

Regional Dynamics and Strategic Concerns in South Asia

Gulf States' Role

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A Background Paper of the
CSIS Program on Crisis, Conflict, and Cooperation

January 2014

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Regional Dynamics and Strategic Concerns in South Asia: Gulf States' Role

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This background paper was prepared as part of a study of U.S. strategic concerns in South Asia and the regional dynamics and priorities that are likely to influence U.S. policy there between 2014 and 2026. It is one of 10 such papers covering the relevant internal dynamics, trends, relationships, and scenarios in China, Iran, the Gulf States, Central Asia, Russia, Turkey, Europe, India, Pakistan, and Afghanistan. The final report, South Asia Regional Dynamics and Strategic Concerns: A Framework for U.S. Policy and Strategy in South Asia, 2014–2026, by Robert D. Lamb, Sadika Hameed, and Kathryn Mixon, is available at <http://c3.csis.org> and includes a framework on which the United States may base the development of policies and strategy in South Asia over the next 12 years.

The Gulf States' Relations with the United States

Saudi Arabia, Qatar, and the UAE enjoy generally favorable relations with the United States. The Gulf region has accounted for almost 20 percent of U.S. energy imports in 2013, and the United States militarily bears the burden for energy security in the Gulf region.² While significant convergent interests will remain over the 2014–2026 period, differences will emerge as well. The Gulf states are concerned that newfound U.S. energy resources will cause the United States to become less dependent on Middle East petroleum and less involved in the Middle East, forcing the Gulf states to bear greater responsibility for their own security.³ And the U.S. willingness to negotiate with Syria over chemical weapons and with Iran over nuclear weapons has led to tensions between the United States and the Gulf countries, especially Saudi Arabia.

The United States is concerned that if Iran nuclearizes, Gulf states including Saudi Arabia might seek nuclear capabilities as well, possibly with assistance from Pakistan. Because of the United States' firm nuclear nonproliferation stance, this possibility would complicate U.S.-Gulf relations. Other complications could arise if government responses to political unrest in Gulf countries lead to criticism of close U.S.-Gulf relations, as has already happened in the case of Bahrain. Finally, Qatari support for the Muslim Brotherhood regionally and for other hard-line Islamist factions in Syria could be a source of greater divergences between U.S. and Qatari priorities in 2014-2026.⁴

¹ The authors wish to thank CSIS's Middle East and Burke Chair in Strategy programs for offering insights and comments during the development of this background paper, in particular Jon Alterman, Aram Nerguizian, and Carolyn Barnett. The authors take full responsibility for its content.

² Jon B. Alterman, ed., *Gulf Kaleidoscope: Reflections on the Iranian Challenge* (Washington, DC: CSIS, May 2012), http://csis.org/files/publication/120518_%20Alterman_GulfKaleidoscope_Web.pdf.

³ National Intelligence Council, *Global Trends 2030: Alternative Worlds* (Washington, DC: National Intelligence Council, December 2012), p. 74, <http://globaltrends2030.files.wordpress.com/2012/11/global-trends-2030-november2012.pdf>.

⁴ Daniel Wagner and Giorgio Cafiero, "The Simmering Rivalry Between Qatar and Saudi Arabia," *Huffington Post*, July 12, 2013, http://www.huffingtonpost.com/daniel-wagner/the-simmering-rivalry-bet_b_3585424.html.

Internal trends and dynamics

The relationship between South Asia and the UAE, Saudi Arabia, and Qatar is shaped by South Asia's demand for energy and the Gulf's demand for labor. Each Gulf state hosts large numbers of South Asian expatriates that sustain their economy. Pakistan and India benefit immensely from this arrangement, gaining both large inflows of remittances and lower levels of unemployment.⁵ South Asian stability from 2014 to 2026 will be partially contingent on Gulf states' ability to continue to maintain domestic stability and provide employment for South Asian nationals.

