

**THE GCC:
COOPERATION AND DEVELOPMENT IN A NEW WORLD
ORDER**

**A Dissertation Proposal Presented to
Cardiff School of European Studies**

**In partial fulfillment
of the requirements for the degree of
Doctor of Philosophy**

By

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THESIS SUMMARY

This dissertation assesses the rationale and interests behind regional alliance formation in the age of globalization as they pertain to the Gulf Cooperation Council (GCC). In essence, this analysis attempts to highlight the common theoretical assumptions and approaches often used to explain the cooperative interests of states within the context of regional and international discourse. Using these assumptions, it highlights potential motives, incentives, costs, and constraints that states may consider when determining the relative value of engaging in formally defined cooperative relationships with other states.

This work demonstrates how historical, demographic, political, economic, and geographic factors all determine the political character of both regimes and states in shaping how they view themselves in relation to their regional neighbours and other international powers. Specifically, it argues that states seek to formulate policies based upon these factors, effectively prioritizing their own interests and security with the objectives of self-preservation and maximization of prosperity within a global environment of competing states and regimes that essentially pursue the same objectives.

The following chapters of this analysis are specifically concerned with the rationale behind the inter-GCC relationship, how it is defined, why the member states choose to cooperate, and what motivates them to cooperate under the guise of the GCC. Such an analysis is beneficial in assessing the evolution of the

cooperative relationship of the GCC, providing meaningful insight into the progress of the alliance, its growth, its progress or lack thereof in promoting interests, and the role that it may play in the era of globalization. This analysis seeks to promote and substantiate the argument that the cooperative relationship upon which the GCC is based is essentially driven or motivated by security interests. In other words, it argues that the Security, sovereignty, stability, legitimacy, and welfare of GCC member states are the paramount interests of the regimes and frame their fundamental security ideals for the preservation and sustainability of their systems. What I mean by security above is not just the traditionalist views of security, which is the military, but security in its wider perspective that includes environmental, economic and social sectors at a local, regional and global level.

The 'wide' versus 'narrow' debate grew out of dissatisfaction with the intense narrowing of the field of security studies imposed by the military and nuclear obsessions of the cold war.¹

With this understanding, it theorizes that member states decide whether to cooperate after conducting a cost-benefit analysis of the conditions that may warrant coordination and whether the pursuit of cooperation will truly facilitate or complement their political, defensive, economic, and internal / external security. As such, it seeks to address and analyse the following research questions: As a

¹ Barry Buzan, Ole Waever and Jaap De Wilde, *Security: A New Framework for Analysis*, (Lynne Rienner Publishers, USA, 1998), p.2

conglomeration of monarchies, did the member states choose to establish an alliance based on their common political systems or out of a sense of vulnerability and necessity because they face common or collective threat(s) to themselves or their systems? If they face such threats, are they primarily internal, for example, (press freedom, environment, health, employment, gender equality ...etc) external, political, ideological, or economic?

Much of the writing of this work is based on primary research (books, articles and the Internet) as the attempts to use questionnaires and interviews failed due to the lack of willingness and fear from those concerned to answer a set of questions objectively, as well as the fact that those who accepted to be interviewed sought it to be anonymous as they feared losing their jobs, but as it is impossible not to mention sources in this work, I decided to not to use questionnaires and interviews.

Most of the theoretical and security issues In the Middle East are essentially between the U.S. vs. Middle East. A good example would be NATO quoted below:

The GCC already has a military agreement amongst its members, the Gulf Shield Defence Force, and individual bilateral security agreements with the U.S. and Britain. NATO has been in dialogue with Qatar, Kuwait, and the other members of the GCC in pursuit of establishing a more formal NATO presence in the Persian Gulf and a new security arrangement

against Iran..... This new regional balance in the Persian Gulf is part of a broader alliance in the Middle East that is linked to NATO. Saudi Arabia, Jordan, Egypt, Israel, the United States, Britain, and NATO, besides the GCC (Gulf Cooperation Council) are all part of this coalition in the Middle East. [5] This military alliance or coalition essentially represents an eastern extension of NATO's "Mediterranean Dialogue." The Middle Eastern members of this coalition, including Israel and Saudi Arabia, are labelled the "Coalition of the Moderate," whereas Iran and Syria are said to lead a "Coalition of Radicals/Extremists."..... Aside from the implications of a confrontation with Iran, this cooperation between the GCC and NATO confirms that NATO is preparing to become a global institution and military force. The Middle East is an important geo-strategic and energy-rich area of NATO expansion. The vanguards of NATO in the region are Turkey and Israel.²

Chapter one explains the theoretical and security issues as well as the understanding of the cooperation in the GCC countries, chapter two deals with the history of the GCC States, chapter three deals with the external aspect and influence of the GCC States, chapter four deals with the internal aspect of the GCC states, Chapter five deals with general recommendations and finally chapter six deals with the GCC in a new world order.

² <http://www.globalresearch.ca/index.php?context=va&aid=5677> (May 18, 2007)

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1. INTRODUCTION

This dissertation assesses the rationale and interests behind regional alliance formation in the age of globalization as they pertain to the Gulf Cooperation Council (GCC). In essence, this analysis attempts to highlight the common theoretical assumptions and approaches often used to explain the cooperative interests of states within the context of regional and international discourse. Using these assumptions, it highlights potential motives, incentives, costs, and constraints that states may consider when determining the relative value of engaging in formally defined cooperative relationships with other states.

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- What is the status of the Arab democratic process and values?
- How can the U.S. and Arab governments better link bi-lateral trade agreements to sustainable development and social equity?
- How will the rising oil prices and the growing demand for energy from China impact the future of the U.S.-Arab energy relationship?
- What growth opportunities must the Arab World invest their oil boom riches in to help create 80 million jobs by 2020? What policies have

helped nations' expand their capabilities and capacity for service and trade?

- What role do Internet and Communication Technology (ICT) innovations play in the future of the international community and Arab relationship? Where does the private sector come in?
- Can the media be a positive agent of change in U.S.-Arab relations?
- How are women shaping the regional agenda? Where do they need assistance from the public, private, and non-profit communities?
- How do we prepare the youth for a post oil world? What skill set, culture, and education is needed for the Arab youth to thrive in the new economy?
- Can religious education advance the dialogue between the international community and Arab civilizations? What awareness raising campaigns are needed?
- What are the key targets for providing greater transparency and people-centred governance?

- How can governments improve the quality of regulation and the capacity of regulators to fund and implement strategic policies for risk reduction, development and sustainable growth?
- What is the role of the U.S. government in helping the Arab World develop its open trade infrastructure?
- What actions are needed to build a favourable environment for free and fair competition for Arab companies to do business with the U.S., Europe, Asia, South America...etc in the public/private sector?
- What is the role of the people and civil society in demanding practical capacity building programs that enable knowledge development and dissemination? What are the top three initiatives that must be focused on at the international level, at the regional level, at the member economy level, and at the community level?
- How can governments enhance the role of women to improve efficiency, competition and broaden participation by enterprises?
- What are the strategic implications of developing the capacity of youth as an enabler to global competitiveness?

- How can the U.S. administration strike a strategic balance between ‘taking the fight to the enemy’ and ‘addressing vulnerabilities at home’?
- How can the media be a force for greater understanding & economic prosperity? What has *Aljazeera* and other new news channel done so far?
- What are the geopolitical trends that will affect the future of the World-Arab energy relationship?
- What impact has President Bush’s goal of replacing more than 75% of oil imports from the Middle East have/has on the U.S.-Arab relationship in the short term? In the long term?
- What should the U.S. government do to refocus its energy policy to address the President’s goal and commit the resources to improve energy efficiency? Was the President’s commitment to new technology enough? Is there enough financial support to achieve technological success?
- To what extent has the Arab oil & gas income contributed to the development of well-functioning economies and the overall competitiveness of the Arab region?

- What types of strategic alliances between the U.S. and the Arab World must be in place to provide adequate production management, pricing, reinvestment, governance, & mark the future of economic competitiveness for both regions?
- What steps can be taken by the international community and Arab world to effectively combine intellectual and financial resources to provide innovative energy solutions?
- What policy obstacles do the international community and Arab World leaders need to overcome, to eliminate the strategic sources of threats to reform & security from international terrorists and paramilitary groups?
- What are the key steps that U.S. and Arab World leaders need to undertake to extend the U.S.-Arab energy partnership into other growth sectors such as services?
- What role should the information & communication technology private sector play to eliminate the divide between the U.S. and the Arab economies?
- How can the Arab World preserve its cultural identity in a borderless world of knowledge and communications?

- What tools are necessary to encourage sustainable tourism? What are the key opportunities for implementing world-Arab tourism exchanges partnerships? Can such tourism exchanges play an important role in promoting understanding between the people of different nations?
- What role do Arab Americas play in bridging the economic, political and social divide between the U.S. and the Arab World?

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eastern extension of NATO's "Mediterranean Dialogue." The Middle Eastern members of this coalition, including Israel and Saudi Arabia, are labelled the "Coalition of the Moderate," whereas Iran and Syria are said to lead a "Coalition of Radicals/Extremists."..... Aside from the implications of a confrontation with Iran, this cooperation between the GCC and NATO confirms that NATO is preparing to become a global institution and military force. The Middle East is an important geo-strategic and energy-rich area of NATO expansion. The vanguards of NATO in the region are Turkey and Israel.⁴

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Chapter 1

1.1 Interstate Cooperation and Perceived Threats

Before beginning an examination of *cooperation*, one must gain understanding of the nature of this concept. What is cooperation? Is it a general relationship amongst friendly states, a specific discretionary alliance, an official agreement, or simply an unofficial understanding? Cooperation is of tantamount significance within the field of international relations because it serves as the framework by which states agree or disagree to relate to one another. However, the concept's simplistic appearance may prove deceptive for what is truly a complex behavioural trend, and the varying political motives that can be ascribed to the desire for cooperation make the concept difficult to explain. Indeed, simply identifying the means by which cooperative relationships are identified will require an examination of the various definitions of cooperation to distinguish between various kinds of interstate relationships and actual interstate cooperation.

In essence, cooperation can be regarded as a form or type of relationship between two or more states. It can be argued that states will cooperate only to meet certain objectives, and that the motivation to cooperate is determined by certain circumstances or conditions that regimes or states may face concerning a number of policy issues pertaining to both internal and external factors.

According to this argument, cooperation is essentially pursued in order to help alleviate a given situation or environment and benefit the respective parties involved through the establishment of formally defined relationships.⁵ Such a situation or environment pertains to the political or geographic circumstances facing various states or regimes that may oblige them to cooperate on the grounds of mutual interest. The existence of a relationship between one or more state entities does not necessarily mean that cooperation exists among all the parties involved; yet cooperation can be defined as a type of political relationship.⁶

Many interstate relationships can be framed within the context of the rational actor model of behaviour in which state actors pursue “logical” courses of action seeking to maximize benefits to themselves at minimal cost or damage.⁷ In its approach to the mechanics of policymaking and the evaluation of decisions and relationships, game theory assumes that states and regimes only pursue policies beneficial to their own ends and interests based upon the assumption that as states exist within a state of “anarchy”, their primary interests are self-preservation and security maximization. If game theory were assumed to be operative, decision-making would often take place in an environment of uncertainty and distrust amongst states that must determine the best course of action to take under a given set of options or alternatives. States would thus

⁵ James E. Dougherty and Robert L. Pfaltzgraff, *Contending Theories of International Relations* (New York: Longman, 1997), p. 419.

⁶ Dougherty and Pfaltzgraff, p. 418.

⁷ Frank Zagare, *Game Theory* (Beverly Hills, CA: Sage, 1984), p. 7.

pursue calculated tactical decisions based on an evaluation of certain underlying factors, such as domestic and regional political, economic, social, and security conditions; the availability of resources and leverage; the impact of policy decisions on other states and their potential responses; and the short and long-term implications of certain actions. The relative distrust that exists within the international community and amongst states would force regimes to adopt self-preservation measures because the intentions of other state actors may not always be evident. Engaging in cooperation as a form of formal relationship would allow states to derive the greatest benefit from any alliance whilst, remaining sceptical of the intentions of others, attempt to anticipate and calculate possible manoeuvres to avoid any damage or cost resulting from the policy decisions and actions of other states.

The “prisoner’s dilemma” is a scenario often used to explain this state of relative distrust amongst and potential reasoning behind interstate relationships within a global climate of uncertainty. Imagine a setting where two actors or states are unaware of the true intentions of the other. Within these constraints, the two players will naturally attempt to pursue a course of action that maximizes their benefits at minimal cost. If, for example, the two players choose to cooperate on arms control, both will likely benefit from a situation of non-confrontation if they abide by the agreement to neither produce nor sell arms, thereby maintaining a certain level of control and order within their environment to the security satisfaction of each other. However, if one side chooses to break

the arms control agreement by secretly or deceptively producing and selling arms, then this defector could gain an arms advantage over the other player to his clear benefit as long as the other player remains aware of his actions, thus making his own position more secure at the relative cost of the other. On the other hand, if the first state cooperates on the arms control agreement and the second state chooses to cheat, then the first player will be vulnerable and less secure due to the arms imbalance that would be created between himself and the other player. Nevertheless, if both players choose to defy the arms control agreement, then the agreement achieved nothing and they are both worse off because they have neither diminished the threat to themselves through the regulations of arms nor gained a relative advantage over the other.⁸

As a tool for studying the decision-making behaviour of states within the international system, game theory is often regarded as a valuable approach to appreciating realism. The concept of self-interest is especially important when attempting to discuss interstate relationships and how trust plays a significant role in international political discourse. Realism assists in identifying the rationale, or more specifically the political forces, behind cooperation that determine the necessity of cooperation. Cooperation itself is not a mandatory condition in the political relationships amongst state actors but rather a negotiated means to achieving an end. Therefore, states could consider cooperation a non-optimal state preference because they must attempt to

⁸ Zagare, p. 51.

compromise and enter into cooperative agreements out of necessity or under the assumption that cooperation may bring long-term benefits.

Keohane explained that states theoretically existing in an idealistic environment of “harmony” do not necessarily need to cooperate under preferred circumstances because there is no corresponding benefit or need to compromise national interests under formally defined agreements in such a non-threatening climate.⁹ Because the existence of harmony is considered an ideal state, states must evaluate the costs and benefits of such political relationships based on the argument that they will only seek to cooperate with other states if the benefits of such cooperation outweigh the costs. This not only means that they should evaluate the costs and benefits of not cooperating but also the consequences of the cooperation itself and whether a relationship with another state may have indirect negative implications, such as political, economic, or security domination by another state.

In this sense, realist approaches to understanding interstate cooperative behaviour assume that states are led by “rational actors” who consider these various issues and contexts as a prerequisite to decision-making.¹⁰ Many social scientists, especially those within the fields of political science and economics, assume that all individuals act as rational actors, particularly those who lead

⁹ Robert Keohane, *After Hegemony* (Princeton, NJ: Princeton University Press, 1984), pp. 51-55.

¹⁰ Mark Irving Lichbach and Alan Zuckerman, *Comparative Politics* (New York: Cambridge University Press, 1997), pp.19-21.

regimes. Presumably, all individuals seek to maximize their own benefits and achieve an ideal outcome through the most cost-effective means after engaging in cost-benefit calculation. By evaluating several alternative means to achieving an end, actors assess which action would provide the greatest productive outcome or bring them closest to their optimal goal at the least cost, as do the actors in the prisoner's dilemma. Therefore, as states choose when and where to cooperate to effectively meet their defined interests under given conditions, states will not seek to pursue any form of action if it does not fulfil their needs, deviates from their optimal objectives, or causes them damage; thus, ideologically defined cooperation is always eclipsed by self-interest.¹¹ Such a situation requires that states have well-defined interests in order to evaluate which alternative is their best "rational" course of action in a given situation.

It is important to emphasize that according to the rational actor model, states will not seek self-destruction or pursue policies that weaken their standing. However, states may pursue policies that assist in maintaining a certain status quo, particularly when maintaining this status is their optimal preference. Ambitious states, such as hegemonies, will attempt to broaden their preferences through the projection of their relative influence by taking more risks in their decision-making according to the expectation or objective of achieving a greater short- or long-term good. As such, all rationally acting states will seek to not only preserve themselves by avoiding self-inflicted harm but also avoiding harm by

¹¹ Amilcar Barreto, *The Politics of Language in Puerto Rico* (Gainesville: University of Florida Press, 2001), pp. 81-85.

others by considering the role of stronger states that may have the ability to punish or reward other states for their behaviour.¹² This means that initiated conflict is conditional and only favoured if the state in question expects to defeat the other side. In this sense, the highest priority of states within the realist rational-actor model is self-preservation, which means that states always seek to maintain their power, stability, and defence at all times in order to anticipate or offset potential aggression. State interests beyond these factors are defined by elites who, having their own interests within a government or society, may act on other politically defined motives.¹³

Therefore, it is unlikely that established state governments will challenge or deny the right of another state to defend itself according to notions of territorial and governing sovereignty unless that state or regime is perceived as illegitimate. Such belief in the right of defence is due to the common expectation that the sovereignty of all recognized states must be respected, and thus represents an issue of compromise amongst several state actors that seek to benefit their own standing under such relative consensus.

The realist approach to interstate relationships is also useful for gaining understanding of the establishment of alliances amongst states. Although states or regimes may seek to develop alliances with other states to further their various political, economic, ideological, security, or military interests, they may also do so

¹² A.F.K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1980), pp. 5-7.

¹³ *Ibid.*, pp. 22-23.

to further one isolated realm of mutual interest. Historically, many direct cooperative relationships amongst states and empires throughout the world have been based on military grounds, primarily because most states sought interstate relationships to protect, defend, preserve, or expand their power within the international system based upon a less complex definition of security and a greater emphasis on sovereignty than territory.¹⁴ The basis for such cooperative relationships is somewhat different in the modern era, as the sovereignty of a state is now defined in much broader terms to protect the security rights of states in multiple areas, including their territorial, maritime, airspace, economic, and information realms, as well as their legal and governing systems. Therefore, in theory all states highly value the notion of sovereignty because it protects their right to exist and, more importantly, the right of its leaders or regimes to rule. Thus, states will attempt to guard or protect these rights by any means under the premise of national security.

It could be argued that rather than establishing alliances with weaker states, it would be logical for states to ally themselves with stronger states as a means of gaining a relative advantage over other states and access to more political, economic, and military leverage through access to the resources and capacities of the more influential state. However, if they do so, these weaker states must attempt to ensure that the stronger state will not then seek to overthrow or dominate its regime and infringe upon its independent sovereign governing capacity. In this sense, it would be rational for states to ally

¹⁴ Dougherty and Pfaltzgraff, pp. 66-70.

themselves with the perceived stronger state that can best ensure their survival.¹⁵ However, any relationship with a stronger entity with greater resources will inevitably lead to considerations of coercion in the decision to cooperate.

The scenario whereby weaker states ally themselves with a major international or regional power can be analogized to the phenomenon of *bandwagoning*, a type of the relationship between larger, potentially threatening states and smaller, threatened states. Stephen Walt and other realists interested in the reasoning behind alliance formation describe bandwagoning as an alignment with a source of danger or a stronger threat. Walt defined an alliance as “a formal or informal arrangement for security cooperation between two or more sovereign states”.¹⁶ By engaging in bandwagoning, states indicate that they wish to maintain their survival as viable political entities by establishing alliances with the state that they most fear.¹⁷ By allying themselves with a stronger state, the smaller state decreases the possibility of being threatened by the larger state and is thereby less likely to face political, military, or economic risk from the larger entity. In other words, by reluctantly rallying on the side of the stronger state, the smaller state will not be defined as a potential enemy or adversary, and is thus regarded as a target of protection rather than conquest. Needless to say, such cooperative alliances emphasize the hegemonic foreign policy desires of

¹⁵ Dougherty and Pfaltzgraff, pp. 441-442

¹⁶ Stephen M. Walt, *The Origins of Alliances* (New York: Cornell University Press, 1987), p.12.

¹⁷ *Ibid.*, pp. 17-19.

larger states to facilitate the coercion and manipulation of smaller states as a means of forging alliances.¹⁸

Robert Keohane argues that hegemons may attempt to take advantage of their strength and position to coerce other states to cooperate as a means of maintaining a stable global system.¹⁹ His notion certainly emphasizes the previous assertion that states may be reluctant to cooperate under optimal non-coerced conditions. As such, in order to force states to compromise and cooperate within this system, stronger states may manipulate their leverage with weaker states to attain their objectives and enforce institutional or international rules that enhance their own influence and capacities. This means that a hegemon characterized as the dominant unchallenged actor in a region will attempt to achieve its interests by coercing other states to pursue agreements that best benefit the hegemon or, in other words, agreements that present the most cost-effective solution to the hegemon when other states engage in bandwagoning. Because the cooperation that results from bandwagoning does not necessarily mean that states involved agree on all matters, it cannot be characterized as a relationship that provides equal consideration to the interests of all the states involved. In this sense, cooperative agreements that favour hegemons do not necessarily mean that the weaker states will cooperate

¹⁸ Walt, pp. 27-29.

¹⁹ Keohane, pp. 45-46.

because, as mentioned earlier, cooperation is only maintained out of perceived or calculated necessity or coercion in the case of a present hegemon.²⁰

Analogies to colonialism and the Cold War best describe the practice of bandwagoning through the coercion of superpowers. Regarding the Cold War, the major powers of the US and the Soviet Union had a vested interest in maintaining and expanding their relative spheres of influence to gain extended strategic geopolitical, ideological, and political resources in relation to their rival.²¹ Such a bipolar political order gave the impression that states had to side with one superpower over the other or avoid direct alliances with either side so as not to come under its dominating influence. In either case, smaller states could potentially be coerced by their larger neighbours to side with them, and may therefore could have had no choice but to seek the protection of the stronger entity under certain circumstances. This is clear when one considers that hegemons often covertly attempt to threaten or destabilize political regimes that are less sympathetic to them in favour of other groups who help them maintain an internal political balance that essentially benefits the power or side in question. However, certain states may view the protection of a certain hegemon as strategically advantageous to their security interests, allowing them to deter external threats from other small states and powers, and may thus regard relationships with hemegmons as less threatening than are the other security circumstances that they face.

²⁰ Keohane, pp. 72-73.

²¹ Organski and Kugler, pp. 4-7.

However, Walt found that one of the primary risks of bandwagoning is that it requires smaller states to place considerable trust in the potentially threatening state with which they have sided.²² He explained that weaker states are the most likely to bandwagon, primarily because they are defensively weak; their limited capabilities make it less feasible for them to join a military coalition in terms of a collective shield because they lack the resources to contribute effectively to the alliance or serve any beneficial deterrent role unless they are in a geopolitically strategic location. Therefore, such weak states are more likely to engage in bandwagoning when confronted by a larger entity such as a regional or global hegemon.²³ Eastern European states during the Cold War could be considered examples of weaker states that may have bandwagoned on the side of the Soviet Union as a means of deterring its potential political and military threats. However, whether this was the case is subject to interpretation; although the concept of bandwagoning is a means of explaining the rationale behind the establishment of alliances, it is consistent with realist views of self-interest and the existence of threats as important considerations in decision-making and state survival.

