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A QUEST FOR SIGNIFICANCE

GULF OIL MONARCHIES' INTERNATIONAL 'SOFT POWER' STRATEGIES AND THEIR LOCAL URBAN DIMENSIONS

STEFFEN HERTOG

LSE Kuwait Programme Paper Series | 42

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About the Author

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Abstract

This paper documents how the GCC oil monarchies have been using their oil wealth to buy the accoutrements of 'good citizenship' and 'progressiveness' in the international arena through costly policy projects that involve urban interventions like the building of international museums, universities and 'zero-carbon cities' – urban enclaves with an audience that is almost exclusively international. The paper explains how these projects reflect a desire to comply with Western-defined 'liberal' international norms and tastes to gain international recognition, shows how they reflect broader patterns of segmented state building in the Gulf, and explores some of the social tensions they create locally.

The Puzzle

The mega-projects that the Gulf's oil monarchies have pursued in the course of the post-2000 oil boom have variously been described as tools of economic diversification, vehicles of self-enrichment for ruling elites, attempts to deepen strategic alliances with the world's leading economic powers, or simply princely follies driven by surpluses too large for any government to handle rationally.

There is a subtle thread connecting a wide range of projects that has gone undiscussed to date and that relates to a broader trend in Gulf Cooperation Council (GCC) cultural, economic and foreign policies: during the last decade and a half, Gulf monarchies have been using their oil wealth to buy the accoutrements of 'good citizenship' and 'progressiveness' in the international arena through outward-oriented and costly activities. These include overseas investments in strategic assets like media and renewable energy, the hosting of humanitarian conferences, arts and film festivals, bidding for the world's leading sports events, generous aid policies, and support for international museums, higher education and research institutions. The Gulf monarchies stand out among the world's small countries in the range and scale of their global 'soft power' ambitions.[1]

Some of these policies have merely led to one-off events or involved chequebook transactions. In many cases, however, large-scale urban interventions were a critical component of the GCC countries' soft power initiatives. They have led to the building of international museums, universities, 'cities' described as 'media', 'zero-carbon' and 'economic', often in enclaves that are disconnected from the rest of the urban fabric. The political economy of this process in which local elites' soft power ambitions are leaving a deep imprint on the region's urban landscapes is the topic of this paper. It focuses on the conjunction of two forces that are specific to Gulf rentier states:

- the oil-funded emergence since the 1970s of regulatory and spatial enclaves that are legally and geographically separate from the rest of local states and societies;
- the increasing ambitions since the 2000s of Gulf rulers to make their small countries global leaders in the cultural, scientific and normative realms.

The enclave model initially served purely commercial purposes or was used to co-opt critical groups in local society. With the recent emergence of soft power ambitions, however, new 'soft power enclaves' have come into being that combine legal and spatial segregation with a global normative mission. Unlike the older enclaves, they are also separate from local society in cultural and normative terms, giving rise to new social and political tensions.

[1] The only comparable case with similar high-profile 'branding' projects might be Kazakhstan, a case I hope to investigate more closely in future research.

Why is it Worth Explaining?

The Gulf instinct to accompany new policies with new infrastructures might be natural: given state control over land, centralised decision-making, limited political participation and ample fiscal resources, most GCC rulers have faced few direct obstacles in doing so. International architects and planning firms are readily available to propose world-scale projects. They produce tangible, physical objects that give a semblance of policy 'results' that might otherwise elude rulers.

Yet the nature of the projects poses a puzzle: Almost invariably, the most daring and visible projects cater to Western-defined 'liberal' international norms and tastes. They are developed predominantly with international partners, consultants and contractors and have an audience – regardless of where specifically located – that is almost exclusively international. GCC citizens tend to be at best indifferent to new clean energy projects, museums or international universities. In some cases they even appear hostile to them.

In his book about class, democracy and diversification in high-rent GCC countries, Michael Herb argues that many nationals view the region's fast-paced, outward-looking economic development very critically – and in fact prevent it in the one country case in which they have a formal political say: Kuwait.[2] Their core concern in this is protecting their national and cultural identity – a hotly debated issue in the region – to which many of the region's soft power projects appear to pose a particularly visible threat.

As a result, leading proponents of 'liberal' urban interventions like the Qatar Foundation (QF) or the Qatar Museums Authority (QM) have come under attack even in the tame local media. Columnists have called for the employment of more Qataris in the QM, and a poll in a journal published by the QF itself showed that a majority of readers think that Western education – which the QF has been introducing forcefully in the country – will water down Qatari identity.

At the same time, the ambition of the United Arab Emirates (UAE) and Qatar in particular to style themselves as beacons of cultural and scientific progress creates reputational risks in the international arena. It is quite likely that labour practices in Abu Dhabi and Qatar would have drawn less international attention were it not for Qatar's hosting of the 2022 Fédération Internationale de Football Association (FIFA) World Cup or Abu Dhabi's highly visible Guggenheim, Louvre and New York University (NYU) campus projects.

[2] Michael Herb, 'A Nation of Bureaucrats: Political Participation and Economic Diversification in Kuwait and the United Arab Emirates', *International Journal of Middle East Studies* 41/3 (2009), pp. 375–95. Michael Herb, *The Wages of Oil: Parliaments and Economic Development in Kuwait and the UAE* (Ithaca, NY: Cornell University Press, 2014).

The GCC countries remain largely unintegrated into international civil and human rights regimes, and their domestic political practices are at odds with international political and civil rights norms. In many ways, the higher profile they have achieved with their soft power initiatives has made their domestic non-compliance with important international norms more visible and problematic.

The rest of the paper will explain this puzzle by relating it to the broader logic of state-building in the GCC in the post-World War II era. I will argue that the soft power urban enclaves are just the most recent example of a segmentation process in which elites have used rents to create radically different, parallel state institutions that function according to different rules, cater to different social and economic constituencies and often control their own territory and infrastructure. What makes the soft power enclaves different, and potentially problematic, is that by design they are supposed to irradiate beyond their boundaries.