The UAE, Saudi Arabia, and Qatar may experience several broad challenges from 2014 to 2026 that will affect both Gulf and South Asian stability. Shale gas and new oil deposits, particularly from the United States, could drive down global oil prices over the next decade.⁶ If that occurs, the Gulf States would see less oil revenue while at the same time becoming more vulnerable to water and food scarcity.⁷ This potential shift comes at a time when Gulf states have increased domestic expenditures, particularly on civil servant salaries and social welfare benefits, to forestall the kind of unrest other countries in the region have experienced and to maintain strong domestic security forces.⁸ Prolonged low oil prices could portend budget deficits, high debt levels, slowed non-oil GDP growth, reduced global influence, and less political stability for the Gulf.⁹ The net effect of a global "shale revolution" on South Asia's economies is unclear. While economic trouble in the Gulf States will limit jobs and remittance outflows and cause South Asian expatriates to return home, low oil and gas prices would benefit South Asian economies and drive significant growth.

Saudi Arabia is particularly vulnerable to potential instability arising from shifting global energy dynamics because of its large and growing population, high youth unemployment, and rising subsidy and energy costs.¹⁰ Domestic oil demand in Saudi Arabia is expected to rise considerably over the next decade, which could cut into export earnings.¹¹ Qatar and the UAE have more diversified economies and smaller populations than Saudi Arabia, and thus would face fewer short-term challenges arising from lower oil prices. Concerns about the need to secure investments and energy exports could,

⁵ "15 Nations Sending Highest Remittances to India, *Silicon India News*, May 21, 2013, <http://www.siliconindia.com/news/business/15-Nations-Sending-Highest-Remittances-to-India-nid-147478-cid-3.html>; Rashid Amjad, G.M. Arif, and M. Irfan, *Explaining the Ten-Fold Increase in Remittances to Pakistan 2001-2012*, working paper (London: International Growth Center, June 2012), http://www.theigc.org/sites/default/files/Amjad_et_al_Tenfold_Remittances_Final.pdf.

⁶ National Intelligence Council, *Global Trends 2030*.

⁷ Ibid.; Eckhart Woertz et al., *Potential for GCC Agro-Investments in Africa and Central Asia* (Jeddah: Gulf Research Center, September 2008), http://www.grc.ae/data/contents/uploads/Potential_for_GCC_Agro_5729.pdf; "World's Most Water Stressed Countries: Yemen Facing Extreme Shortages," *Huffington Post*, May 19, 2011, http://www.huffingtonpost.com/2011/05/19/world-water-stress-index-_n_863857.html?s280614title=Bahrain__1; The Water Project, <http://thewaterproject.org/water-in-crisis-middle-east.php>.

⁸ Bernard Haykel, "Saudi Arabia and Qatar in a Time of Revolution," CSIS, February 2013, http://csis.org/files/publication/130219_Haykel_SaudiQatar_GulfAnalysis.pdf; Caryle Murphy, "Young Saudis and the Kingdom's Political Future," Woodrow Wilson Center for International Scholars, February 2013, http://www.wilsoncenter.org/sites/default/files/young_saudis_and_the_kingdom_political_future.pdf.

⁹ Murphy, "Young Saudis and the Kingdom's Political Future."

¹⁰ Ibid.; and Christopher M. Blanchard, "Saudi Arabia: Background and U.S. Relations," Congressional Research Service, November 27, 2012, <http://www.fas.org/sgp/crs/mideast/RL33533.pdf>; and Council on Foreign Relations, "Saudi Arabia in the New Middle East," transcript, January 26, 2012, <http://www.cfr.org/saudi-arabia/saudi-arabia-new-middle-east/p27205>.

¹¹ Council on Foreign Relations, "Saudi Arabia in the New Middle East."

however, take on higher priority in their foreign policies if energy markets shift significantly.

Country	Remit. sent to Pakistan (millions of USD in 2011) ¹²	Remit. sent to India (millions of USD in 2011) ¹³
Saudi Arabia	2,670.07	7,621
United Arab Emirates	2,529.97	14,255
Qatar	306.11	2,084

Key Influencers

A few key royal family members tightly control the Gulf States' foreign policy apparatuses.¹⁴ While these actors have an interest in South Asian stability, they are more concerned about their own countries' internal stability than South Asia's.¹⁵ For example, oil prices could decline over the next decade, and less revenue may force ruling families to face more difficult domestic economic and political challenges.¹⁶ South Asian states, however, may benefit from lower oil prices even if reduced economic activity in the Gulf states negatively affected remittances. However, if there were ever serious conflict or political unrest in the Gulf, South Asian states would be doubly hit by lower remittances and possibly high oil prices.

