



**IPCS**

INSTITUTE OF PEACE AND CONFLICT STUDIES

SPECIAL REPORT #196

# The GCC Crisis

## One Year On

Remarks made during [#IPCSDiscussion](#) on 25 May 2018

### Ambassador (Retd) KP Fabian

Former Indian Ambassador to Qatar & former Joint Secretary (Gulf), Ministry of External Affairs (MEA)

### Professor Girijesh Pant

Former Dean, School of International Studies, and former Director, Gulf Studies Programme, Jawaharlal Nehru University

### Professor Gulshan Dietl

Former Chairperson, Centre for West Asian and African Studies, & former director of the Gulf Studies Programme, Jawaharlal Nehru University

### Ambassador (Retd) Sanjay Singh

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Golan Heights is Israeli-occupied Syria.

West Bank and Gaza Strip are Israeli-occupied with status subject to the Israeli-Palestinian Interim Agreement. Permanent status to be determined through further negotiations. Israel proclaimed Jerusalem as its capital in 1950, and nearly all other countries, maintains its Embassy in Tel Aviv.

# Synopsis

On 25 May 2018, IPCS hosted a panel discussion featuring four distinguished West Asia experts—Ambassador (Retd) KP Fabian, Prof Gulshan Dietl, Prof Girijesh Pant, and Amb (Retd) Sanjay Singh—to deliberate on the domestic and regional factors that led up to the Gulf Cooperation Council (GCC) crisis, and its implications for India.

This report contains short write-ups authored by the speakers based on their presentations at the discussion, followed by a Speakers' Roundtable and Q&A, both rapporteured by IPCS.

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# Speakers & Discussants

**Ambassador (Retd) KP Fabian**

*Former Indian Ambassador to Qatar & former Joint Secretary (Gulf), Ministry of External Affairs (MEA)*

**Professor Gulshan Dietl**

*Former Chairperson, Centre for West Asian and African Studies, & former Director, Gulf Studies Programme, JNU*

**Professor Girijesh Pant**

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# The GCC in the ICU

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**Ambassador (Retd) KP Fabian**

*Former Indian Ambassador to Qatar*

*& former Joint Secretary (Gulf), Ministry of External Affairs (MEA)*

There are two dates crucial to the Gulf Cooperation Council (GCC). The first is 25 May 1981, when the GCC charter was signed at a summit in Abu Dhabi. The second is 5 June 2017, when Saudi Arabia, the United Arab Emirates (UAE), and Bahrain announced their decision to cut off diplomatic, consular, trade and transport relations with Qatar. The charges levelled against Qatar included "financing of terrorism;" getting too close to Iran; and permitting the Doha-based TV channel, Al Jazeera, to 'criticise' Qatar's neighbours. Saudi Arabia, whose monarch is the Custodian of the Two Holy Mosques (CTHM), and a recognised leader of the GCC and of the Arab League, used its clout to rope in Egypt and a few others to join the blockade.

On 20 May 2017, a fortnight before the announcement of the blockade, Saudi Arabia's King Salman hosted US President Donald Trump, who was paying his first official visit to the Kingdom. Traditionally, a newly elected US president goes to Mexico or Canada for the first official overseas visit. In Saudi Arabia, Trump was treated like a king, with about 50 leaders from the Islamic world—including a few heads of state such as Egypt's President Abdel Fattah el-Sisi—assembled to pay homage to the new president. It is highly probable that King Salman hinted to Trump of the plan to isolate Qatar. It is equally probable that Trump might have endorsed the project, as his subsequent tweets blaming Qatar as a "funder of terrorism" demonstrated. There is no reason to believe that Trump had consulted his decapitated Department of State or Department of Defense before he gave the green signal to King Salman.

Days after Trump's visit, UAE arranged for the hacking of Qatar News Agency to have it carry a false news story claiming that the Qatari Emir had praised Iran and criticised the US. Qatar took a while to wake up and attempt damage control. The 5 June 2017 announcement came abruptly. There was no negotiation with Qatar prior to punishing it. Did Riyadh want to pay a compliment to Trump by emulating his style of abrupt announcement of policy decisions by tweets or otherwise? One can only guess.

## Washington's Role

US' response to the Saudi move to isolate Qatar is a study in immature diplomacy by a superpower. While Trump publicly supported Saudi Arabia, his secretaries of State and Defense tried hard to draw his attention to the fact that Qatar hosts the largest US military air base in the region. They came out with statements supportive of Qatar and urging reconciliation. US' then Secretary of State Rex Tillerson visited the region, but without his president's endorsement, he was on a fool's errand.