The paper first provides a historical discussion of the broader political economy that has made enclave development and spatial segmentation in the GCC possible. It then describes the institutional basis of different types of urban enclaves in the GCC, then provides a series of short case studies that distinguish first-generation 'commercial' enclaves, pioneered in different ways by Dubai and Saudi Arabia, from second-generation 'soft power' enclave projects pursued predominantly by Abu Dhabi and Qatar, but also to a lesser extent Bahrain and Saudi Arabia. This is followed by a discussion of the likely motivations that drive local elites to pursue ambitious and in many ways high-risk soft power projects. A short conclusion discusses the viability and exportability of the Gulf enclave model.

Historical Background: Elite Agency and State-Building in the GCC

To understand state-building and the shaping of urban space in the GCC, we need to recognise the disproportionate role of elite agency in the process. The existence and importance of individual ministries and public companies, of whole city quarters and sometimes whole cities is often an outcome less of broader political processes than of the tastes, whims and conflicts among a small number of princes and sheikhs. The key to understanding the role and shape of the huge Saudi Ministry of Defence with its military cities is knowing the role of Prince Sultan, who was minister from 1962 until his death in 2011; Abu Dhabi's huge state company and urban developer Mubadala is similarly inseparable from its patron Crown Prince Mohammad bin Zayed; and the same is true of the QF and its patron Sheikha Moza, mother of Qatar's current ruler.

The reasons why elite agency looms so large in the creation of the institutions described in this paper are themselves structural: the rentier status of GCC countries has given ruling families and their advisors a high level of political autonomy at critical junctures of state-building.[3] Not only have rulers had direct control over rapidly growing, externally derived state income and over state lands around and inside of rapidly growing cities; they have also faced few organised constraints on their decision-making. With the exception of Kuwait, GCC ruling elites do not face strong constraints from formal mechanisms of political participation. As importantly, traditional status groups that were able to negotiate with rulers in the pre-oil age, be they tribes or merchant families, have lost much of their cohesion and most of their social and economic autonomy in the course of rentier state-building, when pretty nigh everyone in local society became dependent on state largess of one form or the other.[4] The lack of organised resistance to the state and the extent of individual dependence on state largesse are arguably the most pronounced in Abu Dhabi and Qatar.

Elite agency matters particularly during periods of high oil surpluses when new, uncommitted funds become available to elites. High autonomy and low short-term economic and political opportunity costs give elites considerable space for institutional experimentation. There are no truly serious negative consequences of project failures in the short run.

'Hub and Spoke' State-Building

But why have GCC policy experiments often taken the particular shape of institutional and spatial enclaves? Elite autonomy and surpluses have combined with two further factors to produce a fragmented institutional and spatial landscape in GCC countries: the need to accommodate various parts of the national population through public employment and, at least at times, the plural nature of leadership in Gulf monarchies.

GCC governments have felt historically compelled to share a substantial proportion of their wealth with their national populations. The most important channel for this has been surplus employment in the public sector. This has meant rapid growth of state institutions and in many cases recruitment with scant regard to institutional needs and substantive qualifications, often limiting the capacity of the new bureaucracies.[5] In some cases, elites have also used particular government institutions to co-opt specific social constituencies, such as tribesmen in particular sections of the security forces and religious interests in new educational and judicial institutions, especially but not only in Saudi Arabia. This has further reduced the coherence of the state apparatus.

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[3] Hussein Mahdavy, 'Patterns and Problems of Economic Development in Rentier States', in M. A. Cook (ed.), *Studies in the Economic History of the Middle East* (Oxford: Oxford University Press, 1970). Jill Crystal, *Oil and Politics in the Gulf: Rulers and Merchants in Kuwait and Qata* (Cambridge: Cambridge University Press, 1995). Giacomo Luciani, 'Allocation Vs. Production States', in Hazem Beblawi and Giacomo Luciani (eds.), *The Rentier State* (London: Croom Helm, 1987). Hazem Beblawi and Giacomo Luciani (eds.), *The Rentier State* (London and New York: Croom Helm, 1987).

[4] Crystal, *Oil and Politics*. Steffen Hertog, *Princes, Brokers, and Bureaucrats: Oil and the State in Saudi Arabia* (Ithaca, NY, Cornell University Press, 2010).

[5] Steffen Hertog, 'The Post-WWII Consolidation of Gulf Nation-States: Oil and Nation-Building', in J. Peterson (ed.), *The Emergence of the Gulf States* (London: Bloomsbury, 2016).

Patronage employment has imposed constraints on the efficacy and coherence of large parts of the mainline state apparatus. As a result, in times of oil surpluses ruling elites have often resorted to building yet more parallel, but more selectively recruited, more leanly staffed and (even) better financed 'pockets of efficiency' alongside the rest of the state, often functioning under their own laws and regulations.[6] These have been tasked with high-priority policies and projects, be it banking regulation, building of heavy industry, creation of free zones – or the building of soft power urban enclaves, the topic of this paper.

The creation of new organisations for new clienteles and priority projects has often been accompanied by new, parallel urban infrastructures attached to the new institutions and their employees – a continuing process. When King Abdullah initiated judicial reforms in Saudi Arabia in the mid-2000s, one of the first follow-up announcements was that the government would create new 'judicial cities' attached to the new courts. Similarly, the building of new city quarters and 'cities' was a key component of the economic diversification projects initiated by Abu Dhabi's state holding Mubadala in the 2000s. Institutional fragmentation has led to spatial fragmentation.

The creation of parallel institutional fiefdoms and spatial enclaves has been exacerbated by intra-elite competition and the need to accommodate new generations within ruling families. In Saudi Arabia, following the death of founder King Abdulaziz, senior sons of his created or attained control of parallel security organisations in the Ministry of Defence and Civil Aviation, the Ministry of Interior and the National Guard from the 1950s on, and all of these institutions subsequently created their own residential cities with their own large-scale housing estates, sports facilities, universities and – often top-notch – hospitals outside of the weak public health system. Commoner-led agencies often replicated this pattern on a smaller scale as they found it difficult to rely on other line agencies for infrastructure and service provision, while themselves commanding sizeable surplus budgets.

Rent-financed state-building in the Gulf oil monarchies has been both top-down and deeply fragmented, serving very different political purposes and social clienteles: tribes, the modern middle classes, technocratic elites, religious groups, high-skilled expatriates or low-skilled expatriates of different nationalities, etc. Most of these operate in their own urban enclaves – often though not always attached to different state institutions – and live according to very different social rules and sometimes laws.