Saudi Arabia

Instability in Saudi Arabia would significantly affect South Asia. Politically, internal disputes or significant domestic unrest would distract the Saudi royal family and reduce its ability to play a robust role in foreign affairs. Pakistan would be most vulnerable without support from its Saudi ally, and Iran could take the opportunity to act more forcefully in Afghanistan. Saudi instability would also affect South Asia economically. Actors that could influence this process include the Al Saud ruling family, Saudi youth, and opposition groups.

Saudi Arabia is controlled by a narrow group of individuals tied to the Al Saud royal family. The 90-year-old King Abdullah, who is in ill health, still plays the most important role in decisionmaking on both Saudi foreign and domestic policy, but his age makes it unlikely that he will be of primary importance from 2014–2026. The next king of Saudi Arabia will be the most important influencer, and will determine which segments of the Al Saud family run key government posts.¹⁷ Following the king in importance is the crown prince (currently Crown Prince Salman Bin Abdul Aziz), and then the deputy prime minister (crown prince-in-waiting, Prince Muqrin Bin Abdul Aziz). At some point in the next decade, the leadership is likely to pass to the next generation of princes, of

¹² Amjad et al., *Explaining the Ten-Fold Increase in Remittances to Pakistan 2001-2012*

¹³ "15 Nations Sending Highest Remittances to India, *Silicon India News*.

¹⁴ "King Abdullaah's son to lead new Saudi ministry," *The National*, May 28, 2013, <http://www.thenational.ae/news/world/middle-east/king-abdullahs-son-to-lead-new-saudi-ministry>; Christopher Davidson, "What is Dubai and who runs it?" BBC, November 29, 2009, http://news.bbc.co.uk/2/hi/middle_east/8382275.stm; and Lina Khatib, "Qatar's foreign policy: the limits of pragmatism," *International Affairs* 89, no. 2 (March 2013): 417-431, http://iis-db.stanford.edu/pubs/24060/INTA89_2_10_Khatib.pdf.

¹⁵ Haykel, "Saudi Arabia and Qatar in a Time of Revolution."

¹⁶ National Intelligence Council, *Global Trends 2030*.

¹⁷ David B. Ottaway, "The Struggle for Power in Saudi Arabia," *Foreign Policy*, June 19, 2013, http://www.foreignpolicy.com/articles/2013/06/19/the_struggle_for_power_in_saudi_arabia_abdullah#sthash.83DA0VUZ.dpbs.

whom the most prominent right now appears to be Prince Muhammad Bin Nayef Bin Abdul Aziz. The house of Saud, which has some 5,000 princes, is the broadest key influencer in Saudi Arabia.¹⁸ The peaceful transfer of power within the Al Saud family is a critical juncture for Saudi Arabia's stability from 2014–2026, especially given the advanced age of both the current king and his brothers.¹⁹ Schisms could emerge among the royal family over the issue of succession, particularly over how the transition of power to the next generation of princes will occur.²⁰ These disputes could compromise Saudi Arabia's stability and encourage greater activism by Shi'ites, youth, Islamists, and other critics of the government.²¹ The Allegiance Council formed by King Abdullah is the only existing institution that might prevent conflict over succession in the royal family.²²

The significant youth bulge in Saudi Arabia could change the landscape of Saudi politics. Young people might demand more political rights or be particularly sensitive to subsidy cutbacks or lack of economic opportunity.²³ The Saudi royal family has already increased spending to assuage economic grievances in the wake of uprisings elsewhere in the region.²⁴

UAE

Family, kinship ties, and inter-emirate politics are key to decisionmaking in the UAE. The two most powerful political groups are the Al Nahyan and Al Maktoum families, the former ruling in Abu Dhabi and the latter in Dubai. Abu Dhabi is the capital of the UAE and controls the majority of the country's oil reserves. The ruler of Abu Dhabi, who is also the president, oversees UAE foreign policy, and many Al Nahyan family members hold key posts in federal ministries. The Al Maktoum family controls the vice presidency, prime ministership and at least titularly, the defense ministry. Because of Dubai's heavier reliance on trade and investment, including with Iran, it has sometimes been seen as more economically- than security-oriented in comparison to Abu Dhabi.