Alliances are not only formed by smaller, weak states wishing to ally themselves with larger, potentially threatening states but also states that wish to deter military force or maintain a balance of power. Such alliances are usually explained by reference to the concept of *balancing*, which Walt describes as

²² Walt, p. 29.

²³ *Ibid.*, p. 31.

"states join[ing] alliances to protect themselves from states or coalitions whose superior resources could pose a threat".²⁴ Balancing is a particularly practical approach to evaluating interstate alliances because it emphasizes the realist perspective that states are primarily interested in their own survival or viability in the international system. Therefore, they will seek to maintain their existence in the face of external threats through such means as pooling their resources to establish interstate coalitions that collectively counter a potential threat posed by another large state or coalition of states. Walt explained that even when states engage in bandwagoning, a larger state may still pose risks to a smaller state because the smaller state may eventually come under the larger state's control and direct influence, as Lebanon has come under Syria's dominance. Establishing a coalition or alliance with other states of similar strength could be considered a safer strategy in the pursuit of self-preservation and self-rule because the states involved would be sharing specific resource interests with regards to their mutual defence or security.²⁵

Maintaining collective security requires similar considerations as do those in maintaining balance amongst states or deterring other states. Although the premise of both balance and collective security is the existence of a potential aggressor, the two terms are described somewhat differently. Organski and Kugler describe the act of balancing or maintaining a balance of power as that engaged in when states seek to maximize their power in relation to an adversary,

²⁴ Ibid, p.18.

²⁵ Ibid., pp. 28-29.

whereas states seek collective security based on considerations of defence and national security to prevent aggression.²⁶ In other words, the drive behind balancing is primarily directed towards power, whether political, economic, military, or geographic, as it relates to a threat, based on the assumption that increasing one's power to level one's capabilities with that of an adversary is a means of deterring its potentially aggressive behaviour.

In this case study, balancing serves as an interesting and convincing realist approach to evaluating security coalitions or other coalitions within international relations, as it appears to explain behaviour and interests within the context of this analysis of the GCC. It appears logical that states with similar strengths or weaknesses may wish to establish a cooperative alliance as a means of balancing their collective strength with that of a foreign adversary. In this context, the Gulf states arguably chose to maintain their respective national security and limit their vulnerability by joining a collective political alliance under a given identity. It will be argued that there was no single determinant leading to the establishment of the GCC but rather a collective series of events that, compounding one after another, evoked a sense of regional anxiety subsequently exacerbated by the Iranian Revolution of 1979 and the outbreak of the Iran-Iraq War. It is important to consider that balancing helps explain certain rationales behind the establishment of the GCC.

²⁶ Organski and Kugler, p. 22.

In essence, the Gulf region is composed of six relatively small states, with the exception of Saudi Arabia, that face significantly larger and potentially hostile neighbours with greater resources, primarily Iran to the east and Iraq to the north. Although one could argue that the inclusion of the geographically larger Saudi Arabia explains the formation of the GCC as an instance of bandwagoning, such an assessment would not necessarily be accurate. Although regionally large, Saudi Arabia is probably not regarded as a threatening neighbour by the other states but rather simply a state that shares the same defined security interests based on regional circumstances. The fact that the Gulf states are small entities with considerable political, economic, and military vulnerabilities in comparison to their larger neighbours can be a convincing rationale for arguing that the GCC is based on the concept of balancing. However, although collective security may be a factor in their cooperation, the fact that the Gulf states have chosen to cooperate not only in a military or security context but also in an economic, political, and cultural context indicates that they have broader security interests, as will be shown in this analysis. Such broader security interests may also be the basis of other regional organizations, such as the Association of South East Asian Nations (ASEAN) and the Arab League, both of which seek to promote a collective vision for regional and national unity.

Although balancing may appear superior to bandwagoning in addressing foreign threats, balancing and strengthening regional influence relative to one or more regional neighbours requires extensive political, economic, and military

resources and may result in unintended consequences. Mohammed Ayoob explained that the establishment of organizations such as the GCC and ASEAN could in fact exacerbate regional tensions rather than decrease them.²⁷ For example, the establishment of the GCC may have fuelled rhetorical, political, and ideological hostility from Iran similar to those tensions that have been fuelled by the eastern expansion of the North Atlantic Treaty Organization (NATO), even after the collapse of the Soviet Union. By banding together under a new political umbrella, the Gulf States are inevitably perceived to pose a potential counter threat to Iran, and even Iraq, as a political-security bloc. The establishment of NATO and its subsequent expansion to the East served to not only enhance the Soviet Union's perception of a threat but also encouraged it to strengthen and expand its political and economic influence amongst the Eastern Bloc states.

Most realists have explained the existence of interstate alliances and cooperation by recourse to the concepts of bandwagoning, balancing, and maintaining collective security, and some, including Steven David; have attempted to expand upon these notions. Although David's primary approach is to examine alliances within the balancing model, he emphasizes not only the role of the state in determining alliances, as does the balancing model, but also the role of elites within the state, as do Organski and Kugler,²⁸ as part a new concept that he has termed *omni balancing*. Within the context of Third-World nations' alignment with superpowers, David explains, "Omni balancing argues that the

²⁷ Mohammed Ayoob, *The Third World Security Predicament* (London: Lynne Rienner, 1995), p. 61.

²⁸ Organski and Kugler, pp. 22-24.

most powerful determinant of Third World alignment behaviour is the calculation of Third World leaders as to which outside state is most likely to do what is necessary to keep them in power".²⁹ Such an understanding or perspective on interstate behaviour emphasizes the will of elites or leaders to maintain their authority and security as opposed to the security of the state as a whole.³⁰ Classical realism often considers state behaviour as being driven by the interests of the state as an entity rather than distinguishing or separating the notion of state interests from those of its leaders. David's approach introduces a new dynamic that, in seeking to serve as an alternative to the notion of balancing as described by Walt, essentially draws a distinction between elites and the state.

In the context of this analysis and as emphasized by David, omni balancing is primarily useful in alliances with superpowers. Although one could attempt to justify the GCC alliance within the context of omni balancing, this would assume that the member states of the GCC have the ability, in both political and military terms, to help maintain the stability and security of member regimes if necessary. In this sense, the Gulf states may be regarded as influential regional actors due to their collective economic and financial capacities within their region, yet because they are neither superpowers nor militarily strong states, they have not had the necessary resources to ensure the survival of fellow regimes, especially prior to the establishment of the GCC.³¹ Although their

²⁹ Steven R. David., *Choosing Sides* (London: Johns Hopkins Press, 1991), p. xi.

³⁰ *Ibid.*, pp. 6-8.

³¹ Gregory Gause, *Oil Monarchies: Domestic and Security Challenges in the Arab Gulf States* (New York: Council on Foreign Relations Press, 1994), pp.123-132.

alliance does not necessarily ensure or guarantee the survival of their regimes, having the mutual support of neighbouring states does enhance their strategic security.

Omni balancing may explain the Gulf States' close relationship with the US and other Western regimes. In turn, the perceived strategic value of such alliances with foreign powers may explain why they have been slow to cooperate in the area of national defence but have successfully cooperated in other areas, such as internal security matters. In essence, the Gulf States may believe that allying themselves with foreign military powers likely to have the resources to aid their survival, such as the US, Britain, and France, is more advantageous than allying with each other, which may be perceived as a risk in the short term. An ideal example of such a belief can be related to the Iraqi invasion of Kuwait, in which the international coalition led by the US not only ejected the Iraqi forces from Kuwait but also made way for the return and restoration of the Kuwaiti government. Within the context of omni balancing, it can be assumed that the Kuwaiti regime allied itself with the US in the post-war period after determining that the US had more resources than did the Gulf states for reinstating the Kuwaiti establishment, as was proven by the coalition liberation of the emirate. Therefore, although it could be argued that Gulf relations with superpowers is based on omni balancing, it may be difficult to argue that GCC cooperation is also based on omni balancing, or even argue that the concept remains relevant after the Iraqi invasion.

Many researchers of interstate alliances and cooperation place their arguments within the context of developing or Third World states. On one hand are authors such as Keohane (1984) and Walt (1987), who consider the state(s) the primary decision makers in terms of their general behaviour. On the other hand are authors such as David, who argue that the internal political dimensions and influences of a state are relevant factors in determining the alignment of leaders or elites within the international system.³² In this context, a focus on developing states is useful for discussing the GCC. Although the concept of balancing as described by Walt is preferred for its applicability to the GCC, David's focus on internal considerations may be of additional benefit because the interests of states and elites are also of relevance when examining a regime's rationale for GCC cooperation. In essence, this requires examining the needs of leaders and determining whether their interests are compatible with the interests of the state, with each other, and with the GCC as an organization. Differentiating between the interests of the leadership and those of the state may be a complicated task, considering that GCC leaders have managed to mould the identity of the state around themselves as a means of defining the political character of their states. However, as will be shown, the states essentially have general economic, political, and regional interests that fall under the guise of security and stability, and in turn reflect upon system and regime legitimacy.

³² Steven R. David, p. 4.

The argument can be made that interstate cooperation occurs amongst developing nations primarily out of concern for stability. However, Ayooob distinguishes between traditional Western concepts of security versus today's Third World realities. Ayooob explained that previous assumptions regarding security have been “one, that most threats to a state's security arise from outside its borders and, two, that these threats are primarily, if not exclusively, military in nature and usually require a military response if the security of the target state is to be preserved”.³³

Ayooob elaborated, "Security-insecurity is defined in relation to vulnerabilities—both internal and external—that threaten or have the potential to bring down or weaken state structures, both territorial and institutional, and governing regimes."³⁴ Ayooob's argument is an important pretext to this analysis of the GCC because it highlights Third World security interests and perceptions. In other words, the perception of threat and corresponding state behaviour as discussed in the context of actions such as balancing, bandwagoning, omni balancing, and maintaining collective security according to a realist perspective of international anarchy must be evaluated with regards to not only external but also internal threats.

³³ Mohammed Ayooob, p. 5.

³⁴ Ibid, p. 9.

In his analysis, Ayoob describes:

1. The intermeshing of domestic insecurities with interstate antagonisms.
2. The autonomous dynamic of regional conflict, often centred on the aspirations of pre-eminent regional powers, as the major sources of interstate tension.³⁵

Based on this description, he explains that the situation in the Gulf is a political situation in which there exist multiple power centres with exacerbated tensions due to differing or conflicting regional objectives or ideals, such as amongst the GCC, Iran, and Iraq. In his view, regional insecurity that reflects the internal stability within developing states can be of relevance in appreciating the nature of threats as they pertain to regimes. The GCC provides an ideal example of a situation in which regimes that have faced challenges with regards to competing regional powers and ideologies view cooperation as a means to achieving regional stability in accordance with Ayoob's analysis, this study supports the perspective that because the GCC states face common regional threats both internally and externally, they consider cooperation on matters of internal security and regional economic well-being a precondition for stability.

³⁵ Ibid., p. 47.

Cooperation in economic and security matters may be considered necessary to sustain regime stability as well as legitimacy within the rentier tradition.

Evaluating the function of an institution is important in assessing the role that it plays in either hindering or promoting interstate cooperation. Doing so assists in not only dissecting the role that an organization plays but also determining whether the goals of the organization are being met. Inis Claude argues that the recognition of legitimacy is important within any political entity because “the urge to possess and exercise power is usually qualified by concern about the justification of such possession and exercise”.³⁶ In other words, states may use regional or international organizations as a means by which to acquire recognized political legitimacy. Claude describes such action of political institutions as an attempt to achieve collective legitimization with special regard to the political function of the UN.

Collective legitimization is an approach to evaluating the rationale behind certain political institutions, such as the UN, in which states seek to cooperate with one another on the basis of a common need for legitimacy. In other words, states join institutional “clubs” such as the UN as a means of supporting their own legitimacy. Claude explained, “The obverse of the legitimacy of power is the power of legitimacy; rulers seek legitimization not only to satisfy their conscience

³⁶ Inis L. Claude Jr., *Collective Legitimization as a Political Function of the United Nations, in International Organization*, ed. Friedrich Kratochwil and Edward Mansfield (New York: Addison-Wesley Educational Publishers, 1994), pp. 193-194.

but also to buttress their positions”.³⁷ To a realist, states or regimes that seek to use international organizations for recognition to maintain their authority and credibility within the international system may appear self-serving. Claude argues that regardless of the legal representations of political legitimacy and recognition based on international law, the process of collective legitimization has become inherently political, driven by political motives to achieve political ends. In essence, one could argue that from a collective legitimacy perspective, GCC political cooperation is based on nothing more than the pursuit of a political identity by gaining collective legitimacy and recognition of monarchical regimes.

Although this argument may have some validity, it must be approached with caution, as accepting it could imply that the most significant function of the GCC is legitimizing the rule of monarchical regimes and systems by actively cooperating rather than pursuing other mutually defined interests such as security. To imply that regimes cooperate based on a common ideological conviction or governing system as the principal or primary motive is an oversimplification because it assumes the inherent willingness of states to cooperate, which contradicts the realities of the GCC.

It must be recognized such an argument can be applied to not only authoritarian regimes but also democratic states. According to analysts such as Karen Remmer, studies evaluating interstate relations among several states in the Mercosur region of Latin America provide only limited support for the theory

³⁷Ibid, p. 193.

that democracy fosters cooperation.³⁸ In essence, the study indicates that democracies do not necessarily cooperate with other democracies simply because they share a relative ideological conviction and regime type. This clearly contradicts researchers, including Larry Diamond³⁹ and Michael Mousseau,⁴⁰ who support the notion that democracies are more likely to cooperate because they desire to avoid conflict with other democracies. This approach to evaluating interstate cooperation has broad implications, as it de-emphasizes the relative importance of state interests in favour of a more idealistic emphasis on ideological solidarity, which may be deceptive and provide little to enhance understanding of the true nature of interstate relationships.

Despite the fact that the GCC states are not Western-style democracies, understanding that states do not cooperate simply on the basis of common regime style highlights the realist emphasis on state self-interests and political survival. Although identities can be regarded as factors in a cooperative relationship, as noted by analysts including Stephen Walt⁴¹ and Edwin Fedder, they cannot be considered the conclusive rationale behind cooperation. Therefore, ideology may be regarded as a component of interstate relationships. Authors such as Benedict Anderson,⁴² Amilcar Antonio Barreto,⁴³ and Jonathan

³⁸ Karen Remmer, *Does Democracy Promote Interstate Cooperation? Lessons from the Mercosur Region*, *International Studies Quarterly* 42, no. 1 (1998): pp. 25-29.

³⁹ Larry Diamond, *Developing Democracy* (Baltimore, MD: Johns Hopkins University Press, 1999).

⁴⁰ Michael Mousseau, *Democracy and Militarized Interstate Collaboration*, (*Journal of Peace Research*, 1997). p.34.

⁴¹ Stephen M. Walt, 1987.

⁴² Benedict Anderson, *Imagined Communities* (New York: Verso, 2000).

Mercer⁴⁴ regard ideology as a fluid socio-political construct used to facilitate broader realist understandings of cooperation, such as balance, collective security, and legitimization. In this regard, the GCC alliance exemplifies a clear case of cooperation pursued out of a defined need and perception of common internal and external threats commonly and rhetorically portrayed by the leadership in the context of Arab and Islamic solidarity. For this reason, the presentation of prominent realist approaches and understandings provides broad insight into the rationale behind GCC cooperation and the possible applicability of theories such as bandwagoning, balancing, omni balancing, and game theoretical understandings.

1.2 Cooperation as Defined Relationships

Most theoretical approaches to cooperation explain the means by which states achieve their respective political ends or agendas by emphasizing their relative need to compromise. As such, cooperation can be considered a favourable political relationship between two or more states that seek to fulfil their needs by cooperating with others who share similar interests or concerns. Under such circumstances, states will compromise certain values and practices in order to accommodate a valued relationship with another party. Keohane explained,

⁴³ Amílcar Barreto, *The Politics of Language in Puerto Rico* (Gainesville: University of Florida Press, 2001)

⁴⁴ Jonathan Mercer, *Anarchy and Identity, International Organization* 49 (1995).

"Cooperation occurs when actors adjust their behaviour to the actual or anticipated preferences of others, through a process of policy coordination".⁴⁵

Therefore, it can be argued that cooperation amongst states is a means to an end rather than an end in itself, as states must negotiate or compromise in order to reach a level of agreement suitable or appropriate for all the parties involved. As previously mentioned, this would mean that the optimal or most appropriate decision for states under stable and non-threatening circumstances would be to *not* cooperate if it was not necessary to their vital or long-term interests, as they would not want to voluntarily and unilaterally compromise any of their interests. According to Dougherty and Pfaltzgraff, "Of central importance for a theory of cooperation is the extent to which the incentives for, or benefits from, cooperation can be seen to outweigh the incentives to act unilaterally."⁴⁶ States may not always be willing to cooperate because doing so eventually requires compromising some of their interests through negotiations for the purposes of cooperation.⁴⁷

Overlapping memberships in regional or international organizations often makes interstate interaction through indirect relationships inevitable. The Iraqi invasion of Kuwait in August 1991 clearly severed the relationship between the Gulf states and Iraq, primarily because the invasion represented a clear threat

⁴⁵ Keohane, p. 51.

⁴⁶ Dougherty and Pfaltzgraff, p. 419.

⁴⁷ Keohane, p. 51.

with destabilizing regional security implications for the GCC.⁴⁸ Following the expulsion of Iraqi military forces from Kuwait in 1991, the GCC cut almost all relations with the Iraqi regime to protest its invasion and violation of the territorial sovereignty of one of its member states. Yet despite the suspended and strained political relations between the GCC regimes and Iraq, they still maintained indirect diplomatic or institutional relationships. As members of organizations including the Arab League, the UN, and OPEC, these states could not avoid interacting with one another through the process of international discourse, especially over matters of regional significance or concern to the parties involved. For example, both the GCC and Iraq support the formation of a Palestinian state, and both may modify their regional policy strategies to achieve this end. However, this does not imply that the GCC and the Iraqi regime are actively cooperating, only that they have common views shared by all members of the Arab League.

Furthermore, the argument can be made that simply because states share similar ideals or visions regarding an issue does not necessarily imply that they will consider cooperating with one another. For example, OPEC can be described as a conglomeration of oil-rich states that all seek to collectively benefit from setting a production quota that maximizes their profit while maintaining some sense of stability within the oil market. Although these states agree to production targets, individual states may not necessarily always conform

⁴⁸ William Cleveland, *A History of the Modern Middle East* (Westview Press, 1994), pp. 436-438.

to the expectations of the other states—they may discretely or openly rebel from the organization's short-term quota agreements—because of national interests and priorities that conflict with OPEC protocols in another manifestation of the prisoner's dilemma.

In this regard, cooperation must be seen as an active form of exchange and compromise or negotiation between two or more parties. However, states may not always want to conform to the cooperative agreement if it does not conform to their immediate interests, and may therefore unofficially or covertly not cooperate for periods of time. Such circumstances may be more common when individual states have made long-term commitments but are confronted with immediate interests that can only be achieved by temporarily not conforming to the tenets of a cooperative agreement.⁴⁹

States sharing common ideals may not always want to cooperate unless it is in their immediate or long-term interests. These states must actively seek cooperation by negotiating agreements for the respective parties to follow. In conformance to Thomas Hobbes's interpretation of an anarchical international system, cooperation itself cannot be regarded as an expectation in international relations, and for that matter is unrealistic to assume, yet forming direct or indirect relationships may be unavoidable in the modern world.⁵⁰

⁴⁹ Dougherty and Pfaltzgraff, p. 436.

⁵⁰ *Ibid.*, pp. 437-438.

Isolationist or pacifist arguments for state behaviour, perceived as difficult to substantiate in the modern era, were once very feasible options in the not-too-distant past. States that actively attempt to avoid cooperation or even maintain the appearance of not cooperating often interact with one another in some type of forum, such as Iraq's participation in the Arab League and the UN. As such, it can be said that even as the GCC and the former Iraqi regimes actively sought to avoid confrontation or direct cooperation with one another, they still maintain notions of solidarity within the Arab League on political grounds, which may have been interpreted by the international community as a sign of cooperation even if it is not.⁵¹

This situation was exemplified by the imposition of UN sanctions on the Iraqi state following the conclusion of the 1991 war. The ineffectiveness of UN sanctions in countering the Saddam Hussein's hold on power, as well as the socioeconomic suffering that they caused for the Iraqi people, led to a significant decrease in support for the sanctions. In their pursuit of popular approval, the GCC regimes, including Kuwait to some extent, had been in favour of lifting sanctions to improve the economic condition of the Iraqi population.⁵² Of course, it could be argued that the Iraqi regime itself had been actively capitalizing on the suffering of the Iraqi population as grounds for proving the ineffectiveness—indeed, the counter-productiveness—of the sanctions. Whilst most member states of the Arab League, including the GCC members, supported lifting the

⁵¹ Sydney Nettleton Fisher and William Ochsenwald, *The Middle East: A History*, (New York: McGraw-Hill, 1996), pp. 729-733.

⁵² *Ibid.*, p. 620.

sanctions, this in no means suggests that the GCC and the Iraqi regime actively cooperated with one another, as the Iraqi regime was still perceived as a clear threat to its Gulf neighbours.

In essence, whilst the parties may have shared the same goal, their reasoning behind achieving the goal was different. The GCC and other members of the Arab League actively sought the lifting of the sanctions to improve the well-being of the Iraqi people, a reason which in no way implied support for the Iraqi government. However, the reasoning behind their support was of no concern to the Iraqi regime; its only concern was the lifting of the sanctions, and if it had to achieve its desired end through exploitation and manipulation of sympathy for the Iraqi population, so be it.

However, the Arab states' cooperation may have been misread by the international community, which may have believed that they cooperated in order to support the Iraqi regime, not only the Iraqi people. Thus, this example demonstrates the importance of clarifying and differentiating amongst notions of interstate relationships, cooperation, and ideology, as well as the manipulation of these relationships and identities by elites who, having self-preservation as their ultimate goal, may seek to either promote or discourage perceptions of cooperation that may not truly exist for political purposes.⁵³ Of course, a U.S.-led coalition removed the Ba'ath regime in March-April 2003, bringing an end to

⁵³ Jonathan Mercer, pp. 229-233.

more than 12 years of Iraqi defiance of UN Security Council resolutions as well as the sanctions that are no longer in effect.

1.3 Existing understandings of the Gulf States and the GCC

Whilst these notions or references to the realist instincts of states within international relations clarify the possible rationales behind state behaviour, they can be argued either way. The complexities that exist with regards to any analysis of the GCC only serve to enhance the varying perspectives in which political scientists assess the true motivations of the organization. This is certainly evident when evaluating the literature. To a large extent, the predominant approach to analyzing the GCC or the Gulf states has been in terms of historical or factual indicators rather than theoretical vantages. When examining the existing GCC literature, one notices a lack of clear consensus regarding the true purpose and function of the GCC. Although certain common understandings are represented, many analysts of the region emphasize the differing factors that motivate the relationship.