The Gulf's oil monarchies present an unusual mix of quite powerful central states that can reach deep into individuals' lives (as modern nation-states do) and the parallel existence of social, ethnic and legal enclaves (a characteristic of pre-modern empires). The GCC monarchies never experienced a historical moment such as a struggle for independence or a social or industrial revolution that would have moulded different social groups into a more integrated whole. Instead, the oil booms have in many ways led to further segmentation. The recent soft power projects are just one particularly visible output of a larger process of enclave-building.

[6] Barbara Geddes, *Politician's Dilemma: Building State Capacity in Latin America* (Berkeley: University of California Press, 1996). Hertog, *Princes, Brokers, and Bureaucrats*.

The Institutional Framework for Urban Enclave Projects

The soft power projects draw on an older model of commercial enclaves that has existed since at least the 1970s in the shape of 'free zones' and spatially segregated infrastructures run by state-owned enterprises. These commercial enclaves themselves are just one sub-type of state-created enclaves, which as mentioned can also include military cities, ministerial compounds with their own education and health systems, etc. This paper does not engage with such other enclaves in detail, however, as they are less relevant as a model for the soft power projects.

GCC Free Zones

The basic institutional principle that enables the development of commercial enclave projects in the GCC is the existence of parallel regulatory spheres that are separate from the rest of government in both formal and informal ways. The purpose is usually to circumvent the constraints and inefficiencies of the existing state apparatus.

Dubai has pioneered the 'free zone' as the archetypical regulatory enclave in the region. Free zones allowing tariff-free imports and full foreign ownership of business exist in many emerging markets but rarely do they enjoy as far-reaching legal autonomy as in Dubai. Zones there have their own company licensing regimes and are not subject to core parts of the national labour legislation: free zone workers do not labour under the country's much-discussed sponsorship system and companies are not subject to Emiratisation rules. The Dubai International Financial Centre (DIFC) even has its own separate laws and court system (mostly staffed by retired British judges).

Unlike most other emerging markets, many free zones in the GCC are located in central urban areas (e.g. DIFC, Dubai Healthcare City, and Jumeirah Lake Towers (JLT) Free Zone in Dubai; the twofour54 media city in Abu Dhabi; Qatar Financial Centre (QFC) in Qatar). They are often tied to large-scale urban developments that provide office space as well as luxury real estate for predominantly foreign buyers, who are typically not allowed to acquire property outside of the zones. The zones have moved far beyond the geographic model of remote industrial enclaves or international logistics hubs that the region's first free zones followed in the 1970s and 1980s and that still characterises most free zones in the rest of the world.

Free zones are not only spatial enclaves with their own infrastructure, but constitute parallel economies and, in many ways, governments. Their swift administration and outward orientation contrast with the much less accessible 'onshore', even in a supposedly business-oriented economy like the UAE: administration outside of the free zones is often slower moving and business largely reserved to nationals. The UAE, for example, continues to limit foreign ownership of onshore companies to a maximum of 49 per cent. This provision is more restrictive than in any other GCC country; new federal company legislation issued in 2013 after more than a decade of discussion was supposed to liberalise it but in the end failed to do so. Onshore business is only possible through joint ventures with (often silent) national partners. Larger businesses are mostly in the hands of traditional merchant families. National 'ownership', both in an economic and in a spatial sense, is larger outside of the enclaves.

State-Owned Enterprises

Another vehicle that has helped enclave-building projects in the GCC is the state-owned enterprise (SOE), an entity that sometimes overlaps or even is identical with the free zones. SOEs have been the primary tool of economic diversification in the GCC but in many cases are also tasked with developing projects that do not have a primarily economic rationale, including hospitals, universities, museums or government stadiums – usually outside of the purview of government agencies formally in charge of such infrastructure.

SOEs tend to be created in times of oil surpluses. While the region also has its share of overstaffed and inefficient SOEs, the GCC's top SOEs typically concentrate a critical mass of managerial expertise that is lacking in many conventional government bodies.[7] The highest profile Gulf SOEs are led by close confidants of rulers that also have modern managerial training; Khaldoon Al Mubarak of Abu Dhabi's Mubadala is perhaps the most prominent example: he holds an economics and finance degree from Tufts, but is also from a prominent family and personally close to Crown Prince Mohammed bin Zayed (as a result of partially growing up at the ruler's court after his father, a UAE ambassador to France, was killed in 1984). Mubadala has served as prime vehicle for the development ambitions of the Crown Prince and was created at a time when he reportedly did not yet have full control of Abu Dhabi's general budget and overseas assets. Other GCC SOEs and state holdings are often similarly affiliated with specific ruling family factions.

Leading SOEs operate separately from the rest of the government, with independent budgets and their own, more competitive and less egalitarian salary and human resources structures. Unlike the mainline administration, they provide fewer patronage jobs for citizens and can recruit relatively selectively, including on the international market. They often enjoy de facto monopolies and other regulatory privileges; UAE SOEs, for example, are exempt from the national company code. In a situation of rent surpluses, the SOE model allows governments to build critical implementation capacity in some parts of the state apparatus quickly, while using other parts of it to provide surplus jobs for less qualified or motivated nationals.[8] The resulting institutional redundancy and parallelism only become a concern when fiscal resources become scarce.

7 Steffen Hertog, 'Defying the Resource Curse: Explaining Successful State-Owned Enterprises in Rentier States', *World Politics* 62/2 (2010), pp. 261–301. doi:10.1017/S0043887110000055.

8 Hertog, 'Defying the Resource Curse'. Hertog, *Princes, Brokers, and Bureaucrats*.

It is often autonomous SOEs or companies with strong shareholding by ruling family members that organise public space: State-owned airlines, for example, control important parts of urban space with their own segregated housing for expatriate employees. Companies like Mubadala and Aldar in Abu Dhabi, Emaar and Nakheel in Dubai, or Diar and Barwa in Qatar develop new city areas or whole new cities – and in many cases also are owners and regulators of the new spaces, while enjoying considerable autonomy from other government agencies thanks to princely patronage. Infrastructure outside of SOE-controlled urban enclaves is typically the responsibility of less nimble onshore agencies such as municipalities or departments of transport, housing, social affairs etc.