Abu Dhabi and Dubai rely on both South Asian demand for oil and South Asian labor for their economies—meaning they will promote South Asian stability throughout the period under consideration. However, lower oil prices over the next decade could curtail Abu Dhabi's ability to absorb South Asian labor, force expatriates to leave, and limit the emirate's investment capacity. Dubai would be less directly affected by lower oil prices (except through potentially reduced financial transfers from Abu Dhabi), and may choose to invest in economic growth in South Asia.

Even if low oil prices do not affect Dubai or Abu Dhabi, the government will likely continue to promote policies that prioritize hiring locals over migrants, which could hurt employment opportunities for South Asians, although most South Asians in the UAE

¹⁸ "The Saudi Succession: When Kings and princes grow old," *The Economist*, July 15, 2010, <http://www.economist.com/node/16588422>; Council on Foreign Relations, "Saudi Arabia in the New Middle East"; and Murphy, "Young Saudis and the Kingdom's Political Future."

¹⁹ Murphy, "Young Saudis and the Kingdom's Political Future."

²⁰ Ottaway, "The Struggle for Power in Saudi Arabia"; Council on Foreign Relations, "Saudi Arabia in the New Middle East."

²¹ Murphy, "Young Saudis and the Kingdom's Political Future."

²² Ottaway, "The Struggle for Power in Saudi Arabia."

²³ Murphy, "Young Saudis and the Kingdom's Political Future."

²⁴ Haykel, "Saudi Arabia and Qatar in a Time of Revolution"; Murphy, "Young Saudis and the Kingdom's Political Future."

work in fields considered unattractive to Emiratis.²⁵ In addition, migrant populations could in theory contribute to political instability in the UAE,²⁶ but these groups have shown little inclination to organize or act politically to date.

The different economic models in Abu Dhabi and Dubai sometimes influence foreign policy. For instance, Dubai has traditionally had more favorable ties with Iran than has Abu Dhabi, which regards Tehran with suspicion. Regardless of this difference, the UAE has consistently positioned itself against Iran while also being careful not to antagonize it.²⁷ Depending on the level of threat it perceives from Iran over the next decade, the UAE might debate becoming more assertive in checking Iranian influence in South Asia, particularly in Afghanistan.

Qatar

Qatar's foreign policy is made by members of the Al Thani ruling family, especially the emir, his heir, the prime minister, and the foreign minister. The new Emir Tamim Al Khalifa's beliefs about foreign policy and Qatar's role in the Middle East will largely determine Qatar's actions from 2014-2026.²⁸ Like his father, Tamim is thought to be a supporter of the Muslim Brotherhood while simultaneously maintaining warm and strong relations with the West.²⁹ Tamim's new cabinet will also prove influential.³⁰

The primary drivers of Qatar's foreign policy have been protecting its security and countering Iranian influence. Tamim will decide if Qatar will be more active in checking Iranian influence in South Asia over the next decade.³¹ Qatar's recent outreach to the Taliban by permitting it an office in Qatar angered President Karzai and made it less likely that Qatar will continue to have an influential role in the Afghan peace process.³²

Qatar has seen some calls for political reform, but it is unclear if these movements will become stronger.³³ A majority of Qatar's population are migrants from other countries, particularly South Asia. They have not been a threat to stability, but their presence could affect Qatari domestic or foreign policy over the next 12 years. Political instability in Qatar could contribute to higher oil prices or disrupt the flow of remittances to South Asia.

²⁵ "Emiratization program a priority for UAE private sector," *Zawya*, April 30, 2013, http://www.zawya.com/story/Emiratization_program_a_priority_for_UAE_private_sector-GN_30042013_010527/.

²⁶ Kenneth Katzman, "The United Arab Emirates (UAE): Issues for U.S. Policy," Congressional Research Service, June 18, 2013, <http://www.fas.org/spp/crs/mideast/RS21852.pdf>.

²⁷ Barbara Surk, "Dubai Demise Means Abu Dhabi Rise," *Huffington Post*, January 6, 2010, http://www.huffingtonpost.com/2010/01/06/dubai-demise-means-abu-dhabi-rise_n_412836.html.

²⁸ Kaveh Eslampour, "Who is Qatar's New Emir?" *ForexTV*, June 25, 2013, <http://www.forex-tv.com/forex-news-story/who-is-qatar-s-new-emir>.

