



Rejuvenating the U.S. Partnership with Kuwait

By Hardin Lang, Alia Awadallah, and John B. Craig

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Contents

- 1 Introduction and summary**
- 3 Kuwait's role in the region**
- 5 Kuwait's politics: Elections, parliamentary opposition, and ruling family succession**
- 8 Kuwait's economy: The challenge of reform and concerns over corruption**
- 10 Recommendations**
- 13 Conclusion**
- 14 About the authors**
- 15 Endnotes**

Introduction and summary

For more than a quarter century, Kuwait has served as a key strategic partner for the United States in the Middle East. It hosts more than 15,000 U.S. military personnel, leads the Middle East in providing humanitarian assistance, and plays an important diplomatic role in the region. The country is also home to the Gulf's only elected parliament. In recent years, however, Kuwait has experienced an unusual degree of political, economic, and social turbulence that has led some to question the long-term viability of its domestic power-sharing arrangements.¹

Beginning in 2011, Kuwait was rocked by the aftershocks of the Arab uprisings; the collapse of oil prices; and a public struggle over the royal line of succession. Most recently, the emir dissolved the legislature in October 2016 and announced snap elections after members of parliament disrupted the government's austerity agenda.² Those elections returned opposition parliamentarians in force to the National Assembly.³ Tensions between the government and the opposition continue to rise, but they do not yet pose a serious challenge to Kuwait's long-term stability or the U.S.-Kuwaiti bilateral relationship.

That relationship is still grounded in the framework of the 1991 Gulf War, in which the United States liberated Kuwait from Saddam Hussein's army. However, collective memory of that chapter in Kuwaiti history is receding. The younger generation of Kuwaitis did not viscerally experience the Iraqi occupation and may come to question the value of the U.S. troop presence. As one senior Kuwaiti diplomat observed, "Kuwaitis are very fond of Americans, but it is on us to remind future generations of our relationship."⁴

Even now, bilateral relations are not without their own set of challenges. As one senior Kuwaiti security official observed: "When I open my land and sea to the United States and I'm still called a freeloader, there is something very wrong."⁵ This deterioration in the tenor of bilateral diplomacy comes at a time when senior U.S. officials in the region consider Kuwait to be "as important of a strategic military partner now as it ever was."⁶

As part of its ongoing series of reports on the Gulf states and other countries in the region, a delegation from the Center for American Progress traveled to Kuwait in December 2016.⁷ The delegation met with top political and security officials, members of parliament, economists, and private sector representatives. The objective of the visit was to explore Kuwait's role in the region, recent trends in Kuwait's politics and economy, and other areas of bilateral interest.

The Kuwaitis we met were hopeful that President Donald Trump would set aside inflammatory rhetoric in exchange for renewed U.S. leadership in the Middle East. While it is too early to tell if this optimism will be rewarded, the new administration does have an opportunity to support reform in Kuwait and foster greater multilateral cooperation in the region. This report argues that President Trump should shore up an essential regional partner through a series of modest investments designed to:

1. Broaden and deepen the U.S.-Kuwait Strategic Dialogue
2. Strengthen Kuwait's role in multilateral security cooperation
3. Support Kuwait's role as the leading humanitarian donor in the region
4. Bolster anti-money laundering and counterterrorism financing efforts in advance of the 2017 Financial Action Task Force meeting
5. Encourage economic reform and diversification
6. Help modernize the economy through educational initiatives
7. Support anti-corruption efforts

Kuwait's role in the region

U.S.-Kuwait military cooperation plays a vital role in the region's security architecture. The country hosts more than 15,000 U.S. military personnel—the largest U.S. deployment in the Middle East. Only Japan, Germany, and South Korea host more American troops.⁸ Beginning in 2003, Kuwait provided the main staging area for military operations in Iraq. Today, it serves an essential partner in the fight against the Islamic State by granting the United States full access to its military facilities and hosting the joint headquarters for Operation Inherent Resolve.⁹ Over the last month, the United States has expanded its troop presence in Kuwait to support military operations against the Islamic State in Iraq and potentially Syria.¹⁰

In addition to this strong security partnership with the United States, Kuwait maintains an independent and pragmatic foreign policy across the Middle East. Kuwaitis naturally look to Saudi Arabia as a leader in the region. However, they take great pride in their country's political pluralism. Government officials are quick to underscore that Kuwait is the only country in the Gulf Cooperation Council, or GCC, with significant political and social freedoms, making it a unique partner for the United States and other Western powers.