Successes and Spread of the Commercial Enclave Model

It is useful to divide enclave projects into commercial initiatives – like pretty much all zones, specialised 'cities' etc. in Dubai – and initiatives with a broader social, cultural or 'soft power' mandate, like the more recent projects in Abu Dhabi and Qatar. Dubai's commercial enclaves, whether more traditional free zones like Jebel Ali or regulatory free zones cum urban mega-projects like the DIFC, by and large fulfil their function successfully. Depending on the source, between a quarter and a third of Dubai's gross domestic product (GDP) is generated in free zones, and many of them obtain top spots in international rankings.

While the attempt to create a new international stock exchange through Nasdaq Dubai has failed, the DIFC has become one of the region's foremost hubs for consulting and banking more broadly. Its courts have become a go-to destination for litigants who want to avoid not only the UAE's but the whole Middle East and North Africa (MENA) region's opaque 'onshore' court systems. While the DIFC courts were initially perceived as based on shaky legal grounds (requiring an amendment to the federal constitution as well as memoranda with local courts to enable enforcement of verdicts), their extraterritorial arbitration services, drawing on British common law rather than the ageing Egyptian–French system practised onshore, have proven popular. Dubai's ruler Mohammed bin Rashid has managed to build a wholly separate judicial system while keeping Dubai as an integral part of the UAE.

Dubai's free zone model has been copied all around the region: Abu Dhabi now has four free zones that in principle offer 100 per cent foreign ownership and has recently created the Abu Dhabi Global Market, which is modelled on the DIFC and located on Al Maryah Island (formerly known as Sowwah Island), an urban mega-project developed by Mubadala. Bahrain, Oman and Qatar have also created various special economic or free zones, usually in combination with large-scale, state-developed office and residential projects catering to foreign demand.

The QFC, set up in 2005 just one year after the DIFC, goes perhaps the furthest in providing separate regulatory structures, operating under its own labour and immigration rules as well as its own court and arbitration system. Unlike the case with the DIFC, companies registered with the QFC do not have to be physically present in it.

Saudi Arabia has also recently started to follow the Dubai model of developing integrated residential and commercial communities, in the shape of the King Abdullah Financial District in Riyadh and the King Abdullah Economic City near Jeddah. Unlike Dubai's, however, these new projects have not been able to acquire proper free zone status due to the resistance of established government agencies. Together with the much stronger cultural constraints on expatriate life in Saudi Arabia, this has cast doubt on their economic prospects.

Saudi Arabia does in fact have its own successful tradition of SOE-led enclave development, but this is limited to industry: its national oil company Aramco, which has inherited its corporate culture and organisation from its previous American owners, is by far the Kingdom's most efficient institution.[9] It enjoys a high level of operational autonomy and owns separate American-style residential cities with their own educational and health infrastructure, in which English is the language of work and women are allowed to unveil and drive – privileges the ruling family has repeatedly defended against criticism from the Kingdom's conservative religious lobby.

Since the 1970s, Saudi Arabia has also built two world-scale 'industrial cities' in Jubail and Yanbu, which are regulated by a separate Royal Commission and have their own training institutes, hospitals and utility company. On its inception in 1974, the Royal Commission, operating under the patronage of then Minister of Interior (and later king) Prince Fahd, was given an explicit mandate to avoid other government bureaucracy. Most of the production facilities of Saudi Arabia's largely state-owned chemicals giant SABIC are located in Jubail and Yanbu.[10] These are purely functional company towns, however, that lie far away from established cities and have no ambition to provide high-class residential real estate, office space or any other kind of spectacular architecture for either locals or foreigners.

Dubai's free zones introduced the model of urban commercial enclaves. The neighbouring sheikhdoms that have adapted it have, however, pushed the model far beyond its purely commercial purpose. The new 'soft power' enclaves in Abu Dhabi, Qatar and Saudi Arabia aim less at offering international business a hospitable environment disconnected from the onshore. Instead, they use oil rents to create separate cultural and normative spheres that operate in parallel with the rest of state and local society – circumventing cultural and normative constraints of local society as much as purely logistical ones. By the same token, their intended audience, and the tastes they cater to, seem to be international more than domestic.

9 Thomas Lippman, *Inside the Mirage: America's Fragile Partnership with Saudi Arabia* (Boulder, CO: Westview Press, 2004). Steffen Hertog, 'Petromin: The Slow Death of Statist Oil Development in Saudi Arabia', *Business History* 50/5 (2008), pp. 645–67. doi:10.1080/00076790802246087.

10 Hertog, *Princes, Brokers, and Bureaucrats*.

The New 'Soft Power' Enclaves[11]

Dubai does also pay attention to its image beyond the commercial realm and its ruler has created a number of high-profile, internationally active charities. It is fiscally much more constrained than Abu Dhabi, Qatar and Saudi Arabia, however, and its urban developments all have a primarily commercial purpose – including its new 'humanitarian city', which at the core is meant as a logistics hub for regionally active aid and relief organisations.

Renewable Energy

The commercial rationale for some of the region's ambitious renewable energy projects outside of Dubai is much less obvious. The most ambitious of them, Masdar City in Abu Dhabi, was announced in 2006 as the world's first zero-carbon city. While many economists have made a case for the use of solar energy in the GCC region, it appears clear that Masdar's wider zero-carbon target was conceived before its commercial feasibility was assessed. Its purpose was symbolic and the audience international.

The project, administered by a daughter company of Mubadala and planned by Foster & Partners, has been repeatedly scaled back since its announcement, and the Masdar Free Zone seems to have attracted few international tenants so far. One important local tenant is the Masdar Institute, an enclave university whose motto is 'Learning to change the world'. Another key tenant on the edge of the Masdar City campus is the International Renewable Energy Agency (IRENA), the hosting rights for which Abu Dhabi managed to win thanks to an intense international lobbying campaign among developing countries, beating competition from Germany and Austria. The 32,000 m^2 IRENA headquarters are billed as the 'greenest office building in the UAE'.