²⁹ Regan Doherty, "'Qatar will pursue its 'independent behavior'—new emir," Reuters, June 26, 2013, <http://uk.reuters.com/article/2013/06/26/uk-qatar-emir-idUKBRE95006220130626>.

³⁰ Reuters, "Al Jazeera DG Resigns, Takes up Government Role," *Gulf News*, June 27, 2013, <http://gulfnews.com/news/gulf/qatar/al-jazeera-dg-resigns-takes-up-government-role-1.1202708>.

³¹ Khatib, "Qatar's foreign policy."

³² Michael Stephens, "Qatari foreign policy: a way out," OpenDemocracy, July 2013, <http://www.opendemocracy.net/michael-stephens/qatari-foreign-policy-way-out>.

³³ Khatib, "Qatar's foreign policy."

Regional Relations

UAE-Afghanistan

The UAE gave Afghanistan approximately \$37 million in official development assistance in 2011 and is the only Arab nation undertaking significant operations in Afghanistan, with a strong military presence in Helmand Province.³⁴ However, the UAE is also the main conduit through which money and drugs flow to the Afghan Taliban, aiding the insurgency's capabilities and threatening to undermine Afghanistan's stability.³⁵ Although the UAE government has expressed its commitment to decrease the flow of Taliban finance through the UAE and has taken a diplomatic stance against terrorism, the government has been unable to prevent the inflow of Taliban cash carriers into the country at its borders.³⁶

Saudi Arabia–Afghanistan

Saudi Arabia has developed a strong interest in Afghanistan's future since the Soviet occupation of Afghanistan in the 1980s. In January 2013, Saudi Arabia reaffirmed its financial, technical, and academic support to Afghanistan to promote stability and development.³⁷ Therefore, as the United States pulls out of Afghanistan, Saudi Arabia could continue to play a constructive role in promoting stability from 2014 to 2026, as it currently tries to do behind the scenes. Afghanistan's importance to Saudi Arabia is not just historical, but also derives from the fact that events in Afghanistan affect Saudi Arabia's relations with Pakistan and Iran. Since Pakistan is Saudi Arabia's most important ally in the region, Saudi Arabia supports Pakistan in its Afghan policy. Saudi Arabia also competes with its regional rival, Iran, for influence in Afghanistan—Saudi Arabia wants an Afghan government that is not only sympathetic to its interests, but one that will put pressure on Iran.³⁸ If Afghanistan lapses into factional infighting, Saudi Arabia would likely support a faction that is aligned with its interests, as it did during the Soviet occupation and the civil war that followed.

Qatar-Afghanistan

Qatar is an important country for Afghanistan's stability, mainly because it hosts the U.S. base for Afghan operations. Afghanistan's Karzai administration is usually on friendly terms with Qatar, and later this month a Qatari technical delegation is set to visit Afghanistan to assess business opportunities in the country.³⁹ Qatar has recently taken up a position of mediation between the Afghan government and the Taliban. However, the diplomatic debacle that occurred in summer 2013 seriously discouraged such efforts,

³⁴ OECD, "Aid statistics by donor and sector—interactive charts," <http://www.oecd.org/dac/stats/aidstatisticsbydonorandsector.htm>; "Muslim Troops Help Win Afghan Minds," BCC, March 28, 2008, http://news.bbc.co.uk/2/hi/south_asia/7318731.stm.

³⁵ Adam Pankowski, "Wikileaks Project—The Taliban's Assets in the United Arab Emirates," International Institute for Counter-Terrorism, <http://www.ict.org.il/LinkClick.aspx?fileticket=2ulQKubhoXpercent3D&tabid=426>.

³⁶ "UAE Cut Ties with Taliban," CNN, September 22, 2011, <http://archives.cnn.com/2001/WORLD/asiapcf/central/09/22/ret.afghan.taliban/>.

³⁷ SPA, "Saudi supports stability and development In Afghanistan," *Arab News*, January 20, 2013, <http://www.arabnews.com/saudi-supports-stability-and-development-afghanistan>.