In general, most references to the region and GCC concern the two principal areas of interest security and economics, which should not be surprising as security and economic factors are the issues that most concern these states. Authors including Gregory Gause,⁵⁴ Joseph Kechichian,⁵⁵ Mazher Hameed,⁵⁶

⁵⁴ Gregory Gause, *Oil Monarchies: Domestic and Security Challenges in the Arab Gulf States* (New York: Council on Foreign Relations, 1994).

and Anthony Cordesman⁵⁷ have analyzed and emphasized the true importance of the security aspect of the Gulf states' behaviour because it reflects their priorities, policies, and justifications.

Other authors, including Hossein Askari,⁵⁸ Abbas Abdel Karim,⁵⁹ Hazem Beblawi,⁶⁰ and Khaldoun Al-Naqeeb,⁶¹ have tended to focus primarily upon the economic conditions and imperatives of the Gulf states as they pertain to economic viability and development. The works of these authors are complemented by literature devoted to political, social, religious, and identity influences in the states. However, many approaches in the literature consider the same factors as do these authors. In other words, whenever one attempts to analyze any one aspect of the Gulf states, whether it be the security, economic, political, or social aspect, one must also analyze the other aspects. These interrelated areas substantiate the view that as a collective, the Gulf states share numerous areas of interest that have evolved according to their common experiences and economic strategies and the security circumstances within the

⁵⁵ Joseph A. Kechichian, *Political Dynamics and Security in the Arabian Peninsula Through the 1990s* (Santa Monica, CA: RAND, 1993).

⁵⁶ Mazher A. Hameed, *Arabia Imperilled: The Security Imperatives of the Arab Gulf States* (Washington DC: Middle East Assessments Group, 1986).

⁵⁷ Anthony H. Cordesman, *Bahrain, Oman, Qatar, and the UAE* (Boulder, CO: Westview Press, 1997); Anthony H. Cordesman, *Kuwait* (Boulder, CO: Westview Press, 1997).

⁵⁸ Hossein Askari, Vahid Nowshirvani and Mohamed Jaber, *Economic Development in the GCC*. (Greenwich, CT, Jai Press, 1997).

⁵⁹ Abbas Abdel Karim, *Change and Development in the Gulf: An Overview of Major Issues*, in *Change and Development in the Gulf*, ed. Abbas Abdel Karim (London: Macmillan Press, 1999).

⁶⁰ Hazem Beblawi, *The Arab Economy in a Turbulent Age* (New York: St. Martin's Press, 1984).

⁶¹ Khaldoun Hasan, *Al-Naqeeb. Society and State in the Gulf and Arab Peninsula* (London: Routledge, 1990).

region. In other words, common interests amongst the states stem from common challenges that have created linkages amongst areas of interest.

This analysis will support the arguments that:

- (1) Political stability cannot be achieved without economic growth.
- (2) Economic stability cannot be achieved without political and regional security.
- (3) Political security cannot be achieved without social harmony.
- (4) Social harmony cannot be achieved without economic growth.

Whilst these factors are of relevance to every state, their importance is most clearly demonstrated in the case of the Gulf States, a case in which domestic and regional priorities must be determined and policy interests must be balanced.

As this analysis will show that security and stability are the primary concerns of the Gulf regimes, it is beneficial to elaborate upon the interpretation of security. Because the primary interest of the Gulf States is to maintain national security and long-term regime viability, any issue that may potentially undermine their survival can be considered a security risk. For example, economic growth and stability can be considered a security interest of the Gulf regimes due to its close correlation with social circumstances. This is especially true when one considers the rentier tradition of the Gulf States, which according to authors such as Hazem Beblawi, these rentier states are relatively socially and economically

dependent on their oil resources as service and benefit providers to their national populations.⁶² It is important to note Beblawi's suggestion of the four characteristics that would determine whether or not a state could be identified as "rentier":

1. If rent situations predominate
2. If the economy relies on a substantial external rent – and therefore does not require a strong domestic productive sector
3. If only a small proportion of the working population is actually involved in the generation of the rent
4. and perhaps most importantly, that the state's government is the principle recipient of the external rent.

Ayoob explains that the development-security dynamic in oil-based economies, such as those of the GCC, arises from the fact that "those vested with political power in the oil-rentier states tend to forget that oil revenue will inevitably decline in due course, and aim simply at achieving temporary prosperity". Such an aim leads those vested with political power to believe that "security over the medium term affords a period of grace during which the complex tasks of economic development may be carried out with enhanced means".⁶³

Social stability can also be described as a security interest because its maintenance requires consideration of the ideological or religious forces in the

⁶² Hazem Beblawi, *The Rentier State in the Arab World*, in Hazem Beblawi and Giacomo Luciani, *The Rentier State* (New York: Croom Helm, 1987), pp. 49-62.

⁶³ Mohammed Ayoob.

region and their relative influence as they pertain to “just” governance. Ayoob, Gause, and Liesl Graz,⁶⁴ amongst others, have considered internal social and economic dynamics in their evaluations of security in Third World states within the context of the Gulf and the manner in which their regimes approach domestic economic and political policies aimed at stabilizing and controlling social forces. As such, these analysts have appropriately chosen to address many of these considerations as fundamental necessities to understanding the political security dynamics of the Gulf regimes.

A related consideration is the function of the GCC in terms of fulfilling the interests of the Gulf States. The fact that the interests of the Gulf regimes are strongly linked has led to a relatively unclear perception of the role of the GCC. This issue has been of interest to Ajay Jha, who has attempted to address the GCC in terms of discerning whether the organization is an economic grouping or in fact a security alliance.⁶⁵ Regarding this matter, Simon Koppers emphasizes the fact that although the GCC Charter defines the areas of economic and financial affairs, customs, legislation, industry, and agriculture as areas of cooperation, it refers to security only very little and does not refer to defence at all.⁶⁶ Therefore, although the GCC appears to be, at least officially, primarily an economic body, there is much focus on attaining security objectives.

⁶⁴ Liesl Graz, *The Turbulent Gulf* (New York: St. Martin's Press, 1990).

⁶⁵ Ajay Jha, Gulf Co-operation Council: An Economic Grouping or Security Alliance? (asian research service, vol.14, no.4, August, 1986).

⁶⁶ Simon Koppers, *Some Aspects of the Gulf Co-Operation Council's Relationship with LDACs*, in *The Least Developed and the Oil-Rich Arab Countries*, ed. Kunibert Raffer and M. A. Mohamed Salih (London: Macmillan Press, 1992), pp. 32-33.

Other authors have focused on other issue areas as they pertain to the GCC. A number of analysts, including Rosemarie Said Zahlan, who have addressed the role of Saudi Arabia within the organization have assessed whether the GCC is in fact an organization based on Saudi Arabia's influence and possible hegemonic ambitions in the region as opposed to an organization based on voluntary memberships formed out of perceived necessity and common security interests. Assuming that the member states joined the GCC due to political pressure from Saudi Arabia would lead to clear theoretical implications.⁶⁷ Although such an assumption may appear to imply that the formation of the GCC was an example of bandwagoning, such an argument would be difficult to make; it would imply that the other states only reluctantly joined the GCC due to Saudi pressure when in fact it can argued that the smaller Gulf regimes had more to gain from GCC membership. Graz explained, "The existence of the GCC is in itself reassuring to the smaller members. There they are fully-fledged members of an organization whose scale is such that their voices count and their influence is multiplied by the skeins of family and historical ties that criss-cross the Gulf".⁶⁸ He argues that because the kingdom has appeared reluctant to exert forceful pressure on the other regimes to accommodate its own needs, it is unlikely that Saudi Arabia has hegemonic ambitions over the organization and subsequently the other Gulf emirates.⁶⁹

⁶⁷ Rosemarie Said Zahlan, *The Making of the Modern Gulf States: Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman* (London: Unwin Hyman, 1989).

⁶⁸ Liesl Graz, p. 238

⁶⁹ *Ibid.*, pp. 236-237.

As Graz emphasizes, one must make a distinction between influence and an attack on sovereignty.⁷⁰ Saudi Arabia is clearly the most politically and economically powerful member of the GCC not only because of its size but also because it is the only GCC state that borders every other member state, thereby giving the kingdom a central leadership role. However, despite its power, Saudi Arabia's policies have not been directed at coercing its neighbours. In addition, despite the fact that the GCC headquarters are based in the Saudi capital of Riyadh, all GCC members have equal membership within the organization, and the collective influence of the smaller states could offset that of Saudi Arabia.

Although these facts contradict any suspected Saudi “hegemony”, Saudi Arabia's greater power remains an expected compromise within the relationship. It is clear that Saudi Arabia's membership in the GCC is of clear value and significant interest to the kingdom because it allows other member states to serve as buffer entities that contribute to Saudi security. However, enacting such a security strategy essentially depends on the ability of Saudi Arabia to gain the confidence of the smaller states by acting as a partner. On the other hand, the smaller emirates also gain by having a larger protector, which, by enhancing the strategic strength of the GCC as a whole, makes it of high relative value to all members.

⁷⁰ Ibid., pp. 238.

Many of those who have argued that the GCC was primarily established as a regional response to surrounding threats, including Joseph Kechichian, Mahnaz Zehra Ispahan, and Anoushiravan Ehteshami, have emphasized specific perceived threats in the region, such as those posed by the Iranian revolution and the subsequent Iran-Iraq War. Simon Koppers describes the formation of the GCC as a result of increasing political pressure from three fundamental events in the region: the 1979 Iranian Islamic revolution, the 1979 Soviet invasion of Afghanistan, and the beginning of the Iran-Iraq War in 1980.⁷¹

Viewing the establishment of the GCC as a response to such events implies that the Gulf regimes came to a consensus regarding a common perceived threat that posed a potential political security risk. After identifying a common vulnerability, the regimes may have seen it necessary to counter the threat through collective political and security action. This argument implies that the GCC members' primary incentive to cooperate is to maintain political and national security rather than support an ideology of national unity, an argument similar to the realist notion of balancing. The Gulf regimes considered their political establishments as vulnerable to Iran and Iraq, the two principal Gulf regional powers. In order to effectively deter or diminish this perceived vulnerability, the Gulf regimes sought to unify under a common political, economic, and security umbrella as a means of presenting a unified front against any potential external threat.

⁷¹ Simon Koppers, p 31.

Contrary to this rationale, one of the primary functions of the GCC, as described by analysts such as Mansoor Kundi, has been *internal* security cooperation, which has been the unofficial guiding principle of the organization (Kundi 1989). In other words, GCC cooperation and the development of the organization as a political body has been defined in terms of security interests as they pertain to regime stability. As such, the GCC members have agreed to cooperate not simply to advance a pan-Arab or Gulf-Arab ideological cause, nor have they invested in economic integration for the purpose of economic development per se. Instead, they have pursued these actions to achieve their broader interest of security, which implies that they may view policy goals or objectives that do not enhance security as less appealing.

Other researchers who have focused on the social and cultural characteristics of the Gulf states, including David Long,⁷² Jill Crystal,⁷³ and Gause,⁷⁴ have also seen it necessary to examine the political characteristics of each state. Their examination has generally included discussion of “tribal” traditions and, more recently, religious identities within the region as they pertain to historical linkages and relations in the Gulf and understanding of the domestic politics of the Gulf regimes. Their discussion includes elaboration of the various historical tribal and religious differences along the peninsula that have

⁷²David E. Long. *A Dialogue: Saudi Arabia* (SAIS Review - Volume 22, Number 2, Summer-Fall 2002) pp. 199-228.

⁷³Jill Crystal, *Oil and Politics in the Gulf: Rulers and Merchants in Kuwait and Qatar* (New York: Cambridge University Press, 1990).

⁷⁴Gregory Gause. *A Dialogue: Saudi Arabia* (SAIS Review - Volume 22, Number 2, Summer-Fall 2002) pp. 199-228.

determined the political nature of modern relations. Although tribalism is an important factor in the region's political culture, its examination does not lead to the identification of a specific behavioural pattern. In fact, gaining understanding of tribalism as it has existed in the Gulf requires gaining understanding of classical realism, as tribalism is based on the perception of threats to survival and the understanding that reactions may lead to either cooperation or conflict.

Understanding tribalism as a factor in the region rather than a behaviour is to appreciate the complexities of inter-Gulf cooperation and relations as well as the political constraints of individual regimes that must effectively manage tribal and sectarian differences within their respective territories. Thus, tribalism is an important consideration because it highlights the importance of domestic political considerations as they pertain to regime security and stability.

Although tribalism is a factor in the history of the Gulf, it is important not to overemphasize the impact of tribal differences in modern assessments of the region. It can be argued that Gulf societies and their regimes have essentially developed into urbanized entities that, exhibiting fewer tribal characteristics than they had in the past, are more concerned with religious or nationalist than tribal identities, particularly as many of their modern difficulties and complexities pertain to maintaining legitimacy, security, and stability when confronted by external ideologies. As previously described, the most significant of these ideologies have been Pan-Arab nationalism, Cold-War communism and

capitalism, and the Islamic revolutionary ideals of Iran, all of which have had broad social implications for the Gulf states and Arab societies in general.⁷⁵ As such, the manipulation of these ideological factors in relation to domestic grievances has been a challenge to Gulf regimes that must attempt to balance their support for certain political stances as a means of maintaining legitimacy and security.

1.4 Implications of Analysis

Discerning the motivations behind GCC cooperation from a realist understanding not only provides a clearer interpretation of GCC collective behaviour but also a better vantage from which to assess the successes and failures of the organization within the context of its ideals or goals. As such, examining the security motives of the member states will help explain why cooperation is pursued in some areas but not in others. Despite the fact that the Gulf states appear interested in economic cooperation, pan-Arab nationalism, Islamic solidarity, and a Gulf identity, such ideals can be regarded as decorative justifications for a security relationship. This is not to suggest that the GCC regimes are not truly interested in economic development or Islamic and Arab ideals, but rather that these factors are defined and pursued within the context of security.

⁷⁵ Riad N. El-Rayyes, "Arab Nationalism and the Gulf", *Journal of Arab Affairs* 6, no. 2 (1989), pp. 109-118.

The realist views of authors such as Keohane (1984), Walt (1987), and David (1991) help one dissect the intentions behind policy decisions in terms of state or regime behaviour. By gaining understanding of their perspectives, one can discern whether the GCC has fulfilled its needs and objectives and whether the behaviour of its members is rational in their search for security. By doing so, one can highlight the strengths and weaknesses of the organization through identification of the role that it plays in the Gulf region. Certain authors and analysts, including Abd Al-Hadi Khalaf,⁷⁶ view GCC collective security and cooperation as somewhat of a failure due to the fact that the sceptical relationship amongst the member states promotes a relative degree of distrust; enhances a lack of solidarity in terms of foreign policy, especially with regards to regional issues; and fosters territorial disputes amongst member states that have hindered cooperative progress.⁷⁷

Focusing on the same issues as Khalaf but using a different approach, Koppers argues that the GCC is not a failed model but rather a model for successful cooperation.⁷⁸ He points out that the demographic and cultural factors that permitted relatively easy integration of Gulf State interests, especially in terms of economic and social coordination, have allowed the GCC to serve as a stabilizing factor in the region because of the member states' ability to pursue similar although not identical foreign policies. Koppers also describes how the

⁷⁶ Abd Al-Hadi Khalaf, "The Elusive Quest for Gulf Security", *Middle East Report* (1987), pp.19-22.

⁷⁷ Hazem Beblawi, pp. 14-17.

⁷⁸ Simon Koppers, pp. 33-34.

organization's moderate persona and established mechanisms aid it in resolving disputes and avoiding conflict, pointing out that in general, GCC members have tended to cooperate more greatly during periods of conflict.⁷⁹

Both perceptions of the GCC can be regarded as somewhat accurate. Despite their differing approaches, they both view security and stability as the underlying factors driving or hindering GCC cooperation. Khalaf's assertion that distrust exists amongst member regimes only serves to emphasize the realist notion that states exist within an anarchical environment with no guarantee of security. The fact that territorial disputes may be regarded as issues that hinder GCC cooperation highlights the perception that the states themselves act on the basis of national self-interest as opposed to collective action under the GCC. On the other hand, Koppers' perspective that the GCC states have been willing to compromise on policy decisions as a means of bolstering cooperation exemplifies the linkage between cooperation and stability, in so far as the GCC, representing a stabilizing organization within an unstable and unpredictable region, requires its members to maintain a certain amount of flexibility and solidarity.

If the Gulf States have tended to cooperate or develop closer linkages during periods of tension and conflict, as Koppers suggests, such action would indicate that the true driving force behind the GCC is maintaining security by responding to perceived threats. Such an understanding is important when

⁷⁹ Ibid, pp. 33-36.

viewing the GCC through a realist lens, as it indicates that theoretically, the GCC has been successful in achieving a certain level of security despite its probable lack of total self-sufficiency as a collective entity. This is supported by the fact that GCC security cooperation has been most effective for internal matters—the maintenance of relative stability within the states—rather than defence matters, as shown when the Iraqi invasion of Kuwait highlighted the strategic external vulnerabilities of the GCC members.

Therefore, evaluating the interests of GCC members as they pertain to the organization itself requires consideration of interest compatibility. In other words, one must consider whether the continued existence of the GCC can be justified if the threats to security upon which its formation was based no longer exist. It must be emphasized that GCC members cooperate when there is a consensus amongst them concerning responses to threats and cooperative initiatives that bolster or complement the security of the member states. However, the GCC must decide how it will address new threats; although Arab nationalism, Iranian revolutionary rhetoric, and Iraqi ambitions in the region are no longer the strong threats that they once were, other Islamist movements and the politics of defensive reliance on the West in the Gulf, especially following the 1991 and 2003 invasions of Iraq, continue to be security concerns.

Due to the interrelatedness of foreign and internal security issues, reliance on the role, availability, and deterrent capacities of foreign powers has arguably

become a security liability to the GCC states rather than a domestic security guarantee. As such, it has undermined the effectiveness of the regimes to secure domestic political confidence in state foreign policy decisions and has certain implications for their legitimacy. This analysis argues that rather than decreasing or increasing over time, the threats faced by the Gulf states and their corresponding security dimensions have *evolved*. In this sense, justifications for GCC cooperation are now based on areas of interest that have security implications beyond those pertaining to traditionally defined security needs. In the past, the regimes maintained their survival through control of the predominantly external ideological opposition forces within their societies. The Gulf regimes now see that it is necessary to achieve domestic legitimacy through further economic, social, and political developments to achieve their long-term objectives. This analysis examines the evolution of the GCC states from a political and economic standpoint and the means by which the regimes have either accommodated reform based on the evolving nature of regional issues or have maintained the status quo as a means of prioritizing traditionally held notions of security.

Chapter 2

2. Overview of the GCC States - History

Generally, the term *the Gulf region* encompasses the Kingdoms of Saudi Arabia, Bahrain, Kuwait, and Qatar; the Sultanate of Oman; and the United Arab Emirates (UAE), the six oil monarchies in the region. Many international bodies and governments erroneously include other countries, including Yemen, Iraq, Jordan, and, to a lesser extent, Iran, within this umbrella term for the region, most likely because these countries share borders and are intimate neighbours of the six states. The media also play a large role in promoting this confusion. For example, media sources commonly use the term *the Gulf Wars* when referring to the Iran-Iraq War as well as the recent wars between Iraq and the US and its allies. In the region, the local majority understand that the term *Gulf States* refers to only the six monarchies listed above and illustrated in the map below Figure 2.1.

So, according to the six gulf states the GCC, the first gulf war, also commonly called *The Persian Gulf War*, was the war between Iraq and Kuwait that began on the 2nd of August 1990 and ended on the 28th of February 1991. And the second gulf war or commonly called the Iraq war, began on March 20, 2003 until today with the invasion of Iraq by a multinational force led by and composed largely of United States and United Kingdom troops led by the U.N.

Figure 2.1 GCC countries map⁸⁰



As trading blocs develop across the globe, it is hardly surprising that groups of similar countries with similar political and economic interests should consider cooperating. Given the problems faced by the Gulf states, any economic bloc that they form should aim to develop market coherence by establishing mutually acceptable trade and tariff barriers where necessary; encouraging regional trade, development, and diversification; and providing the necessary bureaucratic infrastructure to further technical, military, educational, and social cooperation.

⁸⁰ GCC countries map <http://www.kingfahdbinabdulaziz.com/jpghi/f140.htm>

However, these aims are far from being realized, mainly because the impetus behind the creation of the GCC is narrowly political rather than economic.

The Cooperation Council for the Arab States of the Gulf, universally known as the Gulf Cooperation Council (GCC),⁸¹ was ostensibly formed due to Saudi fears of instability following the insurrection at Mecca in 1979 and the beginning of the Iran-Iraq conflict, both of which promised further destabilization the region. The GCC was established on 25 May 25 1981 when the heads of state of Saudi Arabia, Bahrain, Kuwait, Qatar; Oman, and the UAE met in Abu Dhabi to sign the new organization's constitution. Their aim was to promote "coordination, integration and cooperation . . . in all fields" to "serve the higher goals of the Arab nation"⁸² as well as form "closer relations and stronger bonds" amongst all Arab states. Their overall aim, as stated in Article Four of the founding document, was the coordination of laws and operations in all fields of state activity, overseen by Supreme Council in which each member state has a single vote. Their underlying aims were settling irredentist disputes and coordinating internal security and arms procurement. Economic aims, although stated clearly in Article Four, have not figured highly in GCC operations until very recently, albeit at a fairly low level.

Few of these aims had been realized by 2005-2006; territory disputes between Oman and the UAE and between Saudi Arabia and Qatar had erupted

⁸¹ The GCC consists of the Kingdom of Saudi Arabia, Bahrain, Kuwait, Qatar, the Sultanate of Oman, and the United Arab Emirates. Newly united Yemen has applied to join, but its application is still pending.

⁸² Preamble to the founding articles of the Cooperation Council for the Arab States of the Gulf.

into a crisis in 1992, and the formation of a true customs union was still at the beginning stages. Joint military exercises, such as that conducted in October 1994, did not inspire confidence: in one incident, Omani officers refused to carry out the orders of Saudi commanders. The GCC deployed the Rapid Deployment Force, its armed wing, in the Kuwaiti War, but not at an impressive level; following domestic social habits, the GCC preferred to fund Egyptian and Syrian troop deployments.

The major mover behind the GCC is the US, which desires the development of a stable economic and political structure that can oversee such a strategically vital region. Because the political motivation behind the GCC has not been entirely domestic, it has not acquired the sense of political or social urgency that organizations as the European Union (EU) have acquired. Moreover, despite their many similarities, rivalries continue to fester amongst the member states, exacerbated by a lack of national identity and economic specialization from state to state. Each produces much the same goods in much the same way and sends its produce to the same markets, a practice that promotes competition rather than cooperation. Cordesman explained, "Whilst there is no question that the Gulf States have a common Arab and religious identity, their economic identity is tied largely to trade with developed oil importing states outside the Arab world".⁸³ Indeed, 85% of imports into the GCC are from outside the Arab world, mostly the US and the EU, and 80% of investment is into those same Western markets (see Tables 2.1, 2.2, and 2.3)

⁸³ A.H. Cordesman, *Bahrain, Oman, Qatar and the UAE: Challenges of Security* (Westview, Oxford, 1997), p. 4.