The professed environmental ethos of Masdar is dramatically at odds with ingrained 'onshore' energy consumption habits, building practices and industrial structures that Gulf regimes have to date left largely untouched. Per capita CO^2 emissions in Abu Dhabi and Qatar are the highest in the world, and electricity provision for national households remains heavily subsidised in most GCC countries, encouraging excessive levels of demand. *New York Times* architecture critic Nicolai Ouroussoff has termed Masdar a gated community that reflects 'the growing division of the world into refined, high-end enclaves and vast formless ghettos where issues like sustainability have little immediate relevance'.[12] While 'ghetto' might not capture the nature of the UAE onshore, its social distance from Masdar could hardly be larger.

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[11] This section only deals with soft power initiatives that have a clear spatial and urbanistic dimension. Others, such as the UAE's Mars mission, the operations of international charities, inter-faith, renewables and humanitarian conferences and organisations, etc. are not discussed here.

[12] Nicolai Ouroussoff, 'In Arabian Desert, a Sustainable City Rises', *New York Times*, 25 September 2010. Available at http://www.nytimes.com/2010/09/26/arts/design/26masdar.html (accessed 14 September 2016).

Saudi Arabia's King Abdullah City for Atomic and Renewable Energy (KACARE), announced as a separate administrative entity in 2010, has received less international press than Masdar City. In addition to researching and developing renewable energy in the Kingdom, it has the relatively mundane task of developing civilian nuclear energy. It does, however, follow the GCC enclave model in that it was created in parallel with existing government agencies in charge of domestic energy matters, and in its plan to build a separate 'sustainable city' near Riyadh. Its publicly announced $109-billion plan to deploy 41 gigawatt of solar capacity by 2032 – amounting to a third of total Saudi electricity generation by then – also seems to have been an outward-oriented signal as much as a concrete plan, coming at a time when the Kingdom had come under increasing pressure in the context of international climate negotiations.

The solar capacity target date has since been pushed back to 2040 and renewables in Saudi Arabia, which continues to provide domestic fuel and electricity at very low prices, still lack a clear regulatory framework. Like the King Abdullah Economic City, KACARE has run into resistance from other agencies in an institutional landscape that is older and more cluttered and where decision-making is relatively less centralised than in the Kingdom's smaller neighbours.

Museums

Perhaps the most-discussed soft power enclaves in the GCC are the new museums. The biggest institution already established is the Museum of Islamic Art in Doha, planned by IM Pei and administered by the QM, which operates in parallel with the older Ministry of Culture, Arts and Heritage. The QM was created in 2005 and since 2006 has been headed by Sheikha Al Mayassa Al Thani, born in 1983 and a sister of the current ruler, giving it a particularly high profile.

We referred above to some of the flak that the QM has attracted in local media. While one might imagine Islamic art to be of interest to the local population, at least anecdotally the museum draws limited crowds mostly existing of expatriates. The wider activities of the QM, including the Doha Tribeca film festival and the installation of sculptures by international artists (several of which were removed after local protests, as they depicted nudity or violence), reveal an alignment with international rather than local tastes.

This alignment is even more visible in the case of the Guggenheim and Louvre projects in Abu Dhabi, led by the state-owned Tourism Development & Investment Company (TDIC). The museums have run over budget and been much delayed yet are scheduled to open in 2017. They are part of a broader bid to make Abu Dhabi a hub for high-class international tourism, but also – like Masdar – to brand it as a progressive state on a par with leading Western cultural and economic powers. Given the huge cost of the projects, the commercial rationale seems quite speculative, while the branding aspect thus far has mostly backfired, as the projects have attracted much critical attention from international labour rights advocates.

As a result of criticism from Human Rights Watch and others, developers involved with the museum projects have pledged to adhere to labour standards above and beyond those that generally apply in the UAE – separate standards that themselves confirm the enclave nature of the projects. It is, however, not clear how well these standards can be enforced, given that the subcontractors on the projects are mostly 'onshore' businesses potentially deploying some of the same workers in other projects with lower standards.

A further reaction to improve the lot of workers on high-profile construction projects has been to build new, separate housing enclaves for them to replace substandard worker housing, a task undertaken by big SOEs like Diar in Qatar and Zonescorp and Arabtec in Abu Dhabi. At the same time, the Qatari Ministry of Municipality and Urban Planning has published maps with 'no-go' areas for single expatriate workers, indicating urban quarters in which they are not to be housed and often are not allowed to enter facilities like shopping malls or attend public events. The answer to both international criticisms and local demands to preserve national identity seems to be more regulatory and spatial segmentation.

Universities and Research

The final main area of urban soft power enclaves is that of new, internationally branded and outward-oriented university projects. The Gulf has had separate, private universities for children of expatriate residents for several decades, notably in Bahrain and in Dubai's International Academic City. These have had limited international visibility, however, are pure teaching institutions and operate on a commercial basis.

Qatar Foundation

It is Qatar which has taken the lead on outward-oriented enclave universities in its 'Education City', a campus operated by the QF – a sprawling institution under the control of the current emir's mother Sheikha Moza that, like the QM under her daughter Sheikha Al Mayassa, has pursued a broader agenda of high culture, research and community development with strong international involvement.[13] The institution is not bashful about its ambitions of international leadership; its motto is 'Qatar Foundation – Encouraging the people of the world to start thinking'. It regularly hosts high-profile international conferences about education and welfare issues at which it awards international prizes; in 2010 it signed a €170-million sponsorship deal with FC Barcelona, placing its name on the shirts of Barca players (since replaced with the name of Qatar Airways).

The Foundation's Education City houses large branches of Georgetown, Texas A&M, Carnegie Mellon, Northwestern, France's Ecole des Hautes Etudes Commerciales, University College London, Weill Cornell Medical College and Virginia Commonwealth University. Professors are almost invariably expatriates as are the majority of students, a

[13] Sheikha Moza is also chairperson of Msheireb Properties, a state-owned entity in charge of redeveloping central Doha (a project formerly known as 'Dohaland').

subject of some discontent in Qatari society and a result of both a small local population and an 'onshore' schooling system that – despite reforms attempts led by the RAND Corporation and the Supreme Education Council, of which Sheikha Moza used to be Vice Chair – does not sufficiently prepare students for academic work. Education City exists in parallel with the older Qatar University, which caters mostly to local students and has a higher proportion of local faculty. In addition to Education City and a number of other impressive buildings, the QF controls Qatar Science & Technology Park (QSTP), Qatar's first free trade zone, which was inaugurated in March 2009. Until recently, it was also working on the creation of 'Qatar Space City' at Al Khor north of Doha, a QAR 12-billion project that plans to take passengers into space. The QF has undergone severe budget cuts with the lower oil prices and has announced no major new initiatives.

