, Oman and Saudi Arabia. But on the complexity index, the most confusing is the dispute between Iran and the UAE around the islands of Big Tumb, Maly Tumb, Abu Musa.

The deepening situation in the region is directly affected by the arms race and the proliferation of weapons of mass destruction, in particular, Iran's nuclear program.

Any geopolitical upheaval directly affects the socio-political and economic stability of not only the monarchies, but the entire Middle East. The achieved more or less stable internal state of the monarchies does not constitute a concrete model of socio-political effective governance and rests mostly on internal subsidies. An example is Libya.

According to international experts, in this case, to solve intra-regional problems, it is advisable to create a single organization to coordinate joint efforts, operating within the region and on the basis of relevant international law. The following organizations are partially claiming the role of this kind of organization: GCC, OPEC and LAS. At the same time, experts note the fact that the full functioning of a regional security association can be ensured only in conditions where, in addition to monarchies, Iran and Iraq will participate in it. Experts note that Iran's participation in the same organization with Saudi Arabia at this stage of development is extremely unlikely.

The absence of a consolidated regional security system is largely the result of the following factors:

- political - external players reverse their interests;
- economic - in the absence of uniform mechanisms for regulating production, transit and pricing of petroleum products, a multidirectional energy orientation of the foreign policy courses of the monarchies has been created;
- cultural and ideological - the uneven distribution and fragmentation of Islamic movements leads to an increase in internal contradictions in the region.<sup>14</sup>

The Republic of Uzbekistan is in strategic proximity to the Persian Gulf. Therefore, Iran's participation in international political life can fully open the following opportunities for Uzbekistan:

<sup>14</sup> Al Kanani, A., N. Dawood, and V. Vukovic. 2017. "Energy Efficiency in Residential Buildings in the Kingdom of Saudi Arabia." In: Building Information Modelling, Building Performance, Design and Smart Construction, edited by Mohammad Dastbaz, Chris Gorse, and Alice Moncaster, 129-143. Cham, Switzerland: Springer International.



access to seaports, access to world trade routes and markets (Bander-Abbas, Chahbahar), accessible transport corridors, joint struggle against terrorism and religious extremism.

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