Kuwait's engagement with Shiite-led governments in Baghdad and Iran also sets it apart from other traditional U.S. partners in the Gulf. Historically, it has served as a bridge between the GCC and Iran. In 2014, the Kuwaiti emir visited Iran—one of the first visits by a GCC leader since the 1979 revolution.¹¹ In January 2017, Kuwait's foreign minister met with Iranian President Hassan Rouhani in Tehran, Iran, to call for regional dialogue.¹² The following month, President Rouhani reciprocated by visiting Kuwait in a bid to ease tensions with the GCC.¹³

Although Kuwaitis generally support the Iran nuclear deal, many are deeply concerned about Iran's support for militant groups across the Middle East.¹⁴ There is mounting anxiety that the regional competition between Iran and Saudi Arabia is spilling over into domestic sectarian politics and social conflicts. As one observer noted, "Regional conflicts have impacted relations between Shiites and Sunnis inside Kuwait. We must be very clear that this is not a religious war."

This is a conflict between Saudi Arabia and Iran as nations. The more we view this conflict as sectarian, the greater the danger to Kuwait.”¹⁵

Kuwait leads the region in the provision of humanitarian assistance, especially to Syria. In 2015 and 2016, Kuwait contributed more than half a billion dollars in aid to alleviate the Syrian crisis.¹⁶ It also hosts more than 145,000 Syrian citizens who have fled Syria since the start of its civil war.¹⁷ The country’s impressive track record as a humanitarian donor to the Syrian crisis builds on a long tradition of using development and humanitarian assistance as a major tool of regional statecraft. Rather than commit troops or weapons to expeditionary forays into Libya, Yemen, and Syria—as its fellow GCC members have—Kuwait prefers to deploy foreign aid. Kuwait’s ability to mobilize funds for humanitarian assistance makes it an important partner for the United States. As one U.S. embassy official said, Kuwait is “very responsive to the U.S. when we make humanitarian requests.”¹⁸

The issue of terror finance in the region remains a source of tension between the United States and Kuwait.¹⁹ Kuwait has been criticized for serving as a hub for private donations from GCC countries flowing to terrorist organizations in Syria.²⁰ As one former White House official observed, counter-terrorist financing, or CTF, was “99 percent of everything we talked about” with the Kuwaitis.²¹ By 2015, the Financial Action Task Force had removed Kuwait from its list of jurisdictions requiring monitoring of its CTF standards.²² In late 2016, U.S. diplomats in Kuwait told the CAP delegation that the country has improved on CTF, but national security officials in Washington, D.C., remained skeptical.²³ One such former official noted that Kuwait had begun to cooperate against non-Kuwaiti CTF targets. “However, the bulk of the activity is being conducted by Kuwaiti citizens and Kuwait doesn’t have the legal or jurisdictional elements to prosecute Kuwaiti citizens” for terror finance.²⁴

Kuwait's politics: Elections, parliamentary opposition, and ruling family succession

In recent years, Kuwait's traditional political equilibrium has been upset by a series of protests; heightened tensions between the ruling family and opposition groups; and an increasingly public fight within the ruling family over succession.²⁵ Concerns over sectarianism have also grown. As recently as 18 months ago, senior U.S. national security officials worried that “the regime was no longer capable of keeping it together.”²⁶ By the end of 2016, however, the situation had begun to improve. While relations between the opposition and ruling family remains tense, the public battle over succession has quieted. Furthermore, the Kuwaiti government is no longer alone in calling for economic reform. Painful efforts to transform petroleum-based economies have been launched in Saudi Arabia and other Gulf countries. Finally, a slight increase in the price of oil holds out some hope of limited fiscal relief.

