

# Bahrain's Perfect Storm

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Brief Analysis

## The strategic Gulf island on the frontline against Iran faces formidable financial and diplomatic challenges, made more complicated by looming parliamentary elections.

The smallest Persian Gulf country is in the throes of big economic problems. A growing debt burden means it needs foreign exchange to avoid a currency devaluation. Its wealthy neighbors—Saudi Arabia, Kuwait, and the United Arab Emirates—have promised cash but, according to a July 18 Bloomberg report, are waiting for Bahrain to submit a proposal for economic reforms. The same report described the island’s government as being “slow” to implement policy changes and attract foreign investment after oil prices fell in recent years.

Additionally, the IMF’s executive board recommended on July 15 that Bahrain institute direct taxation (including corporate income taxes), contain the public wages, and focus subsidies on the poorest citizens. And on July 20, the respected newsletter *Middle East Economic Survey* described the island’s financial sector—once the region’s banking center—as being “in terminal decline.” Meanwhile, a hoped-for boost in Bahrain’s relatively miniscule oil reserves has been slow, with production from a recently discovered but difficult-to-exploit offshore field not expected until 2023.

Relations with Washington are also in need of repair, despite having improved somewhat under the Trump administration. On June 21, the State Department welcomed the verdict acquitting Bahraini Shia opposition leader Sheikh Ali Salman of collaborating with Qatar against the government. U.S. spokeswoman Heather Nauert described the acquittal as removing “a potential barrier to political reconciliation in Bahrain.” She also urged prosecutors “not to pursue an appeal of the judge’s ruling,” then called on Manama to release Salman from prison, where he is serving a four-year term for another offense.

A day later, the Bahraini embassy in Washington issued a statement that spun Nauert's remarks as praise for the integrity of the island's judicial process. It also emphasized that the charges against Salman were criminal rather than political, and asserted that "interference in the judicial process" by any "external entity would violate...international norms."

## SHIA AND IRANIAN GEOPOLITICAL CONTEXT

**B**ahrain's government is dominated by members of the Sunni al-Khalifa royal family, who feel threatened by Shia-majority Iran, which once claimed the island as its territory. More than half of Bahrain's native population is Shia, and many are economically and politically disadvantaged. In turn, the government sees them as a security threat and has officially dissolved al-Wefaq, the island's principal Shia political society, banning its leaders from political activity (including secretary-general Ali Salman). Previously, nearly half of parliament claimed membership in the group.

At the same time, the government has responded to real threats from Iran—which include intercepted arms and explosive shipments—by cracking down harshly on even nonviolent protestors. More than 3,000 Shia are currently held in detention, and some have been sentenced to prison simply for tweeting criticism of King Hamad. Others have had their citizenship revoked, including Shia spiritual leader Isa Qassim, who was confined to his village until his worsening health prompted the government to fly him to London for urgent medical treatment.

The State Department and Pentagon tend to regard these harsh policies as self-defeating, arguing that they further alienate the Shia and prompt young men to protest or flee to Iraq or Iran, where some have been trained in militant camps. On July 10, the State Department designated the Iranian-backed Bahraini group al-Ashtar Brigades as a Foreign Terrorist Organization. For its part, Congress is concerned by the restraints on political freedom and has sought to freeze arms sales to the island.

## MODERATE VS. KHAWALID DIVIDE

**P**olitical change in Bahrain is gridlocked between moderate and hardline factions of the royal family. The political moderates are led by the king's eldest son, Crown Prince Salman. The hardliners, collectively known as the Khawalid, are led by two of the king's cousins, Royal Court Minister Khalid bin Ahmed and his brother Field Marshal Khalifa bin Ahmed, commander-in-chief of the island's military forces. The only recent perceptible change in this divide is that the king's eighty-two-year-old uncle—Khalifa bin Salman, who has been prime minister since 1970—is no longer regarded as godfather of the hardliners.

King Hamad, who has the last word on policy, tries to steer a careful course between these factions while maintaining close links to the United States. The U.S. Navy's Fifth Fleet is headquartered in Bahrain, and Sunnis as well as most Shia are careful to keep the military relationship free from entanglement with policy differences.

At the same time, the king, who seems to see himself as a constitutional monarch similar to Queen Elizabeth of Britain, has tried to avoid the appearance of being too close to Washington by reaching out to other Western powers. He recently allowed the British Royal Navy to reestablish a base on the island after an absence of fifty years. And last month, Queen Elizabeth offered further indication of the warming relationship by knighting a retired senior British intelligence officer described as "Advisor to the King of Bahrain," noting his "services to British interests overseas."

## DEALING WITH ELECTIONS AND QATAR DISPUTE

**K**ing Hamad is thought to regard this year's planned elections as an important part of his legacy. He succeeded his father as ruler in 1999, but after a 2001 referendum he instituted parliamentary elections, gave women the right to vote, formally made Bahrain a kingdom, and gave himself the title of king. In 2011, Arab Spring-inspired demonstrations evolved into exclusively Shia protests, which the government put down by force with the help of

troops from Saudi Arabia and the UAE. Shia politicians then boycotted the 2014 elections. New elections are expected in November but a date is yet to be announced.

Another looming concern is the rift with Qatar. Bahrain was a last-minute partner with Saudi Arabia, the UAE, and Egypt in boycotting Doha for a range of offenses such as hostile media broadcasts, alleged support for terrorism, and intimate links with Iran. Although President Trump tweeted enthusiastically against Qatar when the crisis began a year ago, his position on which side is at greater fault appears to have shifted. Qatar has worked assiduously to address U.S. concerns, and at last week's groundbreaking on the expansion of U.S. facilities at Qatar's al-Udeid Air Base, Defense Minister Khalid bin Mohammad al-Attiyah openly invited Washington to use his country's new naval bases.

## U.S. POLICY IMPLICATIONS

When Bahraini foreign minister Sheikh Khalid bin Ahmed bin Muhammad al-Khalifa met with Secretary of State Mike Pompeo on the sidelines of a ministerial conference in Washington last week, the two diplomats no doubt had lots to talk about. Bahrain's troubled finances and need for painful economic reforms limit its options just when U.S.-Iranian tensions are ramping up. If the government holds elections on schedule, it risks disruption instigated by Iran. But delaying the polls—the option potentially favored by Bahrain's royal hardliners and regional allies alike—could prompt mass demonstrations.

For the United States, the paramount interest likely remains ensuring the Fifth Fleet's operational flexibility. Thus, even as it continues pressuring Tehran to cease being a regional troublemaker, Washington should take care that Bahrain's delicate internal politics—in both Shia villages and royal palaces—do not undermine the U.S. position. Toward that end, it should keep supporting Bahrain's political process so that Iran's opportunities to exploit societal tensions are minimized. Washington also needs to encourage financial aid from Bahrain's Arab neighbors, making sure that the benefits of such aid are spread across society.

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