New York University Abu Dhabi

The most visible and controversial international university enclave in the region to date has been NYU Abu Dhabi (NYUAD). In contrast to the various Education City transplant universities with their relatively narrow disciplinary focus, NYUAD was conceived as a full liberal arts college offering a range of disciplines. Even more than the Education City institutions, it has been outward-oriented, recruiting its students almost exclusively outside of Abu Dhabi through a costly process that involves flying all prospective candidates over to Abu Dhabi for interviews and initially hosting them in local hotels (they are now housed on campus). NYUAD's permanent campus is located at Saadiyat Island and was developed by Mubadala. Saadiyat is also the location of the Guggenheim and Louvre transplant museums as well as a number of planned high-class residential, entertainment and tourism projects – one of which Mubadala bought in June 2013 from the loss-making TDIC.

The very costly NYUAD project – pursued at a time when funds for some of the UAE's traditional onshore state universities were frozen or cut – has been much discussed in the international media. It has come under fire from NYU faculty in New York, one of whom, Professor of Social and Cultural Analysis Andrew Ross, was denied entry to Abu Dhabi in early 2015 after publishing articles critical of labour practices on the campus construction site. Ross himself has pointed out that a liberal arts university that is supposed to engage critically with social and political issues in the surrounding society cannot function in a segmented enclave.[14] He has also publicly doubted the viability of the agreement between NYUAD and the Abu Dhabi government that is supposed to guarantee free speech on campus, giving students and faculty a form of extraterritorial status that privileges them over onshore residents and citizens of the emirate.

[14] Andrew Ross, 'Human Rights, Academic Freedom, and Offshore Academics', *AAUP*, January–February 2011. Available at http://www.aaup.org/article/human-rights-academic-freedom-and-offshore-academics#.VlPS2b8Szkw (accessed 14 September 2016).

King Abdullah University of Science and Technology

In 2009 Saudi Arabia, a country whose social practices in many ways are even more at odds with Western campus life, created its own high-profile, outward-oriented enclave university: King Abdullah University of Science and Technology (KAUST), endowed by then King Abdullah with a reported $20 billion and located on a new campus outside of Jeddah with its own large-scale housing, schools, stadium, golf course and hospital. The development of KAUST was entrusted to enclave SOE Saudi Aramco and it initially operated separately from the Ministry of Higher Education.[15] KAUST is the only institution outside of the Aramco compounds in the Eastern Province where 'Aramco rules' apply; that is, women can unveil and mix with men – made possible only by direct royal patronage of the project and a source of some controversy in Saudi society, particularly among the religious lobby. Three sons of former King Abdullah (d. 2015) continue to serve on KAUST's board, reflecting its continued links to this particular branch of the ruling family.

KAUST has also come under strong criticism from a Saudi princess who has blamed it for catering to foreign elites rather than Saudis. It is currently headed by a former president of the California Institute of Technology, it has mostly expatriate faculty, and a majority of its (generously funded) students are foreigners; by statute, Saudis are not allowed to constitute more than 50 per cent of the student body. Like KACARE, KAUST is more of a hybrid institution that combines an outward-oriented mission of international leadership with significant local tasks of building technology and engineering capacity in critical areas like energy and renewables. It has a relatively larger national student population to recruit from than the transplant universities in Abu Dhabi and Qatar.

The spectacularisation of its architecture, the scale of international outreach and public relations activities around its launch, and the weakness of links to existing Saudi universities, however, suggest the importance of international tastes and audiences in the conception of the institution. If the purpose had only been to improve local research capacity, it is not clear why this could not have been accomplished by strengthening a relatively successful established institution like the King Fahd University of Petroleum and Minerals in the Eastern Province, which is more selective than other Saudi universities and has traditionally been the main local recruiting ground for Aramco.

This paper could discuss further urban developments related to GCC regimes' international ambitions in sports and media, including the Formula 1 infrastructure in Bahrain and Abu Dhabi, FIFA 2022 in Qatar, Abu Dhabi's twofour54 media city (whose associated international film festival was recently cancelled), etc. All these broadly follow the same template already illustrated in some detail: ambitious architecture, integrated residential and commercial infrastructure that is physically segregated from the rest of the urban landscape, direct patronage from rulers or senior princes, administrative and often

[15] Steffen Hertog, 'Saudi Aramco as a National Development Agent', *NOREF Policy Brief*, August 2013. Available at http://noref.no/Regions/Middle-East-and-North-Africa/The-Gulf/Publications/Saudi-Aramco-as-a-national-development-agent-recent-shifts (accessed 25 September 2016).

legal separation from the rest of the state, a leading role for autonomous local SOEs and international consultants in their development, an ambition to cater to an international rather than a local audience, and questionable commercial viability. No project of this kind existed before the early 2000s; now the region is littered with dozens of them.

Results

The second generation soft power urban enclaves have either had no commercial ambitions at all, as is the case with the transplant universities, or have to date been unsuccessful in realising them. By 2011, foreigners had bought only 62 apartments in Qatar's free zones (established through a 2004 law), and for several years now the Qatari government has pondered a plan to reintegrate the QFC into the emirate's onshore financial market (the Qatar Stock Exchange) due to lack of business. Many of the leading state-related companies that have been the primary drivers of enclave projects have required government bailouts, despite privileged access to lands and contracts as well as (in several cases) part-ownership by members of the ruling family. Cases include Barwa in Qatar as well as Abu Dhabi's TDIC, Aldar and Sorouh (the latter two of which were merged in 2013 in the wake of significant losses). Many of the more ambitious urban and free zone projects announced since the mid-2000s have been either downscaled or abandoned since the early 2010s.

The Renaissance Man among the region's SOEs, Mubadala, has also incurred losses in several years. More importantly, it appears that it has only one main source of profits: the hydrocarbons-focused Dolphin project, which has allowed it to import gas cheaply from Qatar and resell it more dearly on international markets. Its other business divisions have been weighed down by ambitious but ill-timed international acquisitions in semiconductors and commodities as well as costly aerospace manufacturing projects, through which Abu Dhabi hopes to leapfrog into a position of international technology leadership. A good share of Mubadala's local revenue derived from the enclave projects mentioned above seems to be based on land grants and exclusive development contracts with government.