Putting the parliamentary opposition in perspective

There is little doubt that the 2014 collapse of oil prices destabilized Kuwaiti politics. In early 2016, thousands of oil workers went on strike to protest pay cuts proposed by the state-run Kuwait Oil Company.²⁷ The government's announcement that it would also cut fuel subsidies was vigorously attacked in parliament. In response, the emir dissolved the legislature and announced early elections in hopes of obtaining a more cooperative parliament.²⁸ In November 2016, however, opposition political blocs—which had boycotted previous rounds of elections—chose to compete at the ballot box and won almost half of the 50 seats in parliament.²⁹ While the leadership of the new parliament remains in the hands of the previous speaker with close ties to the ruling family, the election result marks a significant victory for the political opposition.

The political opposition in Kuwait remains divided into disparate groups of Islamists, liberals, nationalists, populists, and tribal representatives.³⁰ This eclectic composition traditionally tends to limit the opposition's political power. As one Kuwait expert observed, these groups serve more as a “social safety valve”

than a medium for effective political or policy change.³¹ But in recent months, there have been signs that opposition groups are setting aside their differences to aggressively push back with some success against austerity.³² In February, parliament used legislation to force the government to reduce the size of planned increases in the price of electricity.³³

Sectarianism, Islamism, and political space

Anxiety over sectarianism is growing in some quarters. Kuwait is home to a large Shiite minority—roughly 30 percent of the country’s population—that has been well integrated historically into the country’s society and politics.³⁴ Kuwaitis largely refrain from the public sectarian rhetoric of their neighbors. Nevertheless, domestic Sunni-Shiite relations are showing signs of strain. One former member of parliament observed, “It is no longer just a question of sectarianism in parliament but in society” writ large.³⁵ This trend appears to be driven by regional dynamics, rather than domestic politics. Kuwaiti interlocutors underscored that sectarian relations at home were highly vulnerable to regional conflict and the broader Saudi-Iranian competition for power. However, these tensions have yet to disrupt Kuwaiti society, and do not yet appear to have grown beyond the ability of the ruling family to manage.

Sectarian tensions in Kuwait are partially muted by the pragmatic nature of the country’s Islamists, who often enter tactical alliances with liberals, populists, and others in opposition. The local Muslim Brotherhood chapter has a long history of political compromise and pursuing a gradualist agenda. The Salafi community is divided between those seeking to challenge the government and traditional Salafists who do not actively engage in politics. The former has gained only limited power and influence to date.

Some in civil society and parliament—particularly the younger members—are concerned about the closure of political space. They point to government moves such as revoking citizenship over political disputes as evidence.³⁶ At least one scholar has argued that the Kuwaiti political system no longer enjoys a consensus on rules of the game, which could lead to a breakdown of Kuwait’s power-sharing system.³⁷ However, the decision by major opposition figures to participate in the latest round of elections suggests they have chosen to re-engage in that power-sharing system. There are also signs that the government is taking some steps to mend fences with opposition figures, including the possible restoration of the citizenship of several opposition members.³⁸

Ruling family and succession

Kuwait's 1962 constitution limits the position of emir to descendants of Mubarak Al-Sabah, who came to power in the late 19th century and originated from the Sabah dynasty.³⁹ Members of the Sabah family also hold the position of prime minister and numerous other influential roles in the government. Despite opposition gains in parliament, the ruling family remains popular among Kuwaitis. However, a lack of clarity over ruling family succession has contributed to instability and dysfunction in Kuwaiti politics. There is no formal basis for succession in terms of family rank or qualification. The emir selects his crown prince, who must be approved by the parliament. Should parliament reject his choice, it must choose a crown prince from three additional names proposed by the emir.