Although it might be assumed that a lack of national identity amongst member states would ease the transition towards a unified GCC, such identity provides the mature political and social structures that promote the development of a new inter-governmental body. At present, disintegrative factors may well be stronger than are integrative factors amongst the member states; irredentist disputes, a lack of foreign policy coordination, and a significant divergence of views in relation to global bodies such as the UN (where some GCC countries vote differently from others) continue unabated. Indeed, "GCC interstate relations are characterized by a division between the desire to strengthen cooperation to enhance their roles in a changing world and the desire to assert their national independence".⁸⁴

It is unfortunate that the GCC was founded at a time when many of its members were still in the process of nation building. Pursuing these actions simultaneously led to stress between internal and external coordination and between those nations that had already achieved a significant level of national identity, such as Oman, and those still developing their identity. Although most of the Gulf states have experienced similar historical development, with the involvement of the British until the 1960s or early 1970s and their replacement by the US, their shared history is not necessarily an important aspect of shared Gulf identity.

⁸⁴ H.H. Al-Alkim, *The GCC States in an Unstable World: Foreign Policy Dilemmas of Small States* (London: Al Saqi, 1994), p. 99.

Most importantly, the history of the Gulf has been and continues to be defined by oil, its single most important export, which has changed the lives of the majority in the GCC states, in some cases radically. As much of the population left behind lives of Bedouin pastoralism to adopt lives of urban consumerism, often within a single generation, towns held together with mud and almost no infrastructure became significant centres of urban domestic, commercial, and industrial development almost overnight. At the same time, vast numbers of guest workers immigrated into the region to do the jobs that local people either could not or would rather not do. For the first time, the region gained an international voice to which larger, more developed states had no choice but to listen.

2.1 Regional Analysis

On the surface, there seem to be many reasons why the Gulf states of the Arabian Peninsula should form some kind of regional bloc. They face similar threats or potential threats from the two potentially large markets of Iran and Iraq, the two largest states to their north. They also gain protection and security from a regional bloc if their current allies and protectors discontinue their roles if geo-political and economic interests shift. Sharing similar strategic geographies, they are all likely to benefit from proximity to growing shipping lanes. The most important local markets are within the Middle East and North Africa (MENA) region, especially that of Egypt,⁸⁵ the Gulf states' largest trading partner in the

⁸⁵ In *Direction of Trade Statistics*, the National Statistics Office of the International Monetary Fund (IMF NSO) reported a marked variability in GCC exports and re-exports to Egypt, from a high of nearly US\$900m in 1991-1992 to a low of US\$150m in 1993-

Arab world, followed by the markets of Sudan, Iran, the Indian sub-continent, and Asia. Their most crucial non-regional market is the EU, followed by the US and Japan.

All the Gulf States have a similar hierarchy and social structure encompassing of five basic levels. At the top are the decision-making elites, for the most part linked to the ruling families, which tend to assume a similar structure amongst the Gulf states, with an inner circle or council advising the head of state, a secondary council of ministers, and a tertiary administrative level. Below this council lies upper social strata composed of those directly linked to the predominant economic wealth-creation factors, most frequently oil and its rents. Often, these two groups have more in common with Western elites than with their own populations.

Below these two relatively small groups lies the growing middle classes, amongst which, although many are also driven by rent-seeking activities, some are involved in sectors indirectly linked to oil, such as the service or infrastructure industries, or work within sectors with no links to the oil economy. A significant number are state bureaucrats, many of whom, motivated by rent-seeking activities,

1994, and again a high of nearly US\$900m in 1997-1998. The figure for 2000-2001 is about US\$882m. Such variability is one of the problems faced by the GCC, as well as the fact that important neighbouring markets (Iran, Iraq, Syria, and North Africa) are unstable and/or underdeveloped. Egypt's imports from the GCC may increase when the volume of re-export trade from Dubai and the Jebel Ali Free Zone are taken into account. According to the IMF NSO, in 1999 Dubai's re-exports to Egypt were worth US\$95m, and exports and re-exports from Jebel Ali were worth US\$121m, figures which indicate that customs liberalization has had a positive impact on the region.

are resistant to change, such as privatization, and therefore potentially the most difficult to convince of the need for change. Below these burgeoning middle classes lies the indigenous lower classes, primarily composed of blue-collar and agricultural workers. The younger members of these lower classes often find themselves poorly educated and either underemployed or unemployed, which leaves them open to disaffection and the attractive philosophies of extreme religious and/or political groups.

Of the common economic and demographic forces at work throughout the Gulf region, perhaps the most problematic is the 20% of the population currently under 15 years of age who will leave their families over the next 2 to 3 years. What jobs will be available to them? Even those with an education may suffer underemployment because “no Gulf state has any prospect of creating more than a third of the real jobs required to employ its youth and correct the level of disguised unemployment that already exists”.⁸⁶ There is a very real danger of political unrest when previous generations’ expectations are disappointed in the context of the younger (and less acquiescent and/or more politically naive) generations.

In terms of power and political, social, and cultural influence, the lowest social stratum is composed of non-indigenous guest workers, most of whom come from the Indian subcontinent, although many also come from the Philippines,

⁸⁶ A.H. Cordesman, p. 6.

Indonesia, Egypt, Palestine, Russia, the EU, and the US.⁸⁷ Although many of these workers may appear to be enjoying a wealthy and affluent lifestyle, and as such appear to be members of the middle class, they enjoy few, if any, social or political connections with their host society. For this reason, they cannot be considered part of the indigenous hierarchy. Moreover, their pay is frequently repatriated, leading them to develop a sense of insecurity. Al-Alkim warns, "Most Southern Gulf states have institutionalised another economic problem that threatens their social cohesion and cultural identity. All are . . . heavily dependent on foreign labour. All have failed to develop a work ethic and employment patterns that make adequate use of native talent".⁸⁸ Such dependency on guest workers is an institutional weakness that has been and continues to be addressed by new initiatives such as Oman's "Omanization" programme.

The potentially most important strata of this hierarchy are the burgeoning middle classes; one has only to consider European development in the twentieth century or Turkish instability in the 1950s to understand that the middle classes hold the key to important (and often violent) changes. Whilst education is the vital component for endogenous growth, it can have ideological and thus political consequences; no educated, financially comfortable group is ever content with merely being comfortable and educated.

The development of a *comprador* (*this term was first used to define a native-born agent in China and certain other Asian countries formerly employed by a*

⁸⁷ H.H. Al-Alkim, p. 156.

⁸⁸ A.H. Cordesman, p. 8.

foreign business to serve as a collaborator or intermediary in commercial transactions) element amongst the middle class in both economic and social terms is a destructive aspect of this social structure. Instead of pursuing internal investment activities, which are few in number, completely lacking, or difficult to negotiate due to financial and bureaucratic inadequacies, the local middle classes expatriate their capital into overseas investments, especially those based in the US and the EU, or concentrate on import-led activities, one of the symptoms of the Dutch Disease (*which means the deindustrialization of a nation's economy that occurs when the discovery of a natural resource raises the value of that nation's currency, making manufactured goods less competitive with other nations, increasing imports and decreasing exports. The term originated in Holland after the discovery of North Sea gas*). This action prevents the development of indigenous capital projects and orients the middle classes away from the assumption of any native identity.⁸⁹ The increase in the availability and accessibility of modern global media in all its forms brought about by globalization has increased this orientation away from assumption of a national identity, particularly for the large demographic under 15 years of age, which tends to create a set of identities not particularly regional, Arab, or Muslim. Without an allegiance to a national identity, future generations of the Gulf middle classes will be unlikely to build social, political, and economic links within their own societies.⁹⁰ Another social similarity amongst the GCC states due to their similar hierarchies is the manner in which their elites make

⁸⁹ Gorm Rye Olsen, *Political Power and Economic Change in the Arab World* (Copenhagen: Centre for Development Research, 1995), p. 87.

⁹⁰ J. Waterbery, *Political Economy of the Middle East*, in *International Journal of Middle Eastern Studies* 23 (1991), pp.1-17.

decisions with little or no consultation with non-governmental organizations (NGOs), private institutions, pressure groups, religious groups, or private enterprises. With the exception of Oman and Bahrain where participation is actively being encouraged, the Gulf States' polity runs on lines of patrimony rather than participation.

All the Gulf State governments maintain large bureaucracies. Therefore, when their regimes must decide whether to strengthen the political system or simply tinker with the existing bureaucracy, it naturally appears easier for them (and maybe preferable) to do the latter. Al-Omar elaborated,

The development of bureaucracy in GCC countries reflects the shift in the role of government from maintaining order and security to producing a wide variety of social welfare services and economic development within a very short time. This has led to comprehensive differentiation and specialisation in the government organs . . . [and] the authoritarian style has invited authoritarianism and centralism and further increased the lack of control.⁹¹

Such bureaucracies are not efficient employers; indeed, "at least two and sometimes four native males are unemployed in each government job for every

⁹¹ Faud Abdullah Al-Omar, *Bureaucracy, State, and Development in Kuwait and Arab Gulf States* (Lahore, Pakistan: Shirkat Press, 1997), pp. 161-162.

male that is needed to perform a real job. In most cases, there is also growing direct unemployment of native males”.⁹² This inefficiency may be attributable to two phenomena. First, the bureaucratic administration has taken on too wide a range of activities, leading to the development of an excessively large bureaucracy that often performs tasks performed by the private sector in other states. Second, instead of acting as a check on the legislature (as is the case in Western states), the bureaucracy has become detached from it, leading to the exacerbation of the region’s authoritarianism and centralism, which negatively affects prospects for the development of inter-state relations. Instead of maintaining a civil service addressing the minutiae of government and correcting its inadequacies, which could aid in the formation of a new GCC civil service, the regime bureaucracies maintain unfettered government power often insensitive to issues more complex than those which they are qualified to address. With such a situation, inter-state politics are more likely to lead to conflict when personality or tribal differences arise.

Unfortunately for the development of the GCC, authoritarian centralism characterizes all of its member states, although most are attempting to change by creating new structures, such as *majlis* (consultative councils), widening the franchise, and promoting private enterprise. One must keep in mind that all the GCC states are new states, and one means of defining a state in its early years and ensuring that it functions adequately is creating and expanding a bureaucracy. Unfortunately, new states often believe that enlarging their nascent bureaucracies is a means of creating a national identity. Moreover, with no

⁹² A.H. Cordesman, p. 5.

history of civil service or state structure and little education, the quality of those drafted into the bureaucracies is not adequate for performing the tasks with which they are charged.

As in-service training is almost unknown, it is likely that promotion is linked to corrupt rent-seeking activities or simply the result of the random shuffling of employees. Most importantly, such institutions cannot hope to work alongside, let alone compete with, efficient private sector companies, especially trans-national corporations, whose qualified and well-informed personnel are unlikely to be impressed by Gulf bureaucrats' lack of professionalism.⁹³ Apart from oil but almost certainly because of it, a predilection for large bureaucracies appears to be the most significant similarity amongst the Gulf states, one that leads to similar political (and thus economic) deficits.

2.2 Economics

It should not be surprising that the Gulf States of the GCC are very similar economically, with some variation in the degree of economic freedom offered in each state. As shown in Table 2.1, in 2006 Bahrain was the most open state, which is not surprising because, as its designation as the first post-oil GCC state indicates, it has done the most to develop its post-oil economy, whereas Qatar was the least open. Although this convergence brings economic advantages to

⁹³ Alwai N. Abussund, "Administrative Development and Planning in Saudi Arabia: The Process of Differentiation and Specialization" (Ph.D. dissertation, University of Maryland, 1979). See pp. 1-24.

the GCC, its members must do more to increase the conditions favourable for economic diversification and change the rent-seeking mentality that decreases economic freedom.

Table 2.1 GCC Economic Freedom Ratings, 2006⁹⁴

| <i>Countries</i> | <i>GCC Rating</i> | <i>Overall Rating*</i> |
|---------------------|-------------------|------------------------|
| <i>Bahrain</i> | 1 | 25 (2.23) |
| <i>Kuwait</i> | 2 | 50 (2.74) |
| <i>Saudi Arabia</i> | 3 | 62 (2.84) |
| <i>UAE</i> | 4 | 65 (2.93) |
| <i>Oman</i> | 5 | 74 (3.01) |
| <i>Qatar</i> | 6 | 78 (3.04) |

***Overall Rating:**

- ***Free (1 - 1.99)***
- ***Mostly free (2 – 2.99)***
- ***Mostly un-free (3 – 3.99)***
- ***Repressed (4 – 5)***

As Table 2.2 shows, the 2003 economic freedom ratings can be further broken down to show the areas that suffered from economic structural deficits in that year.

⁹⁴ Heritage Foundation at www.heritage.org (2006 Index of Economic Freedom).

Table 2.2 GCC Area Scores for Economic Freedom 2003⁹⁵

| Countries | Different area Scores | | | | | | |
|---------------------|--|-------------------------------------|-----------------------|----------------------------------|--|---------------------------------------|---|
| | I | II | III | IV | V | VI | VII |
| | Size of government (expenditure, taxes, and enterprises) | Legal structure and property rights | Access to sound money | Freedom to trade internationally | Regulation of credit, labour, and business | Overall economic freedom score / rank | Intra- regional trade/ Percentage of total trade in the Middle East |
| Bahrain | 7.0 | 6.7 | 9.4 | 8.7 | N/A | N/A | 1998 / 8.0 |
| Kuwait | 9.2 | 7.8 | 9.1 | 8.0 | 8.2 | 7.9 / 3 | 1999 / 8.4 |
| Oman | 6.2 | 8.1 | 9.7 | 8.4 | 7.8 | 8.1 / 1 | 2000 / 6.9 |
| UAE | 8.0 | 7.5 | 9.3 | 8.1 | 6.7 | 7.9 / 3 | 2001 / 8.1 |
| Saudi Arabia | 6.3 | 8.2 | 9.5 | 8.0 | 7.0 | 7.8 / 5 | 2002 / 8.8 |
| Qatar | N/A | 7.5 | 9.7 | 9.2 | N/A | N/A | 2003 / 8.2 |

One can observe little difference amongst the GCC states in most areas, reflecting the fact that the structural problems facing the Gulf economies are very similar. Abassund (1979) has pointed out the considerable deficits in government structure that persist may be due to a top-heavy approach that needs to be

⁹⁵ *The Fraser Institute: Economic Freedom of the Arab World: (Report and index 2005)*, Salem Ben Nasser Al Ismaily, Amela Karabegovic and Fred McMahon at www.fraserinstitute.ca Scale: (0 = least free, 10 = most free).

modified. A heavy reliance on oil and its rents may slow this change, as much crucial decision-making is politicized by oil dominance. Furthermore, apart from the governments' monolithic structure, there are no counter-weights to offset or control centralized policy-making. The Gulf region as a whole suffers from a shortage of highly trained, well-motivated individuals for employment—individuals who do not seek rents for short-term gain and will serve as efficient and critical personnel. To address these challenges, accountability for micro-economic decisions must be felt at every level, not shrugged off as the realm of an upper echelon of ministers and junior ministers.

Educational policies play a large role in changing attitudes. In Oman, processes whereby native workers are chosen for jobs instead of guest workers (Omanization) might encourage the development of a more mature attitude toward employment. Qatar has developed a similar process it has termed Qatarization, but it applies only to the energy and industrial sectors. The most important trend in the Gulf at this time—one that has existed since the mid-1990s—is privatization. Globalization has led to a considerable commitment to privatization, which is necessary for the GCC to transition from a group of oil-dependent states to a more diversified, integrated regional economic structure to any significant degree. Privatization can also help streamline bloated public sectors by removing unnecessary government involvement in the economy.

Increasing the role of the private sector itself can stimulate favourable structural changes, such as the development of a stronger, more transparent regulatory environment. This in turn lead to the more efficient use of scarce resources, including minerals, agricultural land, fisheries, and, most importantly, water, whilst reducing the government's budgetary burden. Privatization can create a property-owning structure that allows society to escape from a rent-seeking cycle.

Most importantly, privatization creates the conditions favourable to attracting foreign direct investment (FDI), which will lead the GCC states to become more active members in the global club. Privatization is thus the key by which the GCC states will develop economies based on oil wealth into economies based on sustainability. The Saudi, Omani, and Kuwaiti governments announced privatization plans in 1994. Oman's case is particularly interesting: the government divested itself of holdings in key industries (e.g., Oman Cement and Oman Telecom) and allowed them to be floated on the newly emerging stock market in August 1994.

The reason behind the existence of such large public sectors in the Gulf States is the displacement effect of the oil sector and the rapid rate at which their economies developed, leaving their private sectors weak and unattractive to many potential employees and investors. Further, Gulf governments retain the traditional notion they should act as the distributors of oil wealth in a process that

can be likened to reverse taxation rather than seek new ways of financing public spending. Gulf governments have been and remain closely involved in the markets, distorting market forces and undermining market discipline.

Privatization may be the only means of developing accountability at all levels and creating an atmosphere that encourages investment. Specifically, it leads to the development of more transparent methods of raising, distributing, and handling funds, a transparency that encourages more investment by freeing more funds for investment, which attracts FDI. Transparency in the disclosure of important economic and social indicators is vital to development and diversification.

Although privatization is no cure-all for the Gulf region's economic woes, there are some clear reasons why the GCC states need to move further along this route. The two most important are the creation of greater efficiency by decreasing dependence on state-orientated monoliths that tend to emphasize rent-seeking activities and to end capital flight. According to Al-Omar, "The Bank of International Settlement (BIS) estimated that Gulf states had deposits of over US\$120bn internationally".⁹⁶ These funds should be used to aid development and diversification—rather than merely create another rentier environment for a select few—and to boost the still relatively small private sectors in the Gulf, which in turn could generate greater efficiency in the use of scarce resources.

⁹⁶ Faud Abdullah Al-Omar, p. 181.

Of course, there is danger if privatization is carried out without properly trained managers (due to the same restrictions on foreign ownership) and if newly privatized companies maintain very close relations to the state. If these conditions exist, privatization will not reduce the burden on the state treasury and may lead to the abuse of the monopoly granted. The fear is that privatization may create a private sector that depends on monopolies and subsidies, which can retard the efficiency and development of this sector.⁹⁷

The GCC should learn from what occurred when the Soviet states privatized their state industries. The slow development of the GCC could be seen in January 2002, when Saudi Arabia and Qatar started the implementation of an earlier decision taken by the GCC at the 22nd GCC Summit held in Muscat in 2001 to establish a “customs federation” to become effective in January 2003, It is troubling that the GCC had taken nearly twenty years to arrive at this basic step, where tariffs on non-Gulf goods (and other agreements with regards to non-Gulf trading partners) should have been planned to be standardized and in place much earlier. Why is there no customs federation amongst the GCC member states?

Despite all the rhetoric, establishing a united market based on collectively made decisions regarding international matters and proper guidelines remains difficult to achieve. H.E. Abdul Rahman Al-Attiyah, GCC Secretary General, reported in early March 2006 that the Gulf states were prepared to have a

⁹⁷ Ibid., p. 184.

common market by 2007, as had been decided during the 24th Summit in December 2003. In January 2001, Bahrain became the first state to reduce its customs tariffs on all GCC commodities following the decision of the GCC Council at its 20th session in 1999. Clearly, this was an important decision, but the time lag between economic decision-making by the GCC Council and implementation by a single state—nearly two years—in an area of great importance to GCC development is symptomatic of the GCC’s slow progress on important issues.

Economically, the GCC’s most important trading partners are the EU, the US, and Japan. Whereas the EU is the largest exporter to the GCC, the US, followed by Japan, are the largest importers of its goods. The GCC’s relationship with the EU was marred during the first two quarters of 2001 by the GCC’s complaint that the EU’s tariff barriers were too high and that the EU should restructure its protectionist quotas. Clearly, the EU is the biggest beneficiary of trade between the two blocs, and the surplus shown in Table 2.3 has grown since 1999.

Table 2.3 EU-GCC Trade, 1985-1999 (Billions of British Pounds)⁹⁸

| | <i>Exports</i> | <i>to Imports</i> | <i>from EU</i> |
|-------------|----------------|-------------------|----------------|
| | <i>CCG</i> | <i>CCG</i> | <i>Surplus</i> |
| 1985 | 19.8 | 16.4 | 3.3 |
| 1986 | 14.7 | 12.3 | 2.3 |
| 1987 | 13.2 | 10.1 | 3.1 |
| 1988 | 12.9 | 8.7 | 4.1 |
| 1989 | 15.4 | 11.7 | 4.1 |
| 1990 | 13.9 | 11.8 | 2.0 |
| 1991 | 16.8 | 13.4 | 3.3 |
| 1992 | 18.3 | 12.3 | 6.0 |
| 1993 | 19.6 | 12.3 | 7.3 |
| 1994 | 19.3 | 11.3 | 7.9 |
| 1995 | 19.5 | 11.0 | 8.5 |
| 1996 | 22.3 | 13.0 | 9.4 |
| 1997 | 27.5 | 14.5 | 12.9 |
| 1998 | 26.6 | 11.4 | 15.2 |
| 1999 | 31.6 | 16.1 | 15.5 |

⁹⁸ Source: European Commission.

The GCC is the fifth largest market for EU exports. In 1999, trade between the two blocs was €47.7 billion, and the EU's trade surplus with the GCC was €15.5b billion. GCC imports from the EU make up approximately 38% of its total imports. The EU depends on the GCC for 23% of its crude oil, representing nearly 75% of total GCC exports.

The EU is also the single most important foreign investor in the GCC, with the US the second and Japan the third most important. Although the EU and GCC signed a cooperation agreement in 1988, this agreement did not reduce EU taxes on GCC oil exports, which amount to approximately 14% annually. This is a cause of some discontent between the two blocs, as is the 6% tax on aluminium exports to the EU. The 1988 agreement provides for cooperation in areas as diverse as the financial, industrial, agricultural, energy, and scientific sectors, but the GCC believes that the EU could be more accommodating. Perhaps this is a reason for the GCC to have a more persuasive single voice.

In 2007, a free trade agreement (FTA) between the GCC and EU was at the final stages of negotiation but on the 23rd of December 2008, the GCC suspended EU free-trade talks. "We have informed the European side of the suspension of negotiations on a free-trade accord," said Abderrahman al-Attiyah, interviewed by telephone in Muscat, where he was preparing for the annual GCC summit. Al-Attiyah reported that FTA negotiations have been conducted for the past seventeen years. The GCC member states are in the final stage to conclude

a series of FTAs with a number of countries, including India, China, and Turkey, soon, even though whilst speaking to reporters after addressing the Conference on Democracy and Free Trade on 13 April 2006, Al-Attayah stated, "We are working towards setting up a common market by the 2007 deadline and confident of achieving the goal without delay". The goals have not been achieved until today.