Washington committed a serious blunder by asking Qatar's foes to give in writing what their charges were. Riyadh came out with a 13-point list of demands and gave Qatar a ten-day deadline to surrender. A written ultimatum freezes positions, making it difficult to reach a compromise based on give and take, which is an essential tool of diplomacy.

A competent Department of State would have told the White House that Saudi Arabia's accusation that Qatar was funding terrorism was not at all credible; and that in any case, the Saudis, UAE, and Qatar had been funding groups that could be termed as 'terrorists'. Also, there is no logic in the pot calling the kettle black. Moreover, Al Jazeera is a rather professionally run channel and any public demand for it to be shut down would be resisted. Iran and Qatar share the South Pars/North Dome gas field, possibly the biggest in the world, and Qatar must maintain good relations with Iran.

The best the US could have done was to use its diplomatic clout when the rift occurred and bring about reconciliation. Instead, Trump publicly invited the GCC leaders to meet with him to resolve the issues. They ignored him, but he has repeated his offer. He will not be taken seriously.

## Kuwaiti Mediation

Of the six in the GCC, only three—Saudi Arabia, UAE, and Bahrain—have joined in against Qatar. Kuwait and Oman have not endorsed Saudi action, and owing to diplomatic courtesy, they have not publicly criticised Riyadh.

Kuwait's Emir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, who is 89 years old, is a GCC leader endowed with outstanding diplomatic skills. He has served as Kuwait's foreign minister (1963-2003), prime minister (2003-2006) and Emir (since 2006). No other GCC leader is better qualified to take the lead towards a diplomatic resolution of this unnecessary crisis. Despite his advanced age, the Emir had engaged in shuttle diplomacy in 2014 and resolved a similar but smaller crisis.

The failure of mediation is not Kuwait's fault. Unless the two sides want a compromise, the mediator is helpless. The mediator can only take the horse to the stream but cannot make it drink the water. In

the present case, the failure of mediation is a result of the rigid stance taken by the crown princes of Saudi Arabia and UAE. Saudi Arabia's Crown Prince, Mohammad bin Salman bin Abdelaziz Al Saud (MbS), 32, was born four years after the signing of the GCC charter and UAE's Crown Prince, Mohammed bin Zayed bin Sultan Al-Nahyan (MbZ), is 57. The two do not wish to defer to the judgment of their elders who founded the GCC.

### **The Military Threat to Qatar**

It is unknown whether Riyadh will embark on a new war even as it chases the mirage of a military victory in Yemen at the cost of large-scale human suffering caused by bombing funerals, wedding parties, and hospitals in a cynical violation of international law. Riyadh gets away because of the protection given by the US where the merchants of death are making money by selling what Trump calls "beautiful weapons."

Irrespective of whether Riyadh and Abu Dhabi have serious plans for an invasion, Qatar seems threatened and has embarked on arms-buying spree. The latest is that Qatar is interested in buying the S-400 system from Russia, and Riyadh has publicly threatened an invasion if Qatar goes through the purchase. It is interesting to note that Washington has put pressure on India which is also negotiating the purchase of the system. Washington has invoked Countering America's Adversaries Through Sanctions Act (CATSAA) that Trump signed into law in August 2017. It follows that Riyadh can claim US support against Qatar. Qatar persuaded the US to have their air base in the Qatari territory primarily as insurance against Saudi aggression. Following the 1991 Operation Desert Storm, Qatar and the US signed the Defense Cooperation Agreement (DCA), and in 1996, Qatar built the base at Al Udeid at a cost of US\$ 1 billion. Qatar had then wanted 10,000 US military personnel, and currently, there are approximately 11,000 US military personnel at the base.

Can Qatar count on US military protection if invaded by Saudi Arabia? Given persistent policy incoherence in the US under Trump and his erratic and unpredictable style, Qatar has reason to worry. In military-to-military terms, Saudi Arabia and the UAE, with a combined total of 3,30,000 active military personnel, can overwhelm Qatar's military of 36,000. Can Qatar expect serious military support from Iran and Turkey? If there is a blitzkrieg a la Hitler when France was occupied, Iran and Turkey might take time to respond militarily.