³⁸ Guido Steinberg and Nils Woermer, *Exploring Iran & Saudi Arabia's Interests in Afghanistan & Pakistan: Stakeholders or Spoilers—A Zero Sum Game? Part 1: Saudi Arabia* (Barcelona: CIDOB, April 2013), http://www.cidob.org/es/publicacions/stap_rp/policy_research_papers/exploring_iran_saudi_arabia_s_interests_in_afghanistan_pakistan_stakeholders_or_spoilers_a_zero_sum_game_part_1_saudi_arabia.

³⁹ "Karzai Urges Qatar Businessmen to Invest in Afghanistan," *TOLO News*, June 4, 2013, <http://tolonews.com/en/afghanistan/10737-karzai-urges-qatar-businessmen-to-invest-in-afghanistan>.

and Qatar may find itself losing this role.⁴⁰ Qatar, which has an active foreign policy, might support Afghan proxy factions, although it is unclear who specifically they would choose to back. However, Qatar would have to balance any such decision against how it would ultimately affect its relationship with the United States and Saudi Arabia.

UAE-Pakistan

The UAE and Pakistan enjoy close relations. Both states are predominantly Sunni and are key economic and trading partners. UAE-Pakistan relations are dominated by the exchange of goods and services and the UAE is Pakistan's largest import partner.⁴¹ The UAE has been increasing its investments in Pakistan and will most likely continue to invest throughout 2014-2026. Pakistani expatriates living in the UAE outnumber nationals and are essential to the country's labor market.⁴² However, the UAE is currently working to "Emiratize" the country to employ more nationals in the private sector, which could reduce employment of Pakistanis.⁴³ This could create tension between Pakistanis and nationals.

Saudi Arabia-Pakistan

Bilateral relations between Saudi Arabia and Pakistan have been close historically, and both view each other as important Islamic allies.⁴⁴ Each country complements the other's strengths and weaknesses. Military cooperation with Pakistan is a way for Saudi Arabia to secure itself against Iran even if the United States becomes less militarily engaged in the Middle East. While they are allies, Pakistan would most likely be wary of openly aiding Saudi Arabia with a nuclear program, because that would harm Pakistan's relations with Iran and attract international scrutiny. However, Pakistan receives substantial aid from Saudi Arabia, and the Saudi Ministry of Defense has developed close ties with Pakistan's military. The Al Saud family has invested billions of dollars of its oil wealth in Pakistan, and Pakistan's newly elected Prime Minister, Nawaz Sharif, is expected to strengthen this relationship even further.

Qatar-Pakistan

Qatar and Pakistan have close ties in economic assistance, energy, trade, and military connections. Qatar provides substantial aid to its regional neighbor, particularly in times of natural disaster.⁴⁵ In energy and trade, Pakistan and Qatar are engaging in talks and negotiations, specifically regarding a free trade agreement between the two countries and the increase of LNG exports from Qatar to Pakistan. This could help Pakistan access desperately needed energy. Regarding military connections, Qatar's Army, Navy, and Air Force routinely undertake bilateral training exercises with Pakistan, and Pakistanis have a presence in Qatar's security forces. However, Islamic charities and private individuals based in Qatar still play a role in financing the Pakistani Taliban.

⁴⁰ Tahir Khan, "Karzai Refused Qatar Talks in Light of 'Foreign Conspiracies,'" *International Herald Tribune*, June 30, 2013, <http://tribune.com.pk/story/570205/karzai-refused-qatar-talks-in-light-of-foreign-conspiracies/>.

⁴¹ Trading Economics, "Pakistani Imports," <http://www.tradingeconomics.com/pakistan/imports>.

⁴² S. Kamal Hayder, "Pakistan-UAE Relations," *Pakistan & Gulf Economist*, March 2012, <http://search.proquest.com.ezproxy.princeton.edu/docview/1022636094/fulltextPDF?accountid=13314>.

⁴³ "Emiratization program a priority for UAE private sector," *Zawya*, April 30, 2013, http://www.zawya.com/story/Emiratization_program_a_priority_for_UAE_private_sector-GN_30042013_010527/.

⁴⁴ Steinberg and Woermer, *Exploring Iran & Saudi Arabia's Interests in Afghanistan & Pakistan*.

⁴⁵ "Pakistan Finalizes LNG Import Formalities with Qatar," *The Nation*, November 8, 2012, <http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/national/08-Nov-2012/pakistan-finalises-lng-import-formalities-with-qatar>.