In political terms, the GCC's relationship with the US may be slightly more important than its relationship with the EU, at least at the present time. The US imports approximately 1.8 million barrels of Gulf crude per day from the GCC. Between 1995 and 2000, between 76% and 86% of GCC exports to the US were related to oil or oil products, and as the price of oil increased, so did the value of US imports from the GCC; from US\$11.1 billion in 1999 to US\$20.4 billion in 2000.⁹⁹ As its domestic oil production has decreased, the US has become more dependent on GCC-produced oil. Although the US exports a variety of goods and services to the GCC, from computer software to cars to military equipment, the export of all US goods and services to the GCC has been slowly decreasing over the past two years.

⁹⁹ HSBC, *Economic Bulletin* (London, December 2000).

Table 2.4 Ranking of GCC Trading Partners for 1999¹⁰⁰

| | <i>Exports</i> | | <i>Imports</i> | |
|-----------------------------|----------------|------|----------------|------|
| | \$ mil | rank | \$ mil | rank |
| <i>World Total</i> | 103,050 | | 79,198 | |
| <i>EU</i> | 7,034 | 4 | 19,710 | 1 |
| <i>Japan</i> | 23,449 | 1 | 7,446 | 3 |
| <i>United States</i> | 10,586 | 2 | 10,057 | 2 |
| <i>Korea</i> | 8,496 | 3 | 2,615 | 9 |
| <i>Singapore</i> | 5,867 | 5 | 1,253 | 16 |
| <i>India</i> | 4,262 | 6 | 2,646 | 8 |
| <i>China</i> | 2,525 | 7 | 4,083 | 4 |

A significant consideration is that the Iranian market is expanding and increasing its trade with the GCC members, especially the UAE, which has long maintained contact with Iran.

2.3 Intra-GCC Trade

¹⁰⁰ International Monetary Fund, *Direction of Trade Statistics* (Washington, DC, September 2000).

GCC trade statistics indicate incremental (8.5%) growth in intra-regional trade has occurred since the mid-1990s, from US\$130.3 billion in 1996 to US\$143 billion in 1997. This growth continued from 1997 to 2005, albeit at a slightly lower pace, suggesting successful efforts at economic integration. However, as development amongst GCC states is still highly dependent on foreign markets, more efforts must be directed toward increasing intra-regional trade. These efforts must include the abolition of custom duties that prevent the achievement of a single market in any meaningful sense. All traffic between GCC states should be freed of local bureaucratic hindrances, such as the need for local agents, and a GCC-wide infrastructure project that links all forms of transport throughout the Gulf region should be initiated to facilitate trade. Furthermore, to encourage entrepreneurial activity, all citizens of GCC states must be allowed to lawfully engage in business throughout the region on an equal basis, own property in other member states, and trade without restrictions. The GCC faces major challenges to its united efforts to expand trade as its member states approach the establishment of a full customs union in 2009. The full implementation of the GCC customs union will be achieved in 2009, the UAE daily Gulf News quoted a senior official as saying.¹⁰¹

¹⁰¹ <http://www.arabianbusiness.com>, (Middle East Business News Wednesday, 18 February 2009)

Table 2.5 GCC Intra-Trade Exports and Imports (in Million US\$)¹⁰²

| Particulars | 1995 | 1996 | 1997 |
|---------------------------------|-------------|-------------|-------------|
| GCC total intra-trade | 11,634.4 | 13,310.8 | 14,333.4 |
| GCC total foreign trade | 133,837.2 | 146,037.8 | 152,267 |
| GCC intra-regional trade | | | |
| foreign trade ratio % | 8.7 | 9.1 | 9.4 |

2.4 The Future

The next 15 to 20 years are by no means certain for the GCC. Approaching oil depletion dates for Saudi Arabia, the UAE, and Kuwait, the largest oil producers, has added political and social pressure that may not encourage collaboration. Indeed, little if any real political and social, let alone economic, collaboration is currently occurring. Gulf rivalries are frequently expressed in the way media sources financed by different states pit one state against another.¹⁰³ Oman has

¹⁰² *Economic Bulletin*, (the Cooperation Council for the Arab States of the Gulf, Secretariat General, Volume XIV 1999).

¹⁰³ The big players are Saudi sponsored (as might be expected): Al-Hayat and Al-Sharq al-Awsat; Al-Qabbis is Kuwaiti; Al-Itihad is backed by money from the UAE and Al Arab has Libyan backers.

seen little point to this, but Kuwait and Saudi Arabia continue to use the media for their own ends in a belligerent manner. Al-Alkim found that “almost all the GCC states finance or bribe, in one way or another, the Arabic tabloid papers published in London and Paris in an attempt to buy their allegiance and use them against each other”.¹⁰⁴ These papers, which do not pursue national political programmes so much as localized vendettas, neither engage in debate for or against GCC integration, as does the European press, nor seem to express any unique local attributes. In such a manner, they indicate a lack of political development and national identities that may hinder rather than promote the GCC.

The stability of some Gulf states may also be in question (although in this Oman, with its representative government, is very different from its neighbours). Saudi Arabia has seen political discontent expressed through religious incidents at not only Mecca in 1979—an incident that prompted Saudi Arabia to seek local state cooperation as a way of offsetting internal problems—but also at Nejd, the political power base of the Al-Saud family. The challenge may well be for the GCC states to follow Oman’s example in moving away from autocracy towards some form of representative government, or at least towards a government that allows and encourages the debate so important for the establishment of an effective economy. They must also develop an economy that encourages privatization and the social and political changes that follow it. However, doing so may not be easy. As new states whose authoritarian governments and vast bureaucracies have simply overwritten older allegiances to local groups, it would take little disaffection at a

¹⁰⁴ H.H. Al-Alkim, p. 158.

national level (e.g., economic stress) for a breakdown in the GCC states' imposed social order and a return to more "natural" pre-existing systems.¹⁰⁵ There is simply a lack of social consensus in these societies, much less a Gulf identity.

The development of a Gulf identity is not encouraged by the region's continued dependence on the West for its military capability and security. Al-Alkim described the situation as enforced dependency in which since 1990 "as part of a subordinate system, the GCC states' foreign policy undertakings have become mainly reaction rather than action".¹⁰⁶ The operation, maintenance, and updating of military equipment supplied by Western (mostly US, British, and French) suppliers requires continuous significant and costly aid from the West.

Since the outbreak of the 1991 Gulf War, a large contingent of US and British troops has been stationed in the Gulf, and all the region's satellite early-warning and navigation systems are operated by Western military intelligence. The costs of such dependency are huge.¹⁰⁷ Joffe estimated that if the military budgets of the Gulf were the average for small-to-medium states, the Gulf States would have an extra \$30 billion a year (at 1991 prices) that they could apply to development.¹⁰⁸ Unfortunately, this dependence is encouraged by the West, and unlikely to decrease in the short or medium term; indeed, the decrease in oil revenues may

¹⁰⁵ Faud Abdullah Al-Omar, pp. 199-205

¹⁰⁶ H.H. Al-Alkim, pp. 16.

¹⁰⁷ Cordesman estimated that the GCC defence expenditure in 1992 was US\$48bn, of which US\$35bn came from Saudi Arabia. Since then military budgets have increased.

¹⁰⁸ George Joffe, *Bankrupting the Gulf* (London: Ernest Bevan Society, 1991).

well attract or necessitate financing from the West for new industrial projects, and infrastructure projects may need to be backed by loans from Western banks.

Another developing challenge for the future is that of demography; specifically, that of an increasing population of which approximately 50% is under age 15. If future generations find it difficult to gain employment, they might translate their concomitant frustration into political activity or personal flight, either of which would have deleterious effects on Gulf economic development. Regardless of what occurs in terms of diversification and market harmonization, the post-oil period will be difficult. Cordesman lamented,

Bahrain may be the first post-oil economy in the Gulf, but virtually all Gulf economies face a future where oil and gas cannot provide the present level of prosperity, and where no amount of diversification can provide a level of economic growth that can both sustain the present level of per capita wealth and the present level of dependence on foreign labour.¹⁰⁹

Thus, the future is unlikely to be one of an easy transition from oil dependency towards greater diversification amongst and integration of the GCC economies. Unemployment will become a very real rather than disguised fact. Indeed, in the short term there may be decreases in living standards, which would likely be blamed on any GCC economic innovation.

¹⁰⁹ A.H. Cordesman, p. 75.

2.5 Conclusion

As discussed briefly earlier, with regards to Egypt, there are important regional linkages that require further development. For example, Egypt enjoys a high volume of trade with the GCC that includes a considerable tourist trade; indeed, it is the second most popular tourist destination for GCC nationals after Jordan. Each year the Egyptian economy benefits from receiving between 300,000 and 350,000 visitors from the GCC, who spend an estimated US\$350 million a year.¹¹⁰ Egyptian expatriate labour in the GCC exceeds 1.2 million individuals, of whom about 900,000 live and work in Saudi Arabia. The question this begs (and Egypt is only one example of an important local trading partner for the GCC) is whether expansion of the GCC to include other regional states does not make considerable economic sense.

Other areas need to be addressed, particularly the lack of inter-regional investment. Saudi Arabia has a total capital of foreign-owned companies estimated at only US\$22 million. There is little investment by other regional states; for example, in the Jabel Ali Free Zone, out of 1,600 foreign investing companies, only nine are Egyptian. The GCC also needs to take advantage of its

¹¹⁰ World Tourism Organisation, *Yearbook of Tourism Statistics* (London, 2001).

members' geographical proximity and common language, both of which should ease and increase the rate of intra-regional investment.

The GCC is currently addressing the many challenges that it is facing. Since the mid-1990s, the GCC has initiated policies to increase foreign investment; specifically, it has relaxed controls on all foreign investment and the foreign ownership of businesses and property, and has either modified quotas or abandoned them altogether. Both Oman and the UAE, which now permit foreigner investors to sign property leases of up to 99 years, have been particularly active in modifying their policies. Bahrain has designated zones where foreigners may invest in property, an action that even Saudi Arabia is considering.¹¹¹

What is now required is more rapid dismantling of trade barriers, greater transparency of regulations, increased economic and business development, and, probably most importantly, effective marketing and promotion of business opportunities in the GCC and its neighbours, particularly Egypt. Fortunately, the ever-globalizing world may assist the GCC in this quest. With a combined domestic market of nearly 100 million people and an aggregate gross domestic product (GDP) of over US\$300 billion, greater regional and international cooperation can bring great benefits to not only the Gulf region but the entire world.

¹¹¹ HSBC, *Economic Bulletin*, (London, March 2001).

All the Gulf States must take certain steps in order to promote positive economic change and offset any social and political problems that may arise. One step that they must certainly take is reducing the number of guest workers that they employ. Oman has already introduced measures to do so, and the other GCC states must follow suit. They must be prepared for the effects of this measure; they will experience shocks in the short term as native workers adjust to the need to perform jobs that they had never anticipated doing. The middle classes, used to employing non-Gulf citizens—indeed, preferring to do so as fellow citizens are too aware of their rights and are unlikely to accept long hours or low pay—may express great discontent. A positive effect of this measure will be that money that had been repatriated to guest workers' home states will now remain in the Gulf economies, where it can be used by banks and investment funds to increase diversification. A significant decrease in the number of guest workers will also encourage the development of national identities as more citizens, through their employment, gain understanding of the link between effort and living standards and are forced to pay taxes on their earnings.

Although decreasing the number of guest workers will increase employment opportunities for the citizens of the GCC states, the increase in their population may still be too large to absorb all citizens seeking employment. As previously mentioned, Oman's population is currently increasing at 1.84% annually, and other GCC states are experiencing impressive increases in population. Decreasing birth rates would not only decrease the number of

unemployed and ease the strain of educating and caring for large numbers of unproductive young people but also free up more women for the non-domestic work force, part of the key to future economic prosperity. If the Gulf states' decrease their numbers of guest workers and birth rates, their educational systems must be modified to accommodate the consequences of doing so. More focus should be placed on training people for the jobs that exist or will exist, such as those related to the burgeoning tourist trade in Oman, Dubai, and Yemen.

These changes require creating a sense of fairness and involvement amongst the middle and lower classes, and as such, necessitate changes at the top of the social stratum. Elites should no longer be non-taxable beneficiaries of oil rents; the upper echelons of bureaucracies should be held accountable, as indeed should all governmental officials; and governments must streamline and increase the efficiency of their bureaucracies as well as end their distorting involvement in markets. Utilities should no longer be subsidized so that market prices reflect real costs. Incentives must be created for individuals and companies to invest locally rather than internationally. Most importantly, the GCC should act in a more planned and unified fashion in certain areas, including military procurement and activities, which should be harmonized to save money, and agricultural production, which should be varied to maximize trade amongst the GCC states. Moreover, the states need to impose certain selected tariff barriers to encourage local production and regional diversification.

The GCC is slowly realizing it needs to increase its economic and political harmonization. If it does not do so, it is very likely that the bloc will dissolve as rival countries seek to develop their relative advantages at home and within neighbouring markets.

Chapter 3

3. Globalization in the GCC: Political and Economic Analysis -The Political Aspect.

The creation of the GCC was a direct result of regional political events occurring at the time of its formation. Since the early 1970s, the major independent Gulf states had been discussing the formation a union amongst themselves. Their negotiations intensified following the occurrence of four major events:

- The outbreak of border disputes between Arab states and the royal families.
- The Iranian revolution.
- The war between Iran and Iraq.
- The invasion of Afghanistan by the Soviet Union.

Apart from Saudi Arabia, the Gulf states have relatively low populations, as shown in Table 3.1.

Table 3.1 GCC Country populations¹¹²

| <u>Country population</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| <i>In thousands</i> | | | | | |
| Bahrain | 638 | 655,000 | 672 | 689, | 707 |
| Kuwait | 2,228 | 2,243 | 2,363 | 2,484, | 2,391 |
| Oman | 2,401 | 2,478 | 2,538 | 2,341 | 2,416 |
| Qatar | 561 | 597 | 618 | 724 | 756 |
| Saudi Arabia | 20,847 | 20,976 | 21,491 | 22,019 | 22,674 |
| United Arab Emirates | 3,247 | 3,488 | 3,754 | 4,041 | 4,320 |

Regarding the first factor, before the formation of the GCC, the Arab ruling families had maintained close bonds with the families of other states that were not confined by borders. Therefore, the demarcation of new borders in the creation of Bahrain and Kuwait led to much disaffection amongst these families, and their strained relations were held together only by their common links, religion, and language.¹¹³

¹¹² Figure 1 source: GCC, Secretariat General, Information Centre-Statistical Department

¹¹³ Béatrice Maalouf, *The GCC: A Union to Be Reckoned With*, 2006. (This paper was presented at the Congress of the Czech Political Science Society in Olomouc, Czech

Regarding the second factor, the states of the Arabian Peninsula felt protected from Iranian dominance as long as the Shah was in control because the US, an Arab ally, dictated Iranian policies during his rule. This situation changed after the Iranian Revolution, when religious leaders whose ideologies and religious beliefs ran counter to those of the Gulf states assumed power. In the face of Iran's regional military strength, the Gulf states recognized the need to present a united front.¹¹⁴

Lastly, the invasion of Islamic Afghanistan by the atheist Soviet Union was viewed as a regional threat, particularly as Yemen was a socialist country at that time. The invasion was another source of insecurity in the region because the Arab states had supported the US in the Cold War, making them rivals of the Soviet Empire. Recognizing that the Soviet threat had to be faced collectively, the Arab states realized it was imperative that they unite. Their resolve to do so was strengthened by the outbreak of the Iran-Iraq war in 1980, which disrupted both Iraq's and Saudi Arabia's trade routes. Reacting rapidly to the war, the Gulf states united in the form of the GCC in 1981.¹¹⁵

Republic. The paper deals with the basic aspects of the Gulf Cooperation Council (GCC), its rise on the Arab political map, its international aspects and future prospects. The purpose of the paper is to acquaint the readers with an economic-political union in the Arab World that is breaking new paths in regional and global politics.)

¹¹⁴ Ibid.,

¹¹⁵ Ibid.,

Saudi Arabia, the UAE, Bahrain, Kuwait, Qatar, and Oman all signed the charter known as the Cooperation Council Charter, which listed the common cultural, social, political, economic, religious, and linguistic reasons behind the GCC. The articles in the charter described their need to develop independence and self-sustainability in political, economic, and financial affairs.¹¹⁶ The basic objectives of the Cooperation Council are the following:

1. To increase coordination, integration, and inter-connections amongst the member states in all fields in order to achieve unity.
2. To deepen and strengthen relations, links, and areas of cooperation now prevailing amongst their peoples in various fields.
3. To formulate similar regulations in various fields, including the following:
 - Economic and financial affairs.
 - Commerce, customs, and communication.
 - Education and culture.
 - Social and health affairs.
 - Information and tourism.
 - Legislative and administrative affairs.
4. To stimulate scientific and technological progress in the various industries and in mining, agriculture, water and animal resources; establish scientific research and joint ventures; and encourage cooperation by the private sector for the good of their peoples.

¹¹⁶ Ibid,.

Since the creation of the council, the GCC has tried to gradually install its authority in the region and work for change for the betterment of the states. The states have developed in the fields of media technology, developmental projects, financial institutions, and regional security at a remarkable pace.¹¹⁷

The first visible impact of a unified GCC policy occurred during the 1990 Iraqi invasion of Kuwait. The GCC called for a meeting of the Organization of the Islamic Conference (OIC), then requested and saw the passage of UN Security Council Resolution (UNSCR) 660, which, by providing for global assistance, made possible the liberation of Kuwait. Since 1990, the GCC has endeavoured to aid conflict resolution in many countries, including Somalia, Israel, the Palestinian territory, Lebanon, and Israel. The GCC is also in the forefront of providing economic aid to rebuild countries through donations.

On a country-by-country basis, the GCC is negotiating FTAs with China, Pakistan, and India, and has already signed FTAs with Lebanon, Turkey, and Syria in the Gulf region and Japan in the East Asian region. The GCC has also signed pacts and agreements with regional organizations, including the EU, with which it has signed declarations of cooperation and is negotiating an FTA.¹¹⁸

¹¹⁷ Ibid,.

¹¹⁸ Ibid,.

3.1 Non-Governmental, International, and Regional Organizations.

The economic development transformation of the GCC states and other Arab states in the region has been aided by assistance from international institutions and donor agencies. These agencies have been providing financial, technical, and organizational help to promote the formulation of better strategies for and the stable development of the Arab states specifically and the Gulf region in general. The UAE has received sufficient financial capital for funding the preparation of a national environmental strategy (NES) and national environmental action plan (NEAP). Other Gulf and Arab countries have been seeking and receiving technical help from international and regional organizations.

Access to financial assistance is important in ensuring stable growth and development, especially for countries that are not oil exporters.¹¹⁹ Khordagui reported, "International donor organizations working in the region include:

- Islamic Development Bank (IDB)

¹¹⁹ Hosny Khordagui. *Regional Workshop on National Sustainable Development Strategies and Indicators for Sustainable Development in the Arab Region*, Cairo House, (Cairo, Egypt, December 2004), pp.12-14.

- Arab Fund for Economic and social Development (AFESD)
- Kuwaiti Fund for Development (KFD)".¹²⁰

Apart from the development of infrastructure, certain organizations have been providing the Gulf states with assistance for a wide range of activities, including capacity building, legislative drafting, and policy analysis. Most assistance concerning capacity building comes from regional organizations seeking regional benefits from national initiatives:

METAP, a cooperative initiative between the Commission, the European Investment Bank, UNDP (the Arab Bureau and the Capacity 21 Unit), and the WB, has provided capacity building assistance to the Mediterranean region for nearly the past decade. . . . Med-Policies Initiative, part of the METAP program, but funded by the WB (World Bank) in coordination with ESCWA (Economic and Social Commission for Western Asia), is building national capacity and regional awareness on economic and environmental policy-making. . . . [and] the Centre for Environment and Development in the Arab Region and Europe (CEDARE) is an independent, non-profit regional institution working to increase the capacity of national institution to enhance environmental management and SD.¹²¹

3.2 Social Developments and Civic Society

¹²⁰ Ibid,.

¹²¹ Ibid,.

With the largest population and oil reserves, Saudi Arabia is the largest member of the GCC. As such, one would expect that the large capital inflow that Saudi Arabia receives would lead to political reforms and maturation of the state toward a free society. However, a monarchy continues to rule the state, which has no form of representative government or political parties, and until 2003 had no trade unions or voluntary associations. The Council of Chambers of Commerce is the sole liaison between the government and the society as a whole.¹²²

Political parties remain illegal in Saudi Arabia, and any individual or organization that tries to voice an opinion against the monarchy is quickly muzzled. When the Committee for the Defence of Legitimate Rights (CDLR) and the Movement for Islamic Reform Activists (MIRA), two opposition movements now working outside of Saudi Arabia, attempted to demonstrate against the monarchy in a peaceful manner, its members were arrested and their activities deemed un-Islamic.¹²³ However, due to internal needs and external pressures, particularly the need to conform to world standards, the Saudi government initiated civil society reforms in 2003.

¹²² Young Leaders in Democratic Governance, Italy May 2008. A workshop titled “*Young Leaders in Democratic Governance in the MENA region*” was held in Venice, Italy from 25 to 30 May 2008. This event was jointly organized by International IDEA and the European Inter-University Centre for Human Rights and Democratization (EIUC) with the support of the Al Kawakibi Centre for Democratic Reform, Jordan, and the Arab Democracy Foundation, Qatar.

¹²³ Ibid.,

Unlike Saudi Arabia, the emirates comprising the UAE, which govern through both traditional as well as modern forms of government, are at advanced stages of institutionalizing their governmental departments. The UAE political system is considered sufficiently flexible to conform and adapt to democratic means of governance, which it must do because the UAE is fast becoming the economic hub of the GCC. Therefore, there needs to be civic reform and institutional development needs to be the foremost priority of the state. There can be no assembly of public nature without prior government approval. The first human rights organization was formed in the country in 2006. Its founding members include people of diverse professions from far corners of the society.¹²⁴

However, the UAE does not allow the existence of political parties per se, and the ruling elites and their positions in the government are still determined by their positions within their respective tribes and dynasties. In order to retain their authority and position, the rulers must ensure that they retain the people's loyalty. To do so, they must allow the people a means of voicing their opinions and grievances, which they can achieve through maintaining the tradition of holding citizen assemblies. The decisions made during these meetings sometimes even determine policy changes at the highest levels. Apart from the rulers, UAE modern institutions are capable of dealing with more complex and large-scale problems concerning the state. This dual mode of UAE governance has been

¹²⁴ Ibid,.

modified over past decades to conform to the desires of the citizens as well as the state itself.¹²⁵

Regarding the Saudi media, a media regulatory authority has been in place since 1982, and the government-owned Saudi Press Agency and Ministry of Information control the print and the broadcast media. Regarding freedom of the press, only one organization operates outside of governmental control. Founded to promote the interests of the nation's journalists, the Saudi Journalist's Association is an independent organization that functions without governmental interference. Even though print and the television media outlets are well developed and circulated within the Kingdom, most are regulated by the government. The Ministry of Information has the authority to appoint the editor in chief of all the circulating newspapers and can remove anyone that it feels does not conform to its standards.