Over the last few years, members of the ruling family have engaged in an unprecedented, turbulent struggle to determine the next crown prince. As one former senior U.S. official noted, "This is arguably the first moment since the beginning of the Kuwaiti regime ... that they have had such bifurcated camps inside the family and no consensus on who should take over."⁴⁰ The succession fight has played out in an increasingly public manner and involved mutual public allegations of corruption inside the ruling family. As another Kuwaiti observer noted, "There are always fights inside the ruling family, but the struggle over the last few years has become increasingly public through Twitter and in parliament."⁴¹

Among the next possible crown princes are Sheikh Mishal al-Ahmad al-Jaber, a half-brother of the current emir; Sheikh Nasser al-Mohammad, a nephew of the emir and former prime minister; and Sheikh Ahmad al-Fahad, a qualified but controversial figure. The first two are considered front-runners. Sheikh Mishal is perceived as a savvy businessman but potentially too rigid and uncompromising.⁴² Sheikh Nasser al-Mohammad stepped down as prime minister after allegations of corruption by Sheikh Ahmad al-Fahad but remains a contender.⁴³ For his part, Sheikh Ahmad al-Fahad's aggressive attempts to discredit his rivals appear to have undercut his own standing.⁴⁴

The public struggle over succession has cooled in recent months, easing concerns about its impact on politics in Kuwait. As one former U.S. official observed, "The knives aren't out quite as visibly as they were 18, 16, [or] 12 months ago."⁴⁵ However, the current emir is now 87 years old and no longer in the best of health.⁴⁶ In light of this, the fact that no clear candidate for crown prince has emerged suggests that competition for succession continues privately and could easily spill back out onto the public stage and into parliamentary politics.

Kuwait's economy: The challenge of reform and concerns over corruption

Kuwaitis remain conflicted over how to respond to the drop in oil prices and pursue economic reform. The nation's sovereign wealth fund—the Future Generations Fund—provides a significant cushion against the price collapse, but the fiscal impact remains clear.⁴⁷ In 2015, Kuwait ran a budget deficit for the first time in 15 years.⁴⁸ The government was forced to borrow money, slash spending, and contemplate cutting its generous subsidies for fuel, electricity, and other services. Despite these measures, the government recorded a deficit of \$17 billion in 2016 and projects a deficit of \$25.9 billion for 2017.⁴⁹

In response, the ruling family has adopted an aggressive line on economic reform. In December 2016, the emir gave a speech calling for both reform and limited austerity measures—a move deemed by some as quite significant.⁵⁰ As one ruling family confidant put it, “Now the emir has staked his prestige on the agenda. He has put his personal credibility behind economic reform.”⁵¹ Observers believe that the emir is prepared to dissolve parliament again if the new members of parliament attempt to block his reform plan.⁵²

Challenges to economic reform

Even with the emir's personal commitment, economic reform will be difficult to achieve. It appears increasingly unlikely that the government will be able to push an aggressive austerity agenda through the current parliament. Kuwait has also made little progress on its long-term economic development plan, first passed in 2010.⁵³ That plan was introduced and pursued when the government enjoyed minimal opposition in parliament. A more recent Kuwaiti development plan for 2015 incorporated features from the 2010 plan regarding infrastructure, regional and global trade ties, and diversifying from the oil economy. Of the 500 projects proposed in the 2015 development plan, more than 80 percent were identical to projects from the unsuccessful 2010 proposal.⁵⁴

Those opposed to the 2015 reform plan fall into several camps. Some argue that cutting subsidies will hurt the public without solving the budgetary challenge. One senior economist observed that even if the government cut all subsidies, the savings would only cover half of the current deficit.⁵⁵ Others noted that it was cynical for the government to call for subsidy cuts at the same time it is spending billions of dollars to buy expensive fighter aircraft, including both F/A-18 Super Hornets and Eurofighter Typhoons.⁵⁶

Still other Kuwaitis felt the government should focus on the diversification of the economy. An estimated 400,000 to 600,000 young Kuwaitis are expected to enter the work force in the next 10 to 15 years. Even if oil were sold at \$120 per barrel, the Kuwaiti government could not afford to employ these entrants to the job market. The business climate remains poor, largely due to the difficulty of establishing a business and obtaining permits, and a large public sector crowds out private employment of Kuwaiti nationals.⁵⁷