So far, Qatar has behaved with considerable maturity and has not used foul language against its adversaries. It has not stopped sending gas to Dubai. Qatar could have expelled a couple of thousands of Egyptians working there. Qatar also publicly asked to join NATO. As expected, the request was rejected. Such a public request to be inducted into NATO was an aberration from Qatar's sophisticated diplomatic style.

Meanwhile, Qatar's reserves seem to have taken a hit—to the tune of US\$ 40 billion. But Qatar has deep pockets. Doha made the smart move of getting closer to Tehran and to Ankara, which has sent an unspecified number of troops to Qatar.

## Looking Ahead

Qatar's isolation happened because the crown princes in Riyadh and Abu Dhabi belong to a different generation compared to that of the GCC's founding fathers. They are capable of chasing the mirage of compelling Qatar to surrender just as they are chasing another mirage in Yemen. Without Trump's green signal, the blockade would not have occurred. US diplomacy has been pitiable and clumsy. As of now, there is no reason to believe that the US would get its act together.

The international community recognises the absurdity of the position taken by Riyadh and Abu Dhabi. Bahrain, Egypt, and the others are only attendant lords without any say in the matter. But in the West, the merchants of death are making money on a large scale. According to the Stockholm International Peace Research Institute (SIPRI), Saudi Arabia was the world's second largest arms importer in the 2013-17 period, with arms imports increasing by 225 per cent compared to the 2008-12 period. Arms imports by Egypt—the third largest importer in 2013-17—grew by 215 per cent between 2008-12 and 2013-17. The UAE was the fourth largest importer in the 2013-17 period, while Qatar (the 20th largest arms importer) increased its arms imports and signed several major deals in that period.

The GCC is unlikely to get out of the ICU and regain normal health- this is a relevant metaphor because it is terminally ill, or even dead. However, there is one possible scenario in which the GCC could regain normalcy; and that can happen if there is a change of policy or of regime in Saudi Arabia. Those who tried to kill the GCC will have to answer in the court of world history. The GCC's well-wishers can only recall with pain the words of the Old Testament: "Where there is no vision, the people perish..."

# One Year of the Qatar Crisis

## Impact on and Implications for India

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**Professor Girijesh Pant**

*Former Dean, School of International Studies,  
and former Director, Gulf Studies Programme, JNU*

Qatar has successfully sustained the blockade imposed on it by its immediate neighbours, Saudi Arabia, UAE and Bahrain (besides Egypt) for one year. While the blockade has certainly inflicted injury to Qatar's economy and society, it has also posed challenges and provided the opportunity to reconstruct a sustainable and resilient ecosystem. In the initial months, the blockade did impact the market; supplies were estimated to be short by approximately 40 per cent, leading to a sense of panic, but the regime was able to restore confidence through diplomatic initiatives such as reaching out to Iran and Turkey to meet the needs of daily life. Furthermore, by starting new shipping routes through Oman, Iran, India and Pakistan, it could transport cargo in bulk. No wonder the country was not only able to replenish stocks but reportedly decided to ban products originating from countries that blockaded it. In a recent report, the International Monetary Fund (IMF) recognised that the adverse impact on Qatar's economy is fading and that the country is consolidating its economy. The IMF report found that "Medium-term macro-financial outlook is expected to remain broadly favourable. Overall, GDP growth of 2.6 percent is projected for 2018." Today, Qatar is more dynamically linked beyond the region. However, this does not undermine its dependence on the US security architecture, and in fact, makes it more vulnerable. It is paying a premium for high risk rating. Moreover, the element of uncertainty associated with the crisis will continue to have its bearing on the business climate.

India's engagement with Qatar may not be very large in volume but is very critical. The current bilateral trade is estimated to be around US\$ 10 billion - Indian imports are at US\$ 9 billion while exports at approximately US\$ 1 billion. Evidently, the trade balance is in Qatar's favour. The asymmetry is due to the high volume and value of India's LNG imports from Qatar. At 10 million tonne, Qatar is the source of 65 per cent of Indian LNG imports. Apparently the crisis did not have any negative impact on LNG supplies. In fact, during this period, Qatar expanded its LNG relations with India beyond trade. Saad Sherida Al Kaabi, president and CEO of Qatar Petroleum and the Chairman of Qatargas, visited India in March 2018 to explore the possibility of transforming the relationship towards mutually beneficial investment projects. India has expressed its intent to be part of Qatar's expansion of gas production in its North Field. India has also been seeking Qatari investment in its power plants.