The National Society for Human Rights, an independent organization that investigates human rights abuses and records abuses related to employment, the judiciary, domestic violence, and the penal system, was established in 2004. The Gulf region has a history of human rights abuses related to non-payment of wages to and mistreatment and sexual harassment of guest workers. In 2005, the Ministry of Labour announced it would process complaints related to any of these offences and prosecute anyone it found guilty.¹²⁶

¹²⁵ Ibid.,

¹²⁶ Ibid.,

Unlike Saudi Arabia, the UAE does not have any human rights groups, and still bans independent trade unions. The UAE Chamber of Commerce and the UAE Women's Federation are umbrella organizations with the responsibility of maintaining checks and balances in some manner. The latter is responsible for preparing the nation's women, which constitute the larger portion of the population, to face the challenges of the twenty-first century by training them to become active participants in society.¹²⁷

The Gulf states are using the revenue from high oil prices to develop both their respective states and the region in general. Local and international businesses that have established themselves within Gulf society must assume the corporate social responsibility (CSR) of participating in the social development of the region. CSR can be described as the commitment by the corporate sector to behave in an ethical manner and participate in economic development to provide a higher standard of living to the workforce, their families, and society as a whole.¹²⁸ However, CSR initiatives in the region appear to be in short supply:

In the GCC, although there are initiatives of corporate contribution to the society as a whole, there is still a greater need of formalizing it to ensure that the pace of development in the education, health, and housing and environment sectors is improved on sustainable grounds. A major factor in

¹²⁷ Ibid.,

¹²⁸ Ibid.,

CSR activities is the government's strategy. There are governments within the GCC region that feel that social sectors such as education, health, housing and environment are the sole responsibility of the governments or rulers, resulting in little effort by the corporate sector in these areas. A very relevant example of this is the Kingdom of Saudi Arabia, the largest country within the GCC, where there are hardly any well-managed CSR initiatives.¹²⁹

3.3 Political Reforms

The political systems of the Gulf states remain in their infancies. In a 2006 seminar on political reform, Senior Analyst Neil Patrick noted a need to identify and treat all the GCC countries individually, particularly with regard to the maturation of their political structures. Kuwait, the first state to initiate political reforms, maintains a well-established working parliament. In contrast, the UAE has only recently begun considering the idea of electoral participation. Other countries, including Oman, Qatar, and Bahrain, have political councils, but their members are primarily sheikhs and members of the royal families, and the councils mostly function as advisory councils for a limited number of mandates.¹³⁰

¹²⁹ Giving Back: *Corporate Social Responsibility in the GCC*, 2007.
<http://www.zawya.com/story.cfm/sidZAWYA20070509115334>

¹³⁰ Political Reform in GCC countries, Seminar Report. (Wednesday, 5 April 2006),
<http://www.fpc.org.uk/fsblob/767.pdf>

Historically, the GCC states have lacked the infrastructure and organization required for development and reform, and their royal families have been the only rulers. According to Neil Patrick, the monarchies and the sheikdoms operate in a manner that makes it difficult to tax their citizens. By using the earnings from oil profits to satisfy the civilian population and run the state, these rulers ensure that their rule will not be challenged, at least in the short term. However, as their citizens become more educated and their societies more open to the democratic world, they will feel more pressure to change or institute reforms.

Over the past several decades, the younger generations have gained more awareness of their rights as members of society as they have become more educated. This passive but steady demand for reform and more freedom has put pressure on the ruling elites for change. This pressure is exacerbated by the opening of their countries to foreign investment and development, with democratic forces in the form of the US and the EU exerting pressure for democratization and liberalization in many areas, as “globalization, and particularly economic globalization, intensifies pressures on rulers to be more transparent and accountable in the administration of state resources”.¹³¹

¹³¹ Ibid.,

Over the past two decades, continued economic growth, increased wealth distribution, and the emergence of middle classes with a strong voice have been the primary factors in a gradual process of liberalization and reform:

Economic change effectively creates alternative bases of power and constituencies that will contest the political status quo and claim a voice in the decision making process. It is therefore important to assess whether the distribution of rent in the Gulf states has led to an accumulation of wealth in a middle class with an interest in reform and enough power to begin making political demands.¹³²

3.4 Access to Information

Over the past two decades, the international community has been promoting information and communication technology (ICT) as a means of increasing liberalization in the Gulf states. The international community believes that integrating ICT into developmental projects will break state monopolies on media and information markets. Although this goal has been realized to some extent, ICT integration has not had the influence that the West had anticipated. The spread of news channels such as Qatar's Al-Jazeera Network is a case in point. This network has clearly influenced Arab society by providing uncensored access to Arab perspectives.

¹³² Ibid.,

The West had hoped that access to media outlets such as Al-Jazeera would encourage liberalization and the opening of the Gulf in a manner that would enhance the West's reputation in the Arab world. However, the West's hopes have not been realized; although the opening of the media has lent a voice to civic society, this voice is often very critical of the West. Moreover, the Gulf State governments still have control over many information providers, particularly the Internet. Even though the states provide Internet access, it is limited and poorly distributed. On the pretext of conserving cultural and religious values, states including Saudi Arabia have been censoring media outlets through the use of filtering software that denies citizens access to any information that may be critical of their rulers.

3.5 The Economic Aspect - Trade and Investment liberalization.

It has been long claimed by various economists and reporters that the Gulf States heavily rely on revenues from oil production to support their governments and citizens, which was true in the past. Their average oil production in the 1990s is shown in Table 3.2.

Table 3.2 Average oil production in the 1990's¹³³

| <i>Average Oil Production (Million B/D)</i> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
|---|-------------|-------------|-------------|-------------|-------------|-------------|

¹³³ Source: GCC, Secretariat General, Information Centre-Statistical Department.

| | | | | | | |
|-----------------------------|-------|-------|-------|-------|-------|-------|
| Bahrain | 0.037 | 0.038 | 0.037 | 0.038 | 0.038 | 0.037 |
| Kuwait | 1.883 | 1.985 | 1.948 | 1.746 | 2.108 | 2.288 |
| Oman | 0.904 | 0.955 | 0.956 | 0.897 | 0.820 | 0.780 |
| Qatar | 0.904 | 0.689 | 0.682 | 0.564 | 0.721 | 0.754 |
| Saudi Arabia | 7.700 | 8.100 | 7.997 | 7.483 | 8.410 | 8.900 |
| United Arab Emirates | 2.049 | 2.175 | 2.114 | 2.208 | 2.243 | 2.360 |

As globalization is fast becoming the new reality in the GCC countries, they are finding themselves treading into uncharted territory. Although globalization brings the promise of open markets and opportunities to the resources needed for development, it can also lead a country towards marginalization. Jiyad, a United Nations Development Program (UNDP) consultant in the Arab Gulf, explained the problematic relationship between globalization and development:

The relation between human development and globalization can be visualized in the following manner: the effects of globalization on a developing economy, such as the Arab Gulf countries, could be backwash effects or spread effects. The backwash effect means that globalization could contribute to and be the source of *human deprivation* through processes of marginalization (of the country) and social exclusion (of

individuals and groups based on social, ethnic, occupation/skill, age or gender grounds.¹³⁴

On the other hand, globalization can lead to multitude of benefits. By attracting increased FDI, it can lead to increased development, job creation, goods production, and consumer choice, all of which further enhance human development.

The steps towards globalization include the liberalization of local economies; the liberalization of state property ownership through privatization; and the development of regionalization, multilateralism, and ICT. Privatization policy became a national policy in Oman in 1996; it and the other Gulf states must enact “policies [that] include provisions related to what to privatize first (productive service sector), partial privatizations, transparency, competition, FDI, protection of the environment, public relation, and privatization proceeds. The guidelines include provisions related to bids selection, public offering, taxes, loans, employees and management”¹³⁵.

Saudi Arabia had been considering privatization and privatization policy since the early 1990s. Its 1990-1995 development plan laid out plans for a

¹³⁴ A.M. Jiyad, *The fourth Nordic conference on Middle Eastern Studies: The Middle East in globalizing world* (Oslo, August 1998), pp.13-16.
<http://www.hf.uib.no/smi/pao/jiyad.html>

¹³⁵ Ibid.,

privatization process as well as a Saudi stock exchange, privately owned construction and development companies, and several banks. In 1997, the Ministry of Commerce decided to expand the role of private industry in the Kingdom's economy by privatizing and selling government-held assets worth more than US\$7 billion. Saudi Arabia's main impetus behind privatization and liberalization is increasing private investment in the country's economy and providing opportunities for local as well as foreign companies to invest in domestic ventures. It also aims to create jobs for the ever-increasing number of youth entering the workforce, decrease the unemployment rate, broaden and diversify the economic base, and increase the competitiveness of its markets to meet WTO standards for membership.¹³⁶

Abu Dhabi and the UAE have highlighted the need to privatize approximately 40 industries. The World Bank (WB) recommended that Kuwait privatize at least seven small enterprises valued at more than US\$3.6 billion. By 1995, Bahrain had at least partially privatized its aluminium industry and the small enterprises comprising its food manufacturing industry. Industrial investment by the private sector into Bahrain was more than US\$4.4 billion at the end of 1996.¹³⁷ Their campaigns to privatize their institutions to make them more efficient and productive has increased FDI inflow into these countries.

¹³⁶ Ibid.,

¹³⁷ Ibid.,

The GCC has succeeded in developing economic ties that bring it closer to achieving full economic integration and economic unity. During its annual meetings, the Supreme Council adopted several vital resolutions that represented great strides toward joint economic action. The most important resolutions relate to the GCC customs union and the common market. At its 22nd session, the Supreme Council decided that the customs union that would come into force in January 2003 would be characterized by the following:

- A common external customs tariff.
- Common customs regulations and procedures.
- A single entry point where customs duties are collected.
- The elimination of all tariff and non-tariff barriers whilst taking into consideration agricultural and veterinary quarantines as well as rules regarding prohibited and restricted goods.
- The same treatment of all similar goods by any member state.

At its 27th session, the Supreme Council decided that the common market that would come into force in January 2008 would have the aim of according citizens of any member state the same treatment regarding all economic activities without differentiation or discrimination, especially those activities pertaining to

movement and residence, private and governmental jobs, pension and social security, all professions and crafts, all economic investment and activities, real estate ownership, capital movement, taxes, stock ownership, corporation formation, education, and health and social services.

The GCC countries have experienced unprecedented growth as the cost of oil per barrel has risen from US\$12 to US\$100 and beyond over the past three decades. They have used their profits from this boom to modernize infrastructure, improve social indicators, develop infrastructure, and maintain foreign currency reserves whilst keeping external debt at a low level. More specifically,

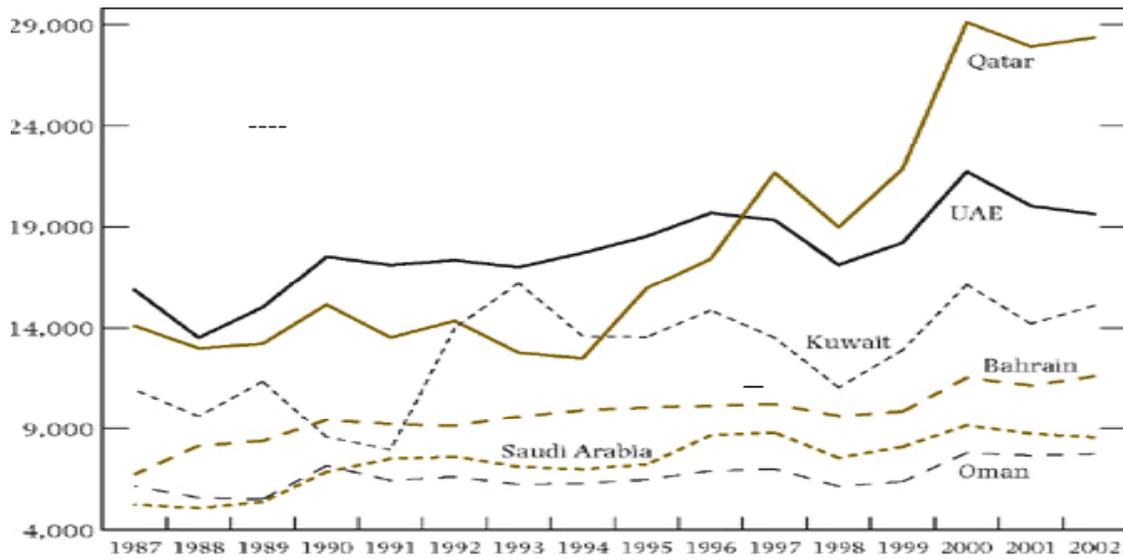
Life expectancy in the GCC area increased by almost 10 years to 74 years during 1980-2000, and literacy rates increased by 20 percentage points to about 80 percent over the same period. Average per capita income in the GCC countries was estimated at about \$12,000 in 2002, with their combined nominal GDP reaching close to \$340 billion (more than half the GDP of all Middle Eastern countries).¹³⁸

¹³⁸ Fasano, U. and Z. Iqbal. *GCC Countries: From Oil Dependence to Diversification*. (Washington, DC: IMF, 2003).

The GDP per capita over these decades is shown in Figure 3.1.

Figure 3.1 GDP per capita from 1997 to 2002¹³⁹

¹³⁹ GCC Countries: Nominal GDP Per Capita, (National authorities and IMF staff estimates, 1987-2002)



Even though real economic growth in the GCC countries has only averaged 4% before 2002, the indicators have been increasing in tandem with successful efforts to diversify their markets. They have only achieved economic progress by opening their markets and trading systems to allow for “liberal capital movement”. The progress seen by the GCC countries in the twenty-first century is having a positive impact on the region as a whole. The positive indicators for 2002 are shown in Table 3.

Table 3.3 positive GDP indicators for 2002¹⁴⁰

¹⁴⁰ *ibid.*,

| | <u>Nominal</u> | <u>Nominal</u> | <u>Population</u> | | <u>Total</u> | <u>Proven</u> | <u>Central</u> | <u>Current</u> |
|---------------------|------------------|-----------------|-------------------|----------------------------|--------------------|----------------------------|-----------------|--------------------|
| | <u>GDP</u> | <u>GDP</u> | <u>(Millions)</u> | <u>Overall</u> | <u>Government</u> | <u>Oil</u> | <u>Bank</u> | <u>Account</u> |
| | <u>(Millions</u> | <u>(Per</u> | | <u>Balance</u> | <u>Gross Debt</u> | <u>Reserves</u> | <u>Foreign</u> | <u>Balance</u> |
| | <u>of US</u> | <u>capita</u> | | <u>(Percentage</u> | <u>(Percentage</u> | <u>(Years)³</u> | <u>Assets</u> | <u>(Percentage</u> |
| | <u>dollars</u> | <u>in US</u> | | <u>of GDP)²</u> | <u>of GDP)</u> | | <u>(Months</u> | <u>of GDP</u> |
| | | <u>dollars)</u> | | | | | <u>of</u> | |
| | | | | | | | <u>Imports)</u> | |
| Bahrain | 8506 | 11619 | 0.7 | 0.8 | 30.3 | 15 | 2.7 | 0.3 |
| Kuwait | 33215 | 15098 | 2.2 | 20.6 | 32.9 | 134 | 10.7 | 20.9 |
| Oman | 20290 | 7515 | 2.7 | 3.7 | 16 | 16 | 4.8 | 10 |
| Qatar | 17321 | 28362 | 0.6 | 5.1 | 58 | 15 | 2.7 | 13.8 |
| Saudi Arabia | 188960 | 8567 | 22.1 | -5.3 | 93.8 | 85 | 12.9 | 4.7 |
| UAE | 71187 | 19613 | 3.6 | -9.3 | 4.5 | 124 | 4.7 | 5.5 |
| GCC | 339479 | 11979 | 31.9 | -2.7 | 66.6 | 83.7 | 7.6 | 6.9 |

3.6 Globalization and Human Development.

Through the process of privatization, globalization leads to an increase in resource allotment and a focus on human development. Economic improvement and competition leads to increases in health and education standards. Privatization of the educational sector can lead to improvement if it is structurally transformed to cater to the needs of the market. Jiyad explained this process in more detail:

In other words, private involvement in education and health sectors could bring with it more investment, more competition, better service, and wider choices. Successful liberalization and privatization programs could also accelerate growth, boost domestic investment and attract foreign capital generate employment and increase (per capita) income. . . . The performances of the GCC countries towards human development have been weak in the past few decades. Great progression was seen in the early 1970s and 1980s but investment towards human development seems to have become stagnant in the 90s. A case in point is Saudi Arabia, which compared to the public spending of \$81.4 billion in 1985, only spent \$82.7 billion in 1995. This and other indicators like these demonstrate that investment in the future development of the people had been ignored in the decade of the 90s.¹⁴¹

Another problem that the GCC must address is the increasing population in most of their member states. This population increase, along with the increase

¹⁴¹ A.M. Jiyad

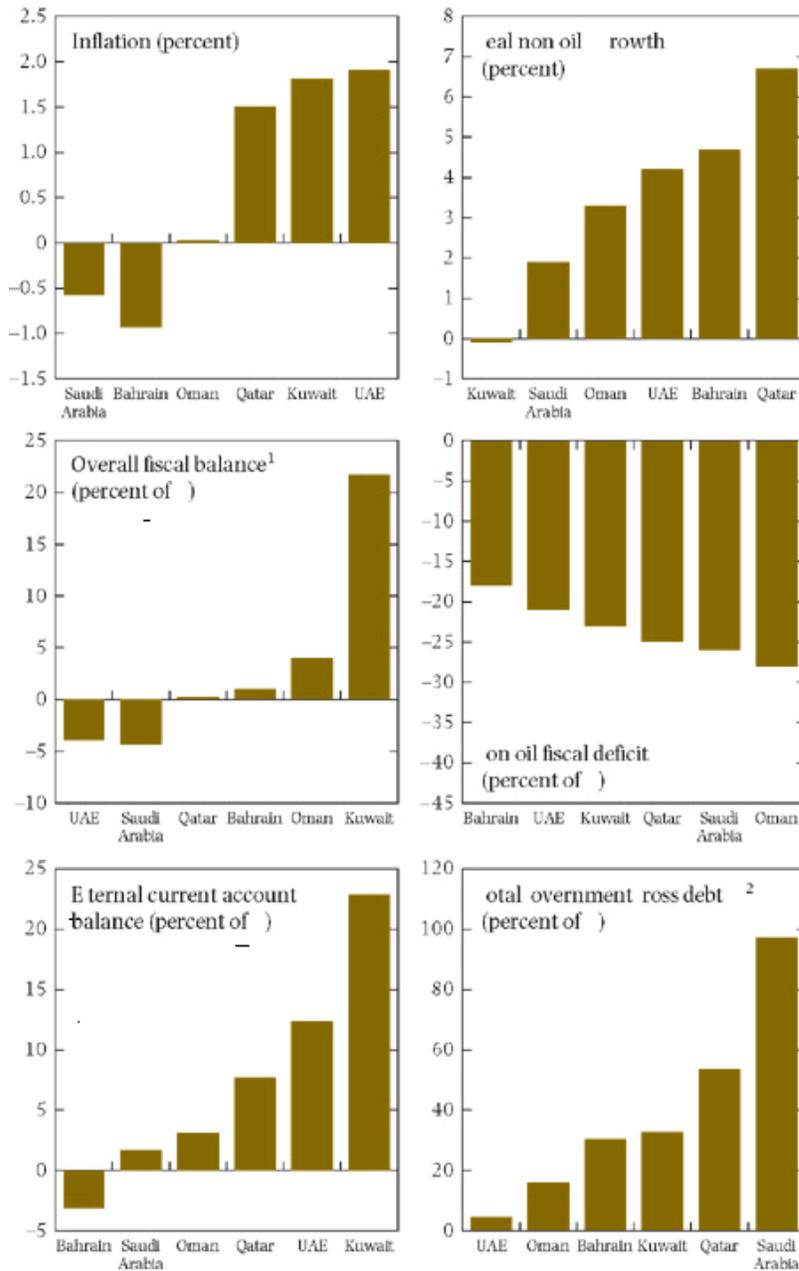
of women in the workforce due to the opening of Gulf society, has increased unemployment. If the GCC workforce continues growing at a rate of 4% per year, unemployment rates will continue to increase. In reaction, the GCC countries have been trying to develop their non-oil industries to create jobs and sustain their economic growth rate, shown in Figure 2. Fasano and Iqbal explained the challenges faced by the GCC states:

Government services in many GCC countries are provided free or at highly subsidized prices, particularly water and electricity, whilst non-oil taxation is low, consisting mainly of income tax on foreign corporations—except in Oman, where local corporations are also taxed. Some of these countries have recorded overall fiscal deficits over the years, reflecting volatile global oil prices and relatively high levels of current expenditure. . . . All GCC countries share sound and well-supervised banking systems. Banks are well-capitalized and profitable. Their supervisory framework has been strengthened and is largely compliant with international standards and codes. Moreover, GCC countries have gradually taken a number of steps toward implementing a market-based monetary policy, though direct instruments (such as interest rate and credit ceilings) continue to play a role in a few of these countries.¹⁴²

Figure 3.2¹⁴³ GCC Countries: Selected Indicators (average for 1998–2002)

¹⁴² Fasano and Iqbal.

¹⁴³ Sources: National authorities, IMF staff estimates; Fasano and Iqbal.



1. Including investment income on government foreign assets.
2. Gross external and domestic debt at end of 2002

3.7 Increasing Regional Economic Integration

Even with their great visions of becoming sustainable non-oil based economic powerhouses, the GCC countries have fallen short of their aims for the past several decades. However, they can still achieve these goals through engaging in collective integration and regional advancement in accordance with World Trade Organization (WTO) policies and regulations. Because the GCC countries already have FTAs with each other, their next step is creating a customs union, which could be particularly beneficial when engaging in multilateral trade negotiations. Presenting a single regional front will unify tariff structures across the countries and allow them to engage in negotiations with the WTO regarding any matter collectively rather than individually.

Strengthened ties will lead to a reduction in petty internal conflicts amongst the GCC states. Through integration and presentation of a unified front, smaller countries, such as Bahrain, can gain access to Western markets on behalf of larger countries, such as Saudi Arabia. Indeed, the states' integration into a regional bloc has already led to and will further increase access to each other's markets, and inter-GCC trade will allow local industries to provide employment opportunities for to local work forces in the human development sector.

3.8 Millennium Goals Indirectly Leading to Economic and Developmental Stability

As a bloc of wealthy countries on their way to regional integration and the provision of a unified front, the GCC should take advantage of its position to provide assistance to the less-developed Arab countries in the region, which are working toward the goals presented in the following sections at a steady pace.

3.8.1 Eradicating Poverty

The distribution of wealth in the Gulf region, even within the GCC states, is unequal. The Gulf countries are endeavouring to implement policies that ensure that all their citizens are provided with food and shelter. One means of doing so is creating jobs for them by broadening their industrial bases.