UAE-India

The UAE and India are important partners: the UAE depends on Indian labor and India depends on UAE oil. Many Indians live and work in the UAE and a large flow of personal remittances from Indian expatriates in the UAE flow back to India. UAE oil made up 9 percent of India's imported oil in 2012.⁴⁶

Saudi Arabia-India

Indo-Saudi relations are based on trade and investment. Economic relations have shown remarkable growth, with bilateral trade registering a three-fold increase in the last five years, predominantly from increased oil exports.⁴⁷ Additionally, with almost two million Indians working in Saudi Arabia, the largest expatriate community in the Kingdom, substantial remittances flow from Saudi Arabia back to India.⁴⁸ Bilateral investment is growing steadily and a number of Indian firms have taken advantage of new Saudi laws and established joint venture projects or wholly owned subsidiaries in the Kingdom.⁴⁹ However, friction exists between India and Saudi Arabia, particularly over Saudi Arabian citizens' support for Islamist groups. Saudi financiers bankroll many of the Pakistani and Kashmiri groups that conduct terrorism in India, creating potential long-term complications.⁵⁰ Indian politicians have also protested the Saudi government's proposed labor reforms, which could force some Indian expatriates to return to India.

Qatar-India

Qatar and India have positive relations surrounding trade, investment, and defense. India's bilateral trade with Qatar increased from \$1.2 billion in 2005 to \$14 billion in 2012, and efforts are being made to further target Qatar's fast-growing markets. Additionally, with 500,000 Indians living and working in Qatar (meaning there are about twice as many Indians as Qataris), remittances back to India are substantial.⁵¹ The Qatar Investment Authority (QIA) has plans to invest \$10 billion in India over several years, starting in 2012, and India has been working to enable such investments.⁵² While Qatar does have military ties with Pakistan, it seems to be balancing this with ties to India. In 2008, India and Qatar signed a defense agreement that was said to be "just short of stationing troops" and laid out a structure for joint maritime security.⁵³

Other Relationships

UAE-Iran

The UAE and Iran have a deep historical connection and enjoyed close business relations until international sanctions reduced their trade and limited Iranian access to UAE

⁴⁶ World Bank, "India," <http://data.worldbank.org/country/india>.

⁴⁷ "Clear or nuclear: Will Saudi Arabia get the bomb?" *Al Arabia*, May 21, 2013, <http://english.alarabiya.net/en/News/middle-east/2013/05/21/Will-Riyadh-get-the-bomb-.html>.

⁴⁸ Tom Wright, "Saudi Arabia Uses India to Balance Pakistan," *Wall Street Journal*, October 23, 2012, <http://blogs.wsj.com/indiarealtime/2012/10/23/saudi-arabia-uses-india-to-balance-pakistan/>.

⁴⁹ "India-Saudi Arabia Business Relations," Indian Embassy, May 25, 2013, <http://www.indianembassy.org.sa/Content.aspx?ID=867&PID=686>.

⁵⁰ Husain Haqqani, "The Ideologies of South Asian Jihadi Groups," *Current Trends in Islamist Ideology* 1: 23-4, <http://www.currenttrends.org/research/detail/the-ideologies-of-south-asian-jihadi-groups>.

⁵¹ "Qatar, India Bilateral Trade Jumps to \$14 billion in 2012," *Qatar Chamber*, February 20, 2013, <http://www.qatarchamber.com/qatar-india-bilateral-trade-jumps-to-14-billion-in-2012/>.

⁵² "Qatar SWF looks to India for investments," SWF Institute, April 11, 2012, <http://www.swfinstitute.org/swf-article/qatar-swf-looks-to-india-for-investments/>.