It is not clear that there has been more success in achieving the soft power enclaves' non-commercial objectives in social development, sustainability, research or improving educational output in terms of either local impact or international reputation. Attempts to build research and development, high-tech capabilities and world-class universities have been undercut by deficient local education systems that the enclave projects have done nothing to fix – or that they try to work around by offering additional 'gap year' pre-university training. And while some of the enclaves pursue advanced social and environmental policies such as building to a high environmental standard (that of Leadership in Energy and Environmental Design, or LEED), this is usually a result of centralised decisions by the SOE developer in charge and does not seem to have spilled over to the onshore to date. Cultural projects have barely found a local audience and created controversy among international labour advocates.

Even if local spill-overs are not intended – as might be the case with NYUAD – the social and cultural messages that the new soft projects embody are more difficult to contain than the offshore economic activities in traditional free zone enclaves. While often met with indifference from onshore national society, some of the enclaves have also created local friction in otherwise politically placid societies.

Why Does it Happen?

Why do regimes pursue ambitious soft power enclave projects in the face of what are arguably long odds of success and potentially considerable social, economic and political costs? Conventional explanations based on economic and strategic rationality do not work well. Not only have we seen that the commercial rationale of many projects is questionable but, at least for the small, rich sheikhdoms of Abu Dhabi and Qatar, the long-term viability of their states would be more easily secured by accumulating diversified overseas assets that could generate a permanent revenue stream. That has been happening to an important extent during the post-2000 boom but could have happened on a larger scale were it not for the huge local outlays involved in many of the enclave projects.

One might also argue that commercially questionable large projects provide a good opportunity for elite rent-seeking. While this might be true for some of the projects, it would be much easier to pocket money through less visible infrastructure contracting and land deals that do not involve high-profile clean energy, research and culture projects that expose the country to international scrutiny. Rulers of the sub-Saharan African petro-states like Equatorial Guinea, Gabon and Angola have managed to enrich themselves colossally without going to the trouble of building international universities or museums.

Some scholars think that building large-scale projects with Western involvement gives foreign powers a stronger stake in the survival of GCC regimes. This is probably true when it comes to the energy sector and defence contracting. Western stakeholders in museum, university or renewable technology projects, however, would appear to have little influence over Western security strategies – and if anything the increased attention devoted to the Gulf in the wake of its soft power policies has made the public defence of GCC–Western alliances harder.

This paper proposes a more constructivist, if still preliminary, explanation of the soft power strategy. The GCC track record is most consistent with local ruling elites' quest for social recognition and status in international society, even if there is no immediate strategic rationale for such recognition. Building soft power infrastructure is best understood as a quest to acquire post-oil statehood that would give the rentier monarchies an international identity and status independent of their role as hydrocarbons producers. What shines through all of the projects is the ambition to be taken seriously as a state that can exert some sort of non-oil cultural and economic leadership.

This elite-driven ambition appears analogous to what happens in the second and third generation of many family business dynasties around the world. While the first-generation founders build family wealth, subsequent generations often realise that wealth as such does not buy social respect, and hence branch out into charitable, cultural and civil society activities to acquire social and cultural capital for their family – think of the Rockefellers, Vanderbilts or Langhorne Astors in the US. The great autonomy that their inherited wealth provides makes this strategy easy to pursue, and it is often boosted by the social ambitions of family members and heirs not directly involved in the core business.

It is notable that in both Qatar and the UAE the high-profile soft power policies began with new leaders from the second post-oil generation of rulers, and many of the initiatives have clearly been personal pet projects. Competition and copycat behaviour among Gulf regimes would also appear to be similar to what can occur between leading business dynasties. And like business dynasties, Gulf ruling families have a particular penchant for endowing buildings and infrastructure; physical monuments that permanently embody their social ambitions.

This explanation relies to a large degree on leadership psychology and agency. There is some existing research demonstrating the importance of GCC leaders' personal worldview and desires for how they shape their educational and cultural policies: Calvert Jones has documented how GCC rulers' personal experience and infatuation with liberal education in the West makes them pursue local reform projects in secondary education that appear at odds with the GCC social and political environment. (The research also shows that local students admitted to this selective education actually develop more of a sense of rentier entitlement.)[16]

We have seen that leaders' agency plays a particularly pronounced role in GCC state-building more broadly, particularly at times of high oil prices. Great political autonomy from local societies and large fiscal reserves allow leaders to indulge their pet projects to seek social recognition.

It is indeed the political autonomy of ruling sheikhs and the oil cycle that together best explain the timing and degree of experimentation with soft power enclaves among GCC cases. The lack of organised political resistance from society and the extent of individual dependence on state largesse are most pronounced in Abu Dhabi and Qatar, which have also seen the most daring soft power enclave experiments. Kuwait, the one GCC country with strongly organised social constituencies that have access to formal decision-making, is also the one case with no large-scale soft power projects and limited economic diversification initiatives more broadly: parliament and organised interests in the public sector have made sure that most state resources are instead used for distribution to the middle-class citizenry.[17]

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[16] Calvert W. Jones, 'Seeing Like an Autocrat: Liberal Social Engineering in an Illiberal State', *Perspectives on Politics* 13/1 (2015), pp. 24–41. doi:10.1017/S1537592714003119.

[17] Herb, *The Wages of Oil*.

Outside of Kuwait, the autonomy to initiate new projects has correlated strongly with fiscal surpluses. When deficits accrue and project spending enters into rivalry with broader patronage spending on the population, the latter invariably takes precedence. Accordingly, during the lean years of the 1980s and 1990s, broad-based spending on salaries and transfers to nationals progressively crowded out project spending across the region. Only when oil prices increase do ruling elites regain autonomy to decide what to do with new surpluses. This explains why both the older commercial enclaves in Saudi Arabia, like the Royal Commission for Jubail and Yanbu or SABIC, and the region's more recent soft power enclaves came into being during periods of high oil prices and fiscal surplus.