3.8.2 Increasing Energy Accessibility and Efficiency

According to the report “Regional Progress towards the Millennium Development Goals in the Arab Region”,

Despite the vast energy resources of the region, in 2003 only 78.6% of the Arab population had access to electricity, ranging from almost 100% in the GCC countries to under 8% in Low Developed Countries (LDC). The region’s overall energy efficiency (kilogram [kg] oil equivalent per \$1,000 GDP [PPP]) has improved unevenly in the past decade. In 2002, the GCC countries reported the highest energy use (504 kg oil equivalent per \$1,000 PPP), followed by those of the eastern Arab countries (262 kg oil equivalent per \$1,000 PPP) and the western Arab countries (some 137 kg oil equivalent per

\$1,000 PPP). Data available data on energy use in the Arab LDCs are inadequate.¹⁴⁴

3.8.3 Improving Education

The literacy rate of the local population in some GCC countries remains quite low. In reaction, the countries are taking steps to ensure that their younger generations receive the education necessary to prepare them for employment and to serve as contributors to the development of their countries and the region as a whole.

3.8.4. Increasing Gender Equality

The Arab countries in general have little gender equality and provide few opportunities to women. The GCC countries have made great strides over the past several decades, and female integration can now be seen in every aspect of their labour forces. However, few of the major multinational companies in the Gulf are owned and run by women and female literacy rates remain low. The Gulf governments' aim for the near future is ensuring that women become equal participants in the workforce, as they comprise around 50% of the total population.

CHAPTER 4

¹⁴⁴ Regional Progress towards the Millennium Development Goals in the Arab Region, 2006.

4. GLOBALIZATION AND REGIONALIZATION in the GCC

4.1A The Social Aspect: Employment and Migration

Some of the largest labour markets for Arab and Asian job seekers are in the Gulf states of Saudi Arabia, Kuwait, the UAE, Bahrain, Qatar, and Oman. Since the discovery of their vast oil reserves, these countries have largely depended on foreign labour for their development, as their citizens lack education and training to aid them in this endeavour.

According to Kapiszewski, the migration of labour has had a significant impact on the economy, politics, and society of the GCC countries.¹⁴⁵ This labour migration made possible their rapid development and involvement in foreign affairs, both of which have had negative impacts on their culture and socio-economic conditions. Kapiszewski revealed that over the past 50 years, the population of the GCC countries increased by a factor of 10, from 4 million in 1950 to 40 million in 2006, one of the greatest increases in the world. The influx of foreign workers is the main reason for this rise in population. In Europe, most foreign workers are employed for blue-collar occupations, whereas foreign

¹⁴⁵ Andrzej Kapiszewski, *Arab versus Asian Migrant Workers in the GCC Countries*, United Nations Group Meeting on International Migration and Development in the Arab Region (22 May 2006), http://www.un.org/esa/population/meetings/EGM_Ittmig_Arab/P02_Kapiszewski.pdf (accessed 3 September 2008); Andrzej Kapiszewski, *Nationals and Expatriates: Population and Labour Dilemmas of the Gulf Cooperation Council States Reading* (Ithaca Press and Garnet Publishing, 2001).

workers in GCC countries serve in important positions within the economy and government bureaucracy.

According to Kapiszewski's 2004 study, the most recent survey of the expatriate population of the GCC countries, 12.5 million foreigners, a figure that represents 37% of the total population, were employed across the region in 2004. Over 80% of the population of the UAE, Qatar, and Kuwait; approximately 20% of the population of Oman; and approximately 27% of the population of Saudi Arabia was foreign in 2004. Table 4.1 shows that Indians were the most dominant and Syrians the least dominant nationality in the UAE from 1995 to 2002.

Table 4.1. Foreign Populations of GCC Countries, 1995-2002¹⁴⁶

| | <i>Bahrain</i> | <i>Kuwait</i> | <i>Oman</i> | <i>Qatar</i> | <i>Saudi Arabia</i> | <i>UAE</i> |
|-------------------------------------|----------------|---------------|-------------|--------------|---------------------|-------------|
| | <i>2004</i> | <i>2003</i> | <i>2003</i> | <i>2002</i> | <i>2004</i> | <i>2002</i> |
| <i>Indians</i> | 120000 | 320000 | 330000 | 100000 | 1300000 | 1200000 |
| <i>Pakistanis</i> | 50000 | 100000 | 70000 | 100000 | 900000 | 450000 |
| <i>Egyptians</i> | 30000 | 260000 | 30000 | 35000 | 900000 | 140000 |
| <i>Yemenis</i> | | | | | 800000 | 60000 |
| <i>Bangladeshis</i> | | 170000 | 110000 | | 400000 | 100000 |
| <i>Filipinos</i> | 25000 | 70000 | | 50000 | 500000 | 120000 |
| <i>Sudanese</i> | | | | | 250000 | 30000 |
| <i>Sri Lankans</i> | | 170000 | 30000 | 35000 | 350000 | 160000 |
| <i>Jordanians/ Palestinians</i> | 20000 | 50000 | | 50000 | 260000 | 110000 |
| <i>Indonesians</i> | | 9000 | | | 250000 | |
| <i>Syrians</i> | | 100000 | | | 100000 | |
| <i>Iranians</i> | 30000 | 80000 | | 60000 | | 40000 |
| <i>Turks</i> | | | | | 80000 | |
| <i>Nepalese</i> | | | | 70000 | | |
| <i>Bidun</i> | | 80000 | | | | |

¹⁴⁶ Various sources from embassies

Kapiszewski argues that the influx of foreign workers is mutually profitable for both the source and the recipient countries. For the recipient countries, foreigners provide basic workforce skills and advanced knowledge, increase the rate of consumption through their purchasing of goods from local businesses, and boost local realty markets. However, foreign workers also impose costs; host countries must pay not only their salaries but also expenses related to their housing and invest in the expansion of the education, social, health care, communication, transportation, and other sectors needed to accommodate them. The GCC countries spend an average of US\$27 billion annually on supporting their foreign workers, with US\$16 billion coming from Saudi Arabia alone, undoubtedly a large proportion of its GDP.¹⁴⁷

Foreigner workers enjoy multiple benefits from their employment in GCC states: high paying jobs, higher standards of living, and career development within a short period are all possible. Many send part of their salaries back home to help develop the economy of their home countries. However, maintaining a large population of expatriates could be a major threat to the peace and stability of the GCC countries, as doing so may threaten established norms, significantly influence the structure of society, and have unintended effects on the countries' foreign policies. Moreover, large populations of foreign workers pose threats to the maintenance of social, cultural, and economic life. In reaction, GCC leaders

¹⁴⁷ Abdul Rasool, Al-Moosa, and Keith McLachlan (1985, p.85) calculated that foreign workers in Kuwait are responsible for 26% of the GDP whilst the country spends 30% of the GDP to maintain the foreigners.

endeavour to prevent foreign influence on future generations that could lead to total loss of their indigenous cultures.

In addition, there is popular sentiment throughout the GCC countries that foreigners should not become naturalized citizens. In line with this sentiment, a proposal was submitted limiting foreigner workers' stay in GCC countries to six years. It is important to note this proposal only applies to unskilled workers, as losing workers who have developed special skills needed within the GCC countries would impose costs related to their replacement on the GCC governments. Expatriates are often mistakenly regarded as being disloyal and having the potential to inject dangerous and hostile political ideas into the GCC societies. For this reason, in August 2005 Kuwait banned Iraqi, Iranian, and Syrian nationals from working within its borders. It is also for this reason that security clearance is needed before a foreigner can apply for residency in some GCC countries.

Clearly, foreigner workers are of great importance in the GCC countries' management of foreign policy issues. Although they do not have formal political rights, foreigners can influence policymakers by voicing their concerns through the local media. Some government officials have declared, "The expatriate community, though without citizenship . . . exerts more real political influence than most local citizens".¹⁴⁸ In many ways, foreigners, as crucial actors in the

¹⁴⁸*Arab migration in a globalized world*, Arab Migration in a Globalized World by International Organization for Migration, League of Arab States published by

smooth operation of the political economy, can greatly influence their home countries' foreign policy towards the GCC.

This is seen in the manner by which large groups of foreign workers can cause friction between the host country and the country of origin. In 1996, after accusing Egypt of its participation in a failed coup, Qatar repatriated close to 700 Egyptian expatriates, especially those connected with the Ministry of the Interior. In a related incident in 1998, Qatar repatriated several hundred Egyptian workers due to tensions created by Cairo's criticisms of Doha-Israel relations. In December 1999, Saudi Arabia repatriated some 3,000 workers from Yemen due to boundary issues between the countries. In 1999, a riot between Egyptian and Kuwaiti workers in Kuwait resulted in the injury of 124 people and arrest of a number of Egyptians on charges of arson, private property damage, illegal gathering, and resisting arrest. The riot stemmed from complaints by illegal Egyptian workers, who could not be protected by the Kuwaiti or Egyptian governments. In 2005, Filipino workers staged noisy protests in the UAE, Kuwait, Bahrain, and Qatar over the issues of low and delayed salaries and lack of

International Org. for Migration, 2003. This publication contains papers presented at a regional conference on Arab migration, held in Cairo in September 2003. This conference was organised jointly by the League of Arab States and the International Organization for Migration, and brought together representatives of governments and international organisations, academics and practitioners to consider how migration affects, and is in turn affected by, the countries and peoples of the region. Issues discussed include: international migration and the challenges of globalisation; Arab migration patterns in the Mashreq, Maghreb and Gulf regions; sources of remittances; the exodus of skilled labour and its impact on development; a study of Egyptian return migrants; human rights and foreign contract labour; and the links of Arab 'diasporas' to their countries of origin.

human rights. In Dubai, the Filipinos protested by striking and going on destructive rampages.

Foreigners, especially non-Gulf Arabs, often accuse GCC nationals of economic exploitation and cruelty, and fear the consequences of total dependence on GCC authorities due to a lack of laws protecting their basic human rights. Non-Gulf Arabs often feel that GCC nationals are prejudiced towards them, especially with regards to establishing businesses and purchasing real estate. They feel that the nationals treat them in a worse manner than they treat non-Arab and non-Muslim expatriates, and naturally expect better treatment than that accorded to Koreans and Indians. When their expectations are not met, foreigners often complain of the arrogance and greed of GCC nationals and GCC nationals' exploitation of and discrimination against foreigners.

Indeed, the Foreign Minister of Kuwait lamented the fact that foreign workers, especially non-Gulf Arabs, are sometimes treated like slaves. In 2005, non-Arab workers, especially Asian women, complained about the sexual harassment of Filipino maids by GCC employers, which has since become a serious consideration. In reaction, the Philippine government no longer allows Filipino nationals under the age of 21 to work in GCC countries. In Indonesia, where sexual harassment by GCC employers is considered a national embarrassment, the government has proposed not allowing their nationals to work as maids in GCC countries. During the second Iraq War, the murder of

several Nepalese contract workers in mid-2004 by their hostage takers led to riots in Kathmandu that resulted in the burning of the Qatar Airways office.

The presence of a large number of foreigners in the GCC countries has cultural and social implications. Expatriates can have negative influences on national cultures, values, and social structures. In particular, GCC countries worry about the influence of Asian babysitters and expatriate teachers, who form the majority of school staff, on local children, complaining that they do not give proper attention to Islamic and Arabic customs and traditions. They also worry about the increasing influence of the foreign media and inter-marriage between foreign women and male nationals.

Regarding the future demand for foreign workers in GCC countries, it will depend on whether a sufficient number of educated and skilled nationals can be produced for the increasing labour market and whether the nationalization policy of the labour market remains largely under governmental control. It also depends on the innate need of the economy to create new jobs; the level of skills and qualifications of the national labour force in relation to employer needs; the willingness of nationals to take low-prestige jobs; and political, social, and security considerations that may lead to an increased demand for workers. The most important factor will most likely be the overall state of economy. The high oil prices at the beginning of the twenty-first century that increased GCC revenues allowed for rapid development of several GCC states and, in consequence, a

large growth in population, particularly the foreign population. The reality has greatly exceeded earlier predictions. In light of all these scenarios, the population of foreign workers will continue to increase and the GCC states will maintain the previous growth rate of another 10 million.

Most of the new expatriates will be Asian workers, who are preferred by GCC employers over Arab workers due to their superior level of education and skills. However, the author asserted that some factors may slow the increase in and development of foreign labour. Due to the high rate of increase (3.5% on average) of foreign nationals seeking employment in GCC countries, more foreign nationals will be seeking jobs. As the number of nationals who are highly educated and skilled increases, they will compete for jobs against expatriates in the private sector.

In Saudi Arabia, rising unemployment will force nationals to change their work ethics and become willing to take low-prestige jobs normally taken by foreign workers. As women in Saudi Arabia become more educated and skilled, they will naturally be absorbed into the workforce and compete with foreign professionals. The employment of national women rather than their foreign male counterparts in white-collar jobs is preferred by the government because it safeguards the Saudi culture from foreign influence. Coupled with the rising number of educated and skilled GCC nationals and the nationalization policy of the government, these factors will result in a greater preference for nationals.

Official sources revealed that in 2007, Saudi Arabia aimed for 70% of its workforce to be composed of Saudi nationals, and over the next 10 years aims to decrease the proportion of foreign nationals in the Kingdom to 20% of the entire population. Moreover, the government is aiming to impose a 10% per nationality cap over the next 10 years. This means in terms of the 2004 population of foreign nationals of 16.5 million, only 6.1 million foreign nationals will be allowed into the country in 2017. Furthermore, according to estimates this will require repatriating almost half of the expatriate population, decreasing the Indian population from 1.3 million to about 300,000 and the Egyptian, Yemeni, and Pakistani population from 1 million each to 300,000 each.

In October 2004, the Labour Minister of Saudi Arabia announced a plan to reduce the number of foreign workers by 100,000 yearly; in March 2005, the figure of 832,244 was reduced to 684,201. Only time will tell whether Saudi Arabia can transform its plans into reality. In 1990, a 22.6% reduction, equivalent to 600,000, had been planned, but the number of foreign workers actually increased by 200,000. The government of Kuwait has also been unsuccessful in reducing its expatriate population. In 1997, Kuwait decided to replace 10% of its expatriate population every year with young Kuwaitis. This action was taken for 2 years only, as the ministry could not identify a sufficient number of qualified Kuwaitis to replace the foreign workers.

The author revealed that in the years ahead, the employment of foreign nationals and their associated labour migration to and from all of the GCC countries will remain a very sensitive political and social issue. As such, it will concern businesses and the private sector regarding profit and governments regarding indigenization, national security, and stability. Foreign labourers are mainly employed in the private sector, with very few finding their way into government service. It is accepted that the business sector, which is predominantly controlled by the private sector, requires a much higher level of technology and knowledge, which nationals do not have. For this reason, there is truly a need for foreign labour to keep the wheels of business and trade moving.

The large populations of resident foreigners will undoubtedly impose social and cultural consequences difficult to estimate and understand. It has been forecasted that Asians will continue to dominate the workforce at the expense of lesser-educated Arabs. The most that the GCC countries can do at the present is to increase the technological level of local graduates and realign their methods of teaching and the subjects taught in their local universities to make their youth more responsive to the demands of the private sector.

Fergany theorizes that labour migration and unemployment are the failed results of past attempts to absorb labour from agriculture and the traditional

employment sector.¹⁴⁹ The displaced labour has been absorbed by the public sector by design and the informal sector by the intensity of its needs. Governments discontinued guaranteed employment made structural changes after finding overcrowding, low productivity, and low earnings within informal labour markets. Labour migration seemed to peak before the second Gulf War, which had a large impact on the regional labour markets in the Arab world; unemployment rose to 15%, three times the world average.

From a demographic perspective, unemployment affects youth the most. Fergany added, “As evidenced by low labour productivity, the most pernicious form of unemployment, i.e. *invisible* underemployment, must also be quite high in the region”.¹⁵⁰ In fact, low labour productivity poses one of the main challenges to development in Arab countries. The WB reported that its 1999 data revealed that the GNP per worker in all Arab countries is less than that of the two developing countries of South Korea and Argentina. According to the 1993 UNIDO Global Report, Arab industrial productivity per worker declined from 32% to 19% in 1990, not longer after the 1974 oil boom.

Economic stagnation and little investment and growth since the 1980s combined with ineffective local labour markets and the absence of safety nets are the major factors leading to increasing unemployment and poverty in the

¹⁴⁹ Nader Fergany, *Aspects of Labor Migration and Unemployment*, (Almishkat Center for Research, Egypt, 2001) <http://www.luc.edu/orgs/meea/volume6/al-yousif.pdf> (accessed 3 September 2008)

¹⁵⁰ *Ibid.*, 3rd par.

Arab world. According to the author, low labour productivity can be attributed to inefficiencies in the educational systems and a lack of training and incentive systems. National incentive systems should demonstrate to citizens that those who finish college could gain profitable employment. After considering the widespread unemployment and serious poverty in their home countries, the prospect of emigration to their wealthy Arab neighbours appears the only choice for many foreign workers. However, these workers must also consider the unattractive labour markets and living conditions in the countries of destination, particularly the GCC countries.

The chain of events that resulted from the Iraqi invasion of Kuwait in 1990 resulted in the massive displacement of Arab workers. *Underemployment*, the underutilization of available labour, is often treated in a reductive fashion, mostly restricting it to *open unemployment*, the inability of available labour to find any employment. Saudi Arabia, Jordan and Kuwait. These displaced workers were again unemployed and had to return to their countries of origin, further increasing unemployment and poverty.

Expatriates in Arab countries are subjected to a system of discrimination¹⁵¹ according to nationality and position that is believed to decrease their loyalty and productivity. Most Arab foreign workers, particularly Egyptians, Yemenis, Jordanians, and Palestinians, work only at the semi-skilled level within

¹⁵¹ Indeed, Arab countries of destination are infamous in international circles concerned with protecting rights of migrant workers. The treatment of women in the domestic service sector in some host countries is the most notorious example.

their respective specialties. Whereas some Jordanians and Palestinians are skilled workers and educated professionals, most Yemenis are unskilled and semi-skilled workers, and most Egyptians migrants act as skilled manual labourers to advisors and leaders. According to Fergamy, “Labor migration quickly became a feature of the socio-economic structure of countries of origin and resulted in consequences . . . with magnitude of the phenomenon on one hand, and the political economy context . . . on the other”¹⁵²

Many foreign workers succeed in securing financial stability for themselves and in contributing to the economy of their home countries to some degree, but do not significantly contribute to innovation, capital accommodation, or economic growth in their countries and societies. Moreover, their home countries often become dependent on their remittances as an easy source of funds. Foreign workers’ contribution to their home economies is related to macroeconomic factors such as GDP, foreign exchange earnings, and import expenses. Fergamy found that remittances are often unstable and infrequent and that the policy and procedural requirements of the workers’ home countries do not take advantage of their economic and social potential on the macro level, instead engaging in exchange-rate speculation and dollar salting and increasing their dependence on imports. Receiving remittances also encourages unproductive behaviour within home countries by creating the perception that there is no need to work.

¹⁵² A methodological defect of many migration studies has been to take migration out of the socioeconomic context in which it took place, especially in identifying impacts (Fergany, 14th par.).

4.1B The Social Aspect: Health

The state of the health of a country's population can be measured in a variety of ways. Globalization has undoubtedly had positive effects on the health care systems in certain GCC countries, but globalization does not necessarily lead to better health care systems. The state of the health care system depends on government policy on human development, education, and other social concerns associated with health care. Jiyad proposed using the human development index (HDI) as a yardstick to determine the health status of a country.¹⁵³ According to the author, the HDI has three components, namely "life expectancy, representing a long and healthy life; educational attainment, representing knowledge; and real GDP (in purchasing power dollars), representing a decent standard of living".¹⁵⁴ The HDI measures the median achievements of a country in basic human capabilities and indicates whether citizens lead long and active lives, are educated, and enjoy a high standard of living.

Jiyad added that the gender-related development index (GDI) is another parameter that can be used to determine the level of human development and health. The GDI not only also serves as yardstick to measure average national

¹⁵³ Ahmed M. Jiyad , *Human Development Paradigm Under Globalization Environment: The Arab Gulf, The Fourth Nordic conference on Middle Eastern Studies: The Middle East in a Globalizing World* (16 August 1998) <http://www.smi.uib.no/pao/jiyad.html> (accessed 4 September, 2008).

¹⁵⁴ To construct the HDI, fixed minimum and maximum values are established for each of the three indicators and a general formula is devised to compute the indicators' indices. HDI is calculated by dividing the sum of these three indices by three. (Jiyad, 1998, Human development, part 2, 6th par.).

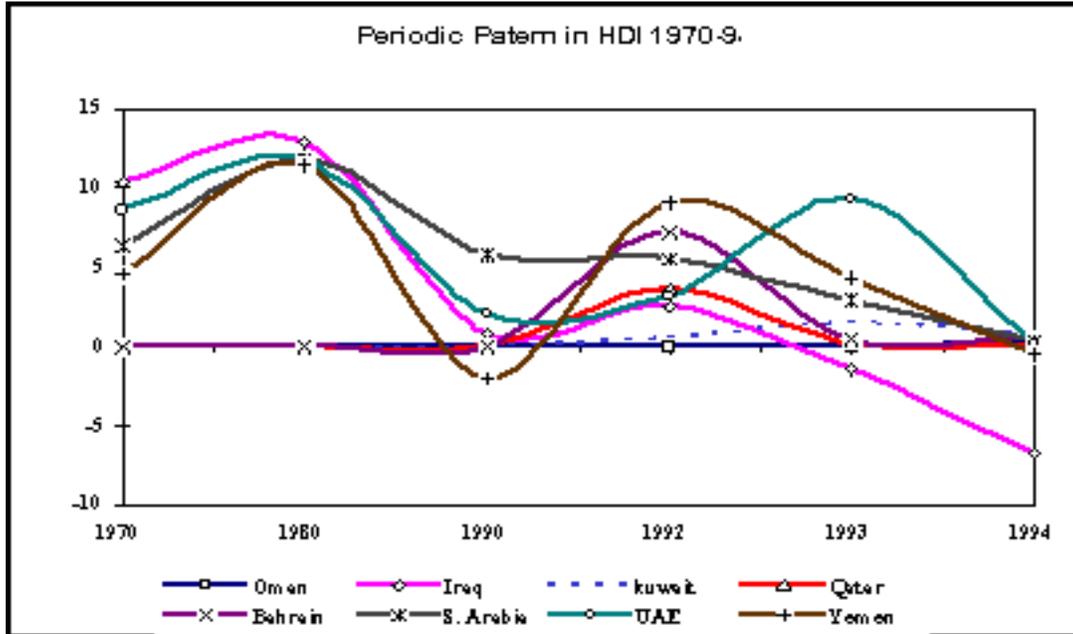
gains in terms of basic human capabilities but also considers gender inequality in achievement; the greater the gender-related difference, the lower a country's GDI in relation to its HDI. The gender empowerment measure (GEM) determines whether women and men can actively participate in economic and political decision-making. It must be kept in mind that women in GCC countries are considered second-class citizens. Whilst the GDI assesses the basic capacities of women, the GEM assesses whether they can use those capacities to maximize their opportunities.