⁵³ "India, Qatar Ink Key Defense Pact," *The Financial Express*, November 11, 2008, <http://www.financialexpress.com/news/india-qatar-ink-key-defence-pact/383907>.

banks. The UAE has generally complied with U.S. sanctions and the government in Abu Dhabi does view Iran as a threat.⁵⁴ If the UAE clearly sides with any future sanctions against Iran, relations between the two would suffer. However, several issues could increase tensions between the two countries. First is an escalation of the ownership dispute over the Abu Musa, Greater Tunb, and Lesser Tunb islands.⁵⁵ Second, Iran controls the Strait of Hormuz, the most important strategic chokepoint for oil.⁵⁶ If Iran closed the strait, the UAE's oil output would be reduced drastically. While the UAE has worked to prevent this risk by building a pipeline bypassing the straight, it is not adequate for handling the UAE's total oil production—and any reduction in oil output could lead to South Asian instability due to these countries' dependency on UAE oil.⁵⁷

Saudi Arabia–Iran

Saudi Arabia perceives Iran to be its biggest adversary and sees limiting Iranian influence as a major foreign policy priority, including in South Asia.

Saudi Arabia–China

China has imported increasing amounts of oil from Saudi Arabia in recent years, and it seeks a strong relationship with Saudi Arabia to secure its access to energy. China is unlikely to take actions in South Asia that would antagonize Saudi Arabia. If Saudi Arabia were to pursue a nuclear capability and sought Pakistani assistance in doing so, it is unclear how China would respond.

Qatar–Iran

Qatar generally aligns with Saudi Arabia and the UAE in their Iran policy, perceiving it as a regional threat. However Qatar is careful not to provoke Iran too much, since the two countries share one of the world's largest liquid natural gas fields that provides significant economic outcomes for each.⁵⁸

Conflict scenarios

Scenario: Afghanistan Stability

If Afghanistan maintains its current level of stability, or stability increases, one can expect no major shifts in UAE and Qatari policy towards Afghanistan. Saudi Arabia may seek to increase its influence in Afghanistan, especially if its regional competition with Iran intensifies.

Scenario: Afghanistan Instability

Saudi Arabia may engage in Afghanistan more in the event of an Afghan civil war or increased factional competition. Saudi Arabia would likely follow Pakistan's lead, covertly supporting groups favorable to Saudi interests and blocking groups favorable to Iran. Qatar's foreign policy is hard to predict, but it may mirror Saudi Arabia's. The UAE would likely not be heavily involved and may withdraw from Afghanistan.

⁵⁴ Katzman, "The United Arab Emirates (UAE)."

⁵⁵ Cecily Hilleary, "Iran-UAE Island Dispute Could Escalate," *Voice of America News*, October 12, 2012, <http://search.proquest.com.ezproxy.princeton.edu/docview/1113326317>.

⁵⁶ U.S. Energy Information Agency (EIA), *World Oil Transit Chokepoints* (Washington, DC: EIA, August 2012), http://www.eia.gov/countries/analysisbriefs/World_Oil_Transit_Chokepoints/wotc.pdf.

⁵⁷ EIA, *The United Arab Emirates* (Washington, DC: EIA, January 2013), <http://www.eia.gov/countries/cab.cfm?fips=TC>.

⁵⁸ "Qatar, Iran share world's biggest gas field," Reuters, July 26, 2010, <http://www.reuters.com/article/2010/07/26/us-northfield-qatar-idU.S.TRE66P1VV20100726>.

Scenario: India-Pakistan Instability

Significant cross-border violence between India and Pakistan could disrupt the Gulf labor pool from South Asia in unpredictable ways (by disrupting remittance flows or increasing the number of family members seeking to join migrant workers in the Gulf). It may also disrupt oil exports to South Asia, further hurting the Gulf States. The UAE and Qatar would seek to insulate themselves from the conflict as much as possible, and Saudi Arabia would be torn between remaining neutral and supporting its longtime ally, Pakistan, which would seek Saudi finances to sustain a war effort. Yet siding with Pakistan would also jeopardize Saudi Arabia's strong economic ties with India. In addition, all Gulf states have significant numbers of migrants from both India and Pakistan, and supporting one country over the other may risk provoking conflict between the two migrant groups, which could lead to domestic instability.

Conclusions

The Gulf states maintain relationships with South Asia for predominantly economic reasons and could affect South Asian instability from 2014–2026. If Iran greatly tried to extend its influence in South Asia, the Gulf states may become more directly involved in the region to try and counterbalance Iran. If world oil prices fell, South Asia could benefit; however, the potential influx of unemployed migrants returning to South Asia from the Gulf could lead to instability as well. Finally, any regime instability in the Gulf states would affect both South Asia and the world.

About the Authors

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