However, the disruption in logistics did affect Indian exports to Qatar. Indian exports to Qatar consist mainly of electrical machinery, iron and steel products, plastics, industrial machinery etc. According to the Federation of Indian Exporters Organisation (FIEO), "India's engineering exports to Qatar declined from \$363 million in 2015-16 to \$213 million in 2016-17. Average monthly engineering exports also declined from \$30 million to \$18 million in the last financial year...Automobile exports to Qatar had sharply declined by 70 per cent from \$73.59 million to \$21.70 million in 2016-17." This happened largely due to delays in shipment. Once the logistics aspect smoothed, not only were the losses recovered but new volume was added. The Indian ambassador in Doha, P Kumaran, reportedly observed that "there is almost a 50 percent increase in exports from India to Qatar in the 10-month period after the blockade compared as compared to the corresponding period before it...The increase has been mainly witnessed in food products, building materials and machinery."

Qatar has one of the largest sovereign funds, estimated at over US\$ 330 billion. It has provided the country deep pockets to finance emergency needs, global investment and buying of security hardware and strategic alliances. Reportedly, US\$ 20 billion from the fund was used to meet the immediate impact of the blockade. The Qatar Investment Authority (QIA) has contested reports of liquidating its overseas assets, but the prospects of net transfer to the fund is not likely to be there because following the blockade, the country intends to invest domestically to reduce the degree of dependence on external supplies. This may have a bearing on the Indian search for Qatari investment. India has been looking for investment from the Gulf countries to develop its infrastructure. During Indian Prime Minister Narendra Modi's visit, an agreement was signed between the National Investment and Infrastructure Fund (NIIF) and QIA to study investment opportunities in the Indian infrastructure sector. Qatar Holding LLC is reportedly planning to invest US\$ 250 million in an affordable housing fund run by an Indian firm.

One positive consequence of the blockade on India-Qatar relations has been the opening of a new maritime service between the two countries. Qatar's Hamad Port was linked directly with India's Mundra and Nhava Sheva ports through the starting of the Qatar India Express Service. Significantly, the first vessel reached in the first month of blockade, June, itself. Two ships—the Hansa Magdeburg and the Hansa Duburg—will make the weekly trips, arriving at Hamad Port every Friday and departing the following day.

Qatar is investing to develop Hamad Port to triple its capacity to make it a regional trans-shipment hub. To further enhance its supply lines, Qatar has begun to develop a land route via Iran and Turkey. It is observed that "the newly propounded commercial land transport line, from Turkey's Mardin city to Iran's Bushehr port, will further shorten the duration to two or three days at the most. The distance between Mardin city (Turkey) and the port of Bushehr (Iran) is about 1,700 km, which can be



The 'Qatar India Express Service' connects Qatar's Hamad port to India's Mundra and Nhava Sheva ports

travelled by trucks in about 22 hours, while the distance between the Iranian port of Bushehr and Qatar's Hamad Port is not much and the Turkish trucks can cross this distance between the two ports on Ro-Ro ships in just 8 hours. So a truck with Turkish goods can reach to Doha through this route in less than two days." Certainly, the trade route will give a boost to Turkey-Qatar trade in a big way.

The crisis highlighted Qatar's vulnerability arising from it being heavily dependent on external supplies, especially food. Prior to the crisis, Qatar used to import 90 per cent of its food requirement through the land route at Abu Samra border between Qatar and Saudi Arabia. This route was closed due to the blockade. In the initial few days of the blockade, the country was on edge. Doha had to make special efforts to seek food supplies from Iran, Turkey, Pakistan and India on an urgent basis. Indian exports of fruits and vegetables increased by 15 per cent in the first two weeks itself. It is reported that Lulu Hypermarkets has imported 65 tonne vegetables and bananas of different varieties in a chartered flight from India. In fact, the two countries have signed an agreement to bolster Qatar's agricultural resources. The latter has invested US\$ 500 million in an Indian food production company called Bush Overseas.

During the blockade, one of India's immediate concerns was the safety and security of Indians in Qatar. The Indian embassy in Doha issued an advisory to Indian nationals to be alert but not panic. There are 6,30,000 Indians working in Qatar, and a large number of them are from Kerala. Chief Minister of Kerala Pinarayi Vijayan wrote to India's external affairs minister and prime minister about his concerns over the possible geopolitical fallout of the crisis and its implications for the security of Indians in the country. Vijayan was of the view that it was an internal matter with no challenge to India. During Qatar's Foreign Minister Mohammed bin Abdulrahman bin Jassim Al Thani August 2017 visit to India, his Indian counterpart, Sushma Swaraj, raised the issue with him, following which India's Ministry of External Affairs stated that "The minister assured us of the continued safety, welfare and well-being of the Indian community and briefed the Indian side about new labour laws in Qatar which favour expatriate workers."