Corruption

Popular resentment over perceived public sector corruption remains significant. In 2011, demonstrators took to the streets in force to protest everything from the alleged bribery of public officials to embezzlement.⁵⁸ In response, the parliament established the Kuwait Anti-Corruption Authority.⁵⁹ However, little information on the authority is publicly available and its impact remains unclear. One interviewee asserted that the government's efforts are generally misguided and that "Fighting corruption is not about catching corrupt people. It should focus on preventing it by developing systems and transparency and reducing bureaucracy."⁶⁰

Some public and legislative resistance to the government's austerity agenda is driven by the belief that corruption is largely responsible for Kuwait's financial woes. Opposition members contend that subsidy cuts, taxes, and other reforms would have limited impact on the government budget and are pushing the government to address large-scale corruption, specifically embezzlement and bribery, instead.⁶¹ There is a sense that more genuine efforts to deal with corruption would be perceived as an act of good faith on the part of the government, potentially resulting in greater popular buy-in for austerity measures.

Recommendations

Despite some internal challenges, Kuwait remains an essential and steadfast U.S. partner in the Middle East. However, the Trump administration should not take this relationship for granted. Over the next few years, the new administration should make a series of modest but meaningful investments designed to reinvigorate the bilateral relationship and ensure continued cooperation in the region.

Broaden and deepen the U.S.-Kuwait Strategic Dialogue.

In 2016, the Obama administration launched a formal bilateral strategic dialogue to “maintain the kind of relationship that the U.S. needs with Kuwait.”⁶² Strategic dialogues are used by the United States to elevate relationships with partners and improve cooperation across areas of mutual interest. Dialogues generally involve an annual meeting between high-level officials and more frequent meetings on specific issues at the working level. In the case of Kuwait, the dialogue has been short on substance. No major agreements were signed at the 2016 session. To rectify this, the Trump administration should establish working groups to continue negotiations between high-level annual meetings. The administration should also mobilize a broader range of U.S. agencies to expand cooperation to cover a number of the areas set out in the subsequent recommendations below. Finally, the next annual meeting of the strategic dialogue must include concrete deliverables.

Strengthen Kuwait's role in multilateral security cooperation.

Security is undeniably the strongest and most robust area of bilateral cooperation between the United States and Kuwait. However, as CAP has argued elsewhere, the United States should use bilateral military cooperation to improve security cooperation between partners and foster a more cohesive multilateral security architecture in the region.⁶³ It can do so by building upon existing multilateral frameworks, such as NATO's Istanbul Cooperation Initiative, which unveiled its new regional center in Kuwait in January.⁶⁴ The center will serve as a hub for NATO cooperation with Kuwait and other Gulf countries through training on cybersecurity and energy security, as well as training on nuclear, biological, and chemical weapons.

Support Kuwait's role as the leading humanitarian donor in the region.

Syria's refugee crisis continues to overwhelm the world's response. While wealthy Gulf states have been singled out for criticism, Kuwait has led the region in generosity.⁶⁵ The Trump administration should leverage Kuwait's regional humanitarian leadership to help bridge the donor shortfall. As part of such an effort, the United States could partner with Kuwait to rally the other Gulf states in jointly pledging to collectively cover two-thirds of the \$3.4 billion humanitarian appeal for Syria in 2017—less than 2 percent of which has been funded to date.⁶⁶

Bolster anti-money laundering and counterterrorism financing efforts in advance of the 2017 Financial Action Task Force meeting.

As part of the 2016 strategic dialogue, the United States and Kuwait committed to strengthening their counter-terrorist financing partnership “through enhanced information sharing ... in advance of Kuwait's chairing of the Middle East and North Africa Financial Action Task Force (MENA-FATF) in 2017.”⁶⁷ One expert noted that the next step is to strengthen the integration of the elements of Kuwait's CTF architecture and related intelligence and law enforcement institutions. Together, the United States and Kuwait should expand technical assistance on CTF in the run up to this year's FATF meeting. One option would be to replicate the experience of the United Arab Emirates joint CTF task force or the CTF cell established for Qatar with the Kuwaitis.