Given the post-2014 oil price environment, this leads us to expect few new large-scale projects in the foreseeable future. Almost no major new projects have been announced since 2014 and some existing ones – notably at the QF – have been put on hold or are being downsized. When GCC rulers face 'normal' fiscal constraints, their political choices become more normal too, and their urban strategies less experimental and ambitious.

Conclusion: What is Special about GCC Soft Power Enclaves?

The Gulf's soft power enclaves are not the only spaces in the region that function according to their own rules and cater to specific social clienteles. They seem to leave local society behind in a particularly stark and visible fashion, however. In the GCC context, it is difficult to imagine elites pursing their hyper-modern cultural and educational ambitions in anything but an enclave fashion: GCC countries are social, legal and economic late developers; most of onshore society was untouched by modern education, media and consumption until a few decades ago. Nationals have seen dizzying social and demographic change; concern about the loss of national identity, Westernisation and rule by expatriates is acute, particularly in the high-rent countries of the UAE and Qatar.[18]

The political economy of GCC regimes, with their high level of political and fiscal autonomy, makes them uniquely suited for cultural enclave experiments led by local and foreign elites that are part of a globalised cultural sphere. But these countries' 'onshore' political and social structures provide little fertile ground for these experiments to spread locally. Tensions between the enclaves' socio-cultural missions and onshore norms have repeatedly come to the surface. Enclaves are easier to separate from the rest if they limit themselves to commercial activities; cultural and educational activities that are at least in principle predicated on openness and diffusion are bound to interact with the onshore, even if the main outcome is friction.

[18] Ibid.

While the ideas and language informing GCC soft power enclaves are often borrowed from the West, their political economy context is very specific to the GCC. This suggests that unless the template is modified significantly, the new urban enclaves could be hard to export to other jurisdictions where elites have less fiscal and political autonomy, where local societies are larger and better organised and the needs of the 'onshore' therefore more difficult to circumvent. It is telling that the one country which has attempted to adopt several of the aspects of the Gulf enclave model is Kazakhstan: it is being actively consulted by Dubai in its plans to create a DIFC-style financial centre with its own court system, and its attempts to host the winter Olympics and the FIFA World Cup are reminiscent of Abu Dhabi's and Qatar's soft power events and infrastructure strategies. Kazakhstan is an authoritarian, family-controlled rentier state with a short history of independence – if the GCC template can be fully replicated anywhere, it might be there. Given recent oil price developments, however, the short age of new cultural mega-projects might be coming to a close even in the Gulf itself.

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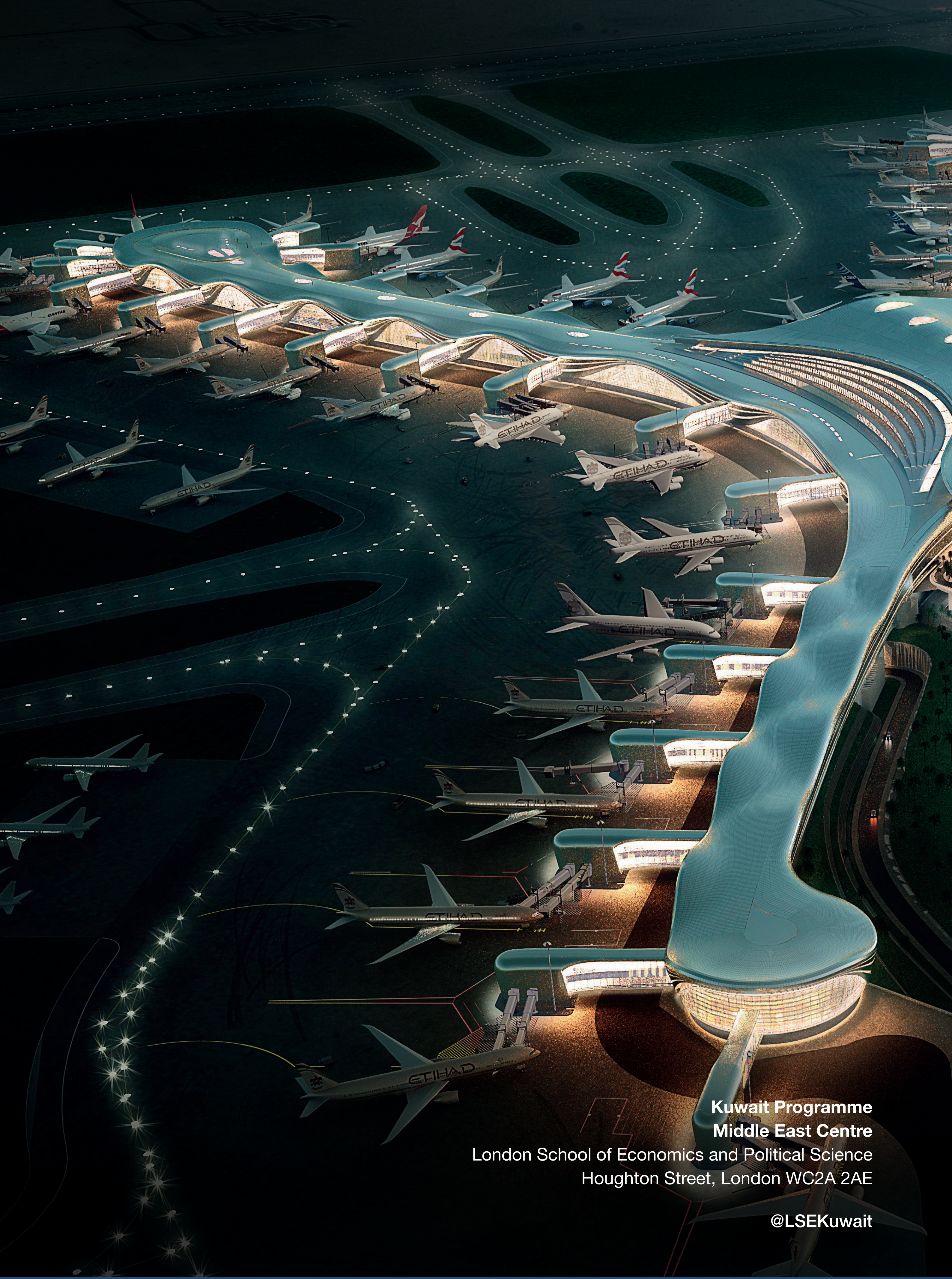

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