Post-crisis Qatar is likely to be a new landscape. Though compelled by geography, it will remain a Gulf Cooperation Council (GCC) outfit in a manner of description, but will be more a part of the extra-regional geoeconomic space. Yousuf Mohamed al Jaida, CEO of the Qatar Financial Center (QFC), observed that post-crisis Qatar would mean "new markets, food security, self-sufficiency, permanent residency and open immigration policies," and added that "this is a new era for us. Qatar will be different from how it was before the crisis."

From the perspective of India's Link West policy towards the region, it is a challenging time. The crisis came at a time when India was expanding its relations with the region at a certain pace. Even during

the year-long crisis, India expanded its engagement successfully. Though Qatar has been able to negotiate well with the crisis in its first year, it cannot properly visualise its future in crisis mode. A country that heavily depends on external transactions has to create a climate of confidence for the stakeholders. Surely, the sharpening of fault-lines will restrict India's space in the region. An escalation of tensions to conflict levels is bound to pose a threat to its interests in the region. Unlike those conducting business during the crisis, India needs to weigh the possibility of initiatives from emerging Asian powers to step in. Not only are their stakes higher, it is their extended neighbourhood as well.

# Discussion

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- The birth of the Gulf Cooperation Council (GCC) in 1981 was a response by Saudi Arabia to its internal Islamist threat and the external threat posed by the 1979 Iranian revolution and the subsequent Iran-Iraq war
- The 1979 Egypt-Israel Peace Treaty also made the Arab League less relevant. Hence, the need for a new platform like the GCC was sensed
- Although the monarchies of the Persian Gulf saw the need for cooperation as they also faced these external threats, the GCC was foremost a Saudi Arabia-led initiative and was often referred to as the 'Saudi-isation' of the Gulf
- Despite security arrangements being left out of the GCC charter and the emphasis placed on economic integration, the organisation's de-facto purpose was security cooperation
- Qatar shares a gas field with Iran, South Pars, which means it needs to retain a good relationship with the latter.
- In Libya, Qatar supports the Tripoli regime in the west of the country while Egypt and UAE support Khalifa Haftar, who rules in the east
- The blockade of Qatar was announced merely two weeks after US President Donald Trump's visit to Saudi Arabia on 20 May 2017. It is possible that the blockade was approved by the US president. Saudi Arabia promised US\$ 350 billion in arms deals to the US during the Riyadh summit, which could have persuaded Trump to allow the blockade
- An often-neglected aspect is the Trump family's personal business interests in the Gulf countries. One hypothesis argues that Trump sought to pressure Qatar to gain an upper hand in negotiations for a private business deal with the Qatari leadership. Keeping this problem simmering is therefore in the best interest of the US president
- Qatar differs in its approach towards Israel when compared to countries that initiated the blockade. Therefore, it is likely that Washington viewed the blockade as an opportunity to make Doha fall in line with its objective of rapprochement between Israel and the Sunni Arab world

- The US' then Secretary of State Rex Tillerson was the US administration's strongest advocate for rapprochement between the GCC countries. The Gulf dispute could have played a role in his dismissal
- Recently, there seems to have been a change in US policy towards the Qatar blockade. Signals coming from Washington point at the White House's desire to end the dispute
- Turkey has come to Qatar's aid and has established a military presence in the country. This could point at a developing 'alliance' between Qatar, Turkey and Iran against the anti-Iran countries: the US, Saudi Arabia, UAE and Israel
- Because of the GCC crisis, Qatar has also begun purchasing military hardware from the US, UK and France as a counterweight to Saudi purchases. Both sides have also made considerable investments in lobbying campaigns in Washington
- The GCC has a common market and customs union, the future existence of which has been in doubt since the blockade. This will have implications for Indian investment in Qatar. Indian investment in the Qatari gas sector could be put on hold
- There are 5.5 million Indians living in Saudi Arabia and the UAE. Approximately 8,50,000 Indians reside in Qatar. This is an important factor in Indian policymaking with regard to the dispute
- India has extensive interest in the Gulf and the crisis could give India an opportunity to play a more important role in the Persian Gulf. India's Prime Minister Narendra Modi has developed a good understanding with all the regional leaders, which must be further developed.



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