Encourage economic reform and diversification.

The United States should be broadly supportive of greater economic reform in Kuwait, especially the modernization and diversification of the nation's economy. This support should include the provision of technical expertise, public-private partnerships, and business-to-business transfers. The administration should also foster efforts to ease restrictions on international business activities in Kuwait. This would help make Kuwait more competitive with its Gulf neighbors. Furthermore, the United States should seek to capitalize on budding entrepreneurial spirit of Kuwaiti youth—particularly in the technology sector. The United States should offer more opportunities to help prepare young Kuwaitis through new delegations to Silicon Valley, fellowships, and mentoring programs.

Help modernize the economy through educational initiatives.

Shifts in the education system will be required if Kuwait is to grow its private sector and diversify its economy. Members of Kuwait's business elite note that the country's current system is not producing graduates with the modern skill sets necessary to compete in the global market place. This concern was raised

by both public officials and private sector representatives during interviews with the delegation. One option would be to follow the example of other Gulf countries, such as the UAE and Qatar, that have attracted world-class universities to open campuses in Kuwait. Moreover, some 10,000 Kuwaitis are studying in the United States. This successful program could be expanded with stronger focus on the expertise and degree areas that will be required for Kuwait to grow an internationally competitive private sector.

Support anti-corruption efforts.

The national anti-corruption commission suffers from both a lack of capacity and political backing. The United States should seek to provide a technical support package for the commission bilaterally or through the World Bank or the United Nations. Any of the big six accounting firms could embed anti-corruption experts temporarily into the government's commission and relevant ministries to help build Kuwaiti expertise and capacity. The goal is to build an independent and credible commission with safe guards against politicization or government interference. Tangible progress could help reassure the Kuwaiti public that the government understands their concerns and is serious about tackling the issue.

Conclusion

While the United States and Kuwait have historically enjoyed smooth cooperation on military and humanitarian interests, the relationship requires renewed attention. The Trump administration should leverage bilateral strategic dialogue to support Kuwait to diversify its economy, address internal social and political tension, and modernize its institutions and governance systems. It should also encourage Kuwait's positive role in regional diplomacy. Failure to make modest investments now in Kuwait and acknowledge the country's significant contributions to U.S. interests could lead to the deterioration of a key bilateral relationship in the long term.

About the authors

Hardin Lang is a Senior Fellow at the Center for American Progress, where he focuses on U.S. national security, multilateral affairs, and Middle East policy. Prior to joining American Progress, Lang was a senior fellow in the international security program at the Center for Strategic and International Studies. He also served with the United Nations for more than 12 years. During his tenure at the United Nations, he served as head of office for former President Bill Clinton in his role as U.N. special envoy for Haiti, helped launch the U.N. stabilization in Mali, and managed peace operations in Afghanistan and Haiti. Other foreign deployments included Iraq; the Balkans, where he helped draft Kosovo's first interim constitution; and the U.N. mission in Guatemala charged with overseeing an end to that country's civil war. Lang holds a master's degree in public policy from Princeton University's Woodrow Wilson School of Public and International Affairs and a master's degree in international history from the London School of Economics.

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John B. Craig is a Senior Fellow at the Center. During his distinguished career as a member of the U.S. Foreign Service, he held numerous assignments both overseas and at the U.S. Department of State. This includes positions as deputy chief of mission at the U.S. Embassy in Damascus, Syria, and head of the Office of Arabian Peninsula Affairs in the State Department's Bureau of Near Eastern Affairs. President Clinton nominated Craig to be the U.S. ambassador to Oman in June 1998. After three years in the post, he returned to the United States just after 9/11 and was appointed as a special assistant to President George W. Bush. Craig served on the staff of the National Security Council with Gen. Wayne Downing, the deputy national security advisor. He was also appointed as Boeing International Corporation's regional vice president in the Middle East in June 2003. In this position, he was responsible for coordinating Boeing's enterprise-wide business activities in a number of countries across the region.

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