Regarding current economic trends in the GCC countries, Jiyad warned, “The comparative levels of HDIs and their progress during these years since 1990 show some discomfoting trends after an impressive progress attained by all countries during the 1970s and 1980s.”¹⁵⁵ The author further revealed that the current trend in incremental HDI improvement is alarming for the GCC countries and even worse for Iraq and Yemen. He further revealed that “progress and deprivation in human development (measured as the periodic difference in the value of HDI multiplied by 100) ranged from negative (-5.8 percentage point) for Iraq to a negligible level (0.3 percentage point) for Oman, and to approximately 13 percentage points in the UAE and Yemen”.¹⁵⁶ This trend can be seen in figure 4.1.

¹⁵⁵ Jiyad 1998, Part three ... Globalization...The capability” ... 5th par.

¹⁵⁶ Ibid., 20th par.

Figure 4.1 periodic patterns in HDI 1970-1994



As can be seen in the graph, since 1993 the percentage annual change in the HDI of all GCC countries except the UAE has been decreasing. HDI growth in 1992 ranged from 0.6% for Kuwait to 7.2% for Bahrain, an indication that amongst the GCC countries, the Bahrainis were the most productive. In 1994, all the GCC countries had less than 1% growth from the previous year. The HDI data suggests that the unemployment of GCC citizens in their own countries is on the rise and that an unemployment plateau was reached at 0.8%, as shown by the HDI curve for the UAE, Bahrain, and Qatar. It is quite possible that the reason for the plateau is the fact that GCC citizens, although desiring to be employed and productive, do not have the level of competency and knowledge required for the jobs that they were seeking to fill. This also explains the downward trend of the HDI from 1992 to 1993.

Although jobs are available, GCC citizens cannot take advantage of employment opportunities because they are not qualified to fill the jobs offered. Based on the data, it appears that despite the advent of globalization and the increase in FDI into the GCC countries, health care is a neglected sector. Other measures besides the HDI should be considered to determine the true state of health care in the GCC countries. According to Jiyad, these countries have incorporated the HDI and the national performance gap (NPG) measures to provide a true picture of human development.

The three Arab countries of Iraq, the UAE, and Yemen are amongst the 78 developing countries for which the human poverty index (HPI), a yardstick that measures what percentage of the population is affected by human poverty, was compiled. The HPI reveals the national degree of deprivation in terms of five variables: “people expected to die before age 40; adults who are illiterate; people without access to health services; people without access to safe water; and underweight children under five”.¹⁵⁷ The other measure used to chart the performance of a country is the NPG, which assesses the number of children who have completed at least Grade 5. As presented in the graph, the countries with a negative NPG were Oman with and NPG of –3 and Kuwait, Iraq, and

¹⁵⁷ The HPI was constructed for 78 developing countries only, including 12 Arab countries: Jordan (Rank 8), UAE (14), Libya (21), Syria (24), Tunisia (31), Algeria (37), Iraq (39), Egypt (44), Morocco (55), Sudan (57), Mauritania (65), and Yemen (66). The methodology of constructing HPI is different from other indices of HDR. Though HPI is composed of five variables the last three are composed into one variable (P3) by taking a simple average of them, then (P3) and the first two variables (P1) and (P2) are introduced into the formula to arrive at HPI. (The capability, 16th par.).

Saudi Arabia with an NPG of –19. Those with a positive NPG were the UAE and Yemen.

Jiyad stated that there are many interesting facts and figures that require much attention: “Though the GCC countries had . . . similar levels of income, they demonstrated very divergent levels of educational performance and a less divergent life expectancy index. In fact, the income factor contributed to lifting the HDI level upwards in these countries”.¹⁵⁸ He argued that the inputs that the GCC countries need for human development, health care, and education are nurses, doctors, and teachers, who are expatriates and not nationals. Furthermore, he revealed that total government spending for public and social services in the Arab states (excluding Iraq due to the unavailability of data) had only slightly increased from US\$81.4 billion in 1985 to US\$82.7 billion in 1995. They decreased their spending on public services by 27.2%, which in absolute figures was a decrease from US\$22.2 billion to US\$17.8 billion. Funding for social services, including health care services, decreased 10.9% or from US\$8.9 billion to US\$7.5 million.

Overall, the GCC governments’ total expenditures on services decreased 21.6%. This decrease in spending on the welfare of their people is an indication that these governments are more interested in spending their oil revenues on further developing their economies by importing more foreign labour at the expense of the health and well-being of their citizens. The decrease in

¹⁵⁸ Jiyad 1998, Part three ... Globalization...The capability” ...20th par.

government spending is also a result of reduced oil revenues due to price fluctuations in the international market and supply competition from other non-GCC countries, which significant problems due to the dependence on oil revenue.

The data shows that the health care sector of the GCC countries, despite globalization, is a neglected sector, with its development at a standstill. To reap the benefits of globalization and minimize its effect on their cultures and economies, the GCC countries must develop a continuous human development program, especially because “the dynamism, speed, and scale of globalization processes could very well marginalise countries . . . and generate processes of social exclusion and polarisation even in countries benefiting, on the macro level, from globalization”.¹⁵⁹ The statement implies that the health of their people is not much of a concern to the GCC rulers, especially when they face dwindling oil reserves.

Yemen provides an enlightening example of the present state of health care services in Arab countries. In 1994, the International Bank for Reconstruction and Development (IBRD) identified two factors that have influenced the current state of health services in Yemen.¹⁶⁰ The first factor is the weak government, which still shows fatigue symptoms from rapid expansion over

¹⁵⁹ Ibid., Conclusion, 1st par.

¹⁶⁰ International Bank for Rural Reconstruction, *Republic of Yemen: Health Sector Review*, World Bank, http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/1994/01/01/000009265_3970128110824/Rendered/PDF/multi0page.pdf (accessed 5 September 2008).

the last twenty years, and is now facing budgetary constraints similar to those faced by the GCC countries due to limited oil revenues. This factor has led Yemen to decrease spending on social services, especially health care services, even though the government should recognize that if its citizens suffer from poor health, they cannot face the challenges of globalization by increasing their productivity to increase the GDP and HDI. The second factor is an expanding private sector primarily financed by the revenues extracted from a very weak economy and only catering to the health needs of those who can afford to pay for services. The IBRD revealed that as in many developing countries, the health care system in Yemen is predominantly curative, with little or no emphasis on preventive medicine, which has a strong negative impact on the large population of Yemeni poor and rural inhabitants.

The IRBD explained that the public health care in Yemen is offered at three different levels, the first level being primary health care (PHC), which is supported by the secondary and tertiary levels of referral care. The PHC starts at the village level, where the health unit is not operated by doctors but rather by paramedic staff. The village unit is supported by PHC centres, most of which are entirely managed by only one physician but do offer laboratory and X-ray facilities. Patients who cannot be properly serviced by a PHC unit are referred to a district hospital, which represents the secondary level, for further diagnosis and curative treatment. A number of hospitals, but not all, provide support for regional immunization and disease control programs. The third level or tertiary hospitals

are in charge of specialized care and double as teaching hospitals for the medical staff of the two medical universities in the country. Private health care practitioners, who offer mainly curative health services, are concentrated in urban areas. Private clinics are well equipped and may have up to 50-bed capacity, but charge substantial fees from their patients.

The basic challenge is making health care services available and accessible to the poor. The Yemeni government has given priority development to PHCs and the preventive and promotive phases of health care service, although PHC services are currently primarily curative. This move is expected to improve health care for the poor. The investment would require expansion of PHC services to areas not previously covered and improvement of services in the existing areas of coverage. Before deciding to expand services to other areas, the government considered upgrading services in existing service areas, but decided that expanding was the priority due to social reasons, an action that requires additional staff, funding, and medications at current cost.

Although the Yemeni health care system needs much improvement, the government is attempting to aid its poor in the face of globalization. The World Health Organization (WHO) considers Yemen the fourth most malnourished country in the world; although the country produces a sufficient quantity of food, its people lack basic information regarding infant and child nutrition.

4.1C The Social Aspect: Education

The executive summary *GCC Countries and the World: Scenarios 2025* described the current state of the educational sector in the GCC countries and their plans for the future in the face of rapid globalization.¹⁶¹ The GCC countries should not solely depend on their vast oil reserves because not only is the price of oil on the world market volatile, a factor that has exhausted their reserves during difficult fiscal times, but also because the supply of oil is finite. In its attempt to diversify away from its traditional source of revenue, the region is faced with a major obstacle: Their nationals lack the necessary knowledge and training to meet international standards and manage their countries' operations. Moreover, these countries are producing very few innovations from research and development, and are therefore importing the services of expatriates to provide the needed technology.

The way in which the region reforms its educational system will be a determinant of whether it can survive and develop an innovation-based approach that minimizes oil dependency. Regional stability gives the GCC countries the opportunity to invest heavily in education. It follows that the educational sector was neglected in the past. As a result, the GCC countries suffer from a shortage of trained nationals who have the necessary knowledge to continue the economic

¹⁶¹ Section 2. Executive Summary, In *The GCC Countries and the World: Scenarios 2025*. n.d.

success they have achieved from exploiting their finite oil reserves. This is the reason for the existence of expatriates in most GCC countries, the proportion of which can reach as high as 80% of the total population.

The forecasts given by the newspaper *The Middle East* for 2007 to 2025 clearly indicate that the development of the educational sector will be required for the GCC to remain competitive in the face of rapid globalization: “The GCC countries face the challenge that their collective oil reserves, whilst vast, will not last forever. In attempting to diversify away from oil, the GCC countries face a major problem in that their existing skill base for workers is low by world standards and relatively little research, development and innovations are occurring in the region”.¹⁶² The article revealed that it was only in 2008 that the GCC countries began to realize that their nationals’ lack of education and skills will be a stumbling block to their efforts to limit foreign labour and dependency on oil reserves.

Enhancing the medical education courses offered in Arabian Gulf University is a small but important step towards GCC sovereignty in medical health care for its people. Dr. M. Browner, a medical doctor by profession and currently Senior Associate Vice President of the AAMC Division of Medical Education of Arabian Gulf University in the Kingdom of Bahrain, explained;

¹⁶² The Middle East. 2008 May. WEF looks to 2025, http://findarticles.com/p/articles/mi_m2742/is_389/ai_n25428149 (accessed 4 September 2008).

“Medical education crosses political, religious, and ideological boundaries; the issues in creating educational programs to prepare physicians . . . are universal and . . . offer a place in the global dialogue where we can come together around common issues”.¹⁶³ He stated that the medical school’s primary aim is educating future doctors in the Gulf.

Dr. Browner reported that the medical school, located in Manama in the Kingdom of Bahrain and governed by the GCC Council, had 35 full-time faculty and 700 students in 2003. Currently, the GCC Council is developing a five-year strategic plan for medical schools in the Gulf region to make their graduates more globally and technologically competitive. The medical students hail from all six GCC countries as well as Iraq, Iran, and India. Dr. Browner revealed that globalization has had economic and political effects on medical students and academic medicine via the lowering of trade barriers, the rapid diffusion of cultural values, the Internet, and the higher population movement related to travel and immigration. Expertise, services, and goods find their way across national borders in a multitude of ways. In medicine and social health services, global outreach efforts have prioritized the well-being of populations across the world, as was exemplified during the severe acute respiratory syndrome (SARS) pandemic. US health care analysts have recently placed high priority on the international arena of medicine, giving new hope and light to the GCC’s delivery problems and challenges as well as providing potential solutions. The presence

¹⁶³ M. Browner, *Viewpoint: Crossing Boundaries with International Medical Education*, *AAMC Reporter* (n.d.) <http://www.aamc.org/newsroom/reporter/dec03/viewpoint.htm> (accessed 4 September 2008).

of medical schools in the Gulf abiding by international standards is a small but important leap forward to the GCC countries' goal of producing world-class and skilled national professionals who can fill positions now filled by expatriates.

Darim Albassam, Chief Adviser to the UNDP, warned, "I believe that education in our region seems to lack vision and is in a state of disarray at a time when global transition is at its utmost".¹⁶⁴ According to Albassam, a resolution was passed during a UNESCO forum to overhaul the GCC educational system. The resolution according the UN consultant hails from an Arab summit in Riyadh. The resolution calls on member states to analyze their educational systems to make them more responsive to the realities of globalization, which will aid their planning. According to Albassam, lagging educational standards in the Arab region should be rectified by a regional approach that covers all aspects of the educational system and is fully responsive to the challenges of globalization. Albassam argued that educational policymakers should focus on the development of new ideas and innovations based on central beliefs, values, morals, and the ethnic heritage that binds the Arab world. Education should be geared towards balancing global and local values with national and international cultures. The overhaul should result in an educational system modern in its approach yet based on the cultural values and aspirations that differentiate the Arab world from the other developed countries.

¹⁶⁴ Darim Albassam, *Globalization and Education*, (UNESCO Forum on Higher Education, Research and Knowledge, March 2007) <http://www.unesco.org/education/hed/forum/programme.pdf> (accessed 4 September 2008).

On the issue of education and globalization, Albassam asserted that globalization has implications for both national and regional stability. He believes that only those countries and regions that take action based on a strong vision, strategic thinking, and a full determination to challenge oncoming threats will succeed and maintain a peaceful economic co-existence with the international community of nations. He argues that the Arab group of nations should address the challenges of globalization to education to not only develop plans for success but also to analyze their underlying relationships with the societies and cultures that they want to protect and cherish.

For the GCC countries, globalization may mean increased competition in supplying oil, as many countries are discovering their own oil fields as a result of technology brought about by innovation related to globalization. It may also mean the exhaustion of GCC states' oil fields, a situation for which they are not ready because they have no alternative sources of revenue.

In order to develop a knowledgeable citizenry that can adjust easily to changes brought about by globalization, the GCC countries' approaches to learning must be modified. Learning methods in the age of globalization, according to Albassam, should move towards non-algorithmic thinking and an acceptance of complexity using what is known as problem-based learning (PBL). Using PBL, students develop the capacity to solve problems based on critical

analysis of the problem itself. PBL is an approach that has proven successful at all levels of education and in all professional settings, but is very complex. To solve problems requires much inquiry and the gathering of correct and incorrect information before selecting the most relevant information. The solution is changing and tentative, as well as complex. In PBL-based learning, the teacher is the cognitive coach and not the knowledge holder or disseminator, as in the old system. Students, on the other hand, are problem solvers and decision makers, not passive learners. In PBL learning, teachers and students share information so that students can personally construct their own knowledge base.

Educators and leaders are now aware of the importance of increased education and knowledge in successfully maintaining national operations. The forces of globalization have opened their eyes and minds to the fact that expatriates and technology cannot perform all national functions. To guarantee national sovereignty and guard against the contamination of their cultural values and heritage, the GCC states must provide additional and improved education to their citizenry to limit the need for the participation of foreign technocrats in their economies.

4.2A The Cultural Aspect: Media and the Transformation of Information

In 2007, Yasser Abdelrahim reported that with the aid of Arab television and the Internet, Arabs can now resist the influence of Western media and view

worldwide developments in the context of a pan-Arab worldview¹⁶⁵. In 1990, the Arab media regrouped to develop a new technological paradigm that empowered the entire Arab media. Amongst the pan-Arab media that compete for the attention of Arabs,¹⁶⁶ Al-Jazeera and Al-Jazeera.net, its online version, have had the most influence in reshaping the manner in which media analysts and academics approach important issues related to news reporting and media objectivity, bias, and neutrality, with their development away from the usual blurred concept of objectivity that had characterized the Arab media since its inception. The gradual expansion of Arab television programs in 1990 resulted from global changes in the trans-national media and in the production of news. After the media emerged in the nineteenth century in the form of news agencies, rapid developments in communication technology made possible the flow of news from the West that reinforced Western worldviews. The pan-Arab television stations MBC, ART, Orbit, and ESC emerged in response to American media domination, particularly that of CNN, to provide alternatives to Western cultural productions unsuited to the Arab region.

Although Pan-Arab television stations engage in modern television programming, their content fulfils the needs of Arab viewers. Although Arab television stations have more press freedom than do print newspapers, their affiliation with Arab governments puts constraints on their coverage and poses

¹⁶⁵ Yasser Abdul Elmakarem Abdelrahim, *Arab Media and Neo-Objectivity: Aljazeera Online News*, (*Global Media Journal: Mediterranean Edition* 2, no. 2, 2007), pp.45-58 <http://globalmedia.emu.edu.tr/fall2007/issues/6.%20Abdelrahim.pdf> (accessed 2 September 2008).

¹⁶⁶ Ibid,.

the possibility of strict censorship from the government. Strict laws control television broadcasting in Egypt and Saudi Arabia. Law No. 13 of 1979 and Law No. 223 of 1989 gave the Egyptian Radio and Television Union (ERTU), which operates under the supervision of the Ministry of Information, monopoly control over Egyptian broadcasting; challenges to this monopoly that were made in 1990 were rejected by the Egyptian government.

Likewise, Article no. 39, which outlines Saudi legislation on the media, requires that all forms of media use courteous language according to state regulations and contribute to the education and unity of citizens. “[Expression] Information, publication, and all other media shall employ courteous language and the state's regulations, and they shall contribute to the education of the nation and the bolstering of its unity. All acts that foster sedition or division or harm the state's security and its public relations or detract from man's dignity and rights shall be prohibited. The statutes shall define all that.”¹⁶⁷ The author reported that in 1995, Orbit Communications, a Saudi-owned entity, signed a deal with the British Broadcasting Corporation (BBC) that allows the BBC to provide Arabic newscasts for Orbit’s main channel in the Middle East. According to the author, the aim of the BBC is to offer Arabic news coverage whilst enjoying freedom of the press and editorial independence, which contradicts the Saudi government’s policy on the censorship of controversial issues. In April 1996, the BBC broadcast a story on human rights abuses in the Kingdom that showed footage of a criminal being beheaded. The broadcast resulted in a disagreement

¹⁶⁷ Basic Law of Saudi Arabia, *Rights and Duties*, Article 39, Chapter 5.

between the BBC and Orbit owners and Saudi investors' withdrawal of their investment in Orbit over the issue of editorial independence.

After receiving a US\$137-million investment from Qatar Emir Sheikh Hamad bin-Khalifa Al-Thani, Al-Jazeera was set to broadcast from Qatar and be self-sustaining for five years of operation on June 27, 1995. Al-Jazeera claimed it would be difficult to be self-sustaining for five years due to the fact that the station was not able to receive revenue from advertisers. Al-Jazeera's failure to attract investors has been due to its hard stance on the issue of editorial independence and its criticism of Arab governments. The author claimed that the Al-Jazeera-Qatar relationship was based on a "media-state tolerance" that is satisfying for both parties in the sense that at the domestic level, governmental affiliation with Al-Jazeera was a move towards democracy and press freedom. The Emir wants to show his people that he is pro-democracy and appreciates press freedom despite the fact that he limits democracy and freedom of the press. Al-Jazeera cannot publicly support Qatari political dissidents, despite being known to privately support them, because the Emir practically owns the broadcast television media. On the diplomatic international front, the global fame of Al-Jazeera has made tiny Qatar a giant Arab power. Qatar's perception as an Arab superpower due to its ties with Al-Jazeera has endured the diplomatic clashes that resulted from Al-Jazeera's activist stance in reporting.

The author concluded that Al-Jazeera's unprecedented growth over a very short period was unexpected. Its media bureau controls a 51% share in viewership amongst the 150 television channels in the Middle East. The founder of Al-Jazeera was named one of the most influential persons in 2004 by *Time* Magazine. These facts show that the Arab people appreciate globalization for bringing them objective news reporting that allows them to learn the truth behind important developments in the world.

There are different ways in which information and criticism can be expressed. According to Kraidy,¹⁶⁸ the presentation of political cartoons to relate a message, a very common practice in Egypt, may be applicable to other Arab media. In Egypt, political cartoons often focus on topics such as the legitimacy of governmental actions and the distribution of power, thus serving as an expressive form of media catering to the development of public perception. This form of media, which can subvert established channels of authority, requires little education but much cultural knowledge for easy assimilation. The author explained that political cartoons are very popular in Egypt because they deal with local issues such as freedom of speech, the status of women in the public eye, governmental corruption, and garbage problems. These cartoon presentations normally appear on the editorial page and can be easily understood if one is familiar with traditional Egyptian culture.

¹⁶⁸ Marwan D. Kraidy, *Public Media in the Arab World: Exploring the Gap between Reality and Ideals*, (Center for Social Media, 23 February 2007) http://www.centerforsocialmedia.org/files/pdf/arab_public_media.pdf (accessed 1 September 2008).

Other forms of media expression popular amongst youth are the wartime Web blogs produced in Lebanon and the racing videos produced in Saudi Arabia. These radical alternatives to common media expressions show the symbiotic relationship between creativity and activism. The opinions and information provided by the young journalists have become stepping-stones to radical views, as the consumption of online media has been linked to taking political action. The blogging network that emerged during the 2006 Israel-Hezbollah War focused on stories not covered by the news media, such as youth going out, having fun, and living normal lives instead of radical political messages.

The youth-produced videos of Saudi Arabia provide an intrinsic non-commercial and publicly accessible expression of youth rebellion that contrasts with the commercialized youth personalities and actions created by mainstream media. The forces of self-expression and the likelihood of acceptance of youth-generated videos and other media expressions is an important consideration for the future of Arab public media. The Arab media should recognize that because viewers can now develop their own content, the relationship between viewers and the public is participatory rather than hierarchical. The author added that public media should provide different representations of the self and others. The emergence of alternative media challenges the present relationship between the state and public, but despite this challenge, they operate within the structure of

the nation and state. Kraidy concluded, “These media contribute to the emergence of new identities, to the indigenization and localization of the media content and to the emergence of multiple publics rather than the assumption of one singular Arab public, often described as the ‘Arab street’”.¹⁶⁹

In 2002, Walters and Walters¹⁷⁰ revealed that the UAE was trying to carve a future out of its desert by developing an “Internet city” along the main road from Dubai to Abu Dhabi. This effort has been met with contrasting reactions from the Emiratis; although they are eager to benefit from the Internet, they fear that it will cause irreversible damage to their culture. Emirati policymakers are having a difficult time dealing with the competing forces of religion and culture on the one hand and modernity and globalization on the other.

In an effort to attract US investors, H.H. Sheikh Mohammed Rashid Bin Al-Maktoum manned a display and information booth at Comdex 2000 in Las Vegas. He aimed to attract technology investors and their business to Dubai’s Internet city.

“H.H. Sheikh Mohammed Rashid Bin Al Maktoum manned a booth at Comdex 2000 in Las Vegas. The display was designed to attract techies and

¹⁶⁹ Marwan D. Kraidy 5th par.

¹⁷⁰ Timothy Walters and Lynne Walters, *Cyberspace and the United Arab Emirates: Searching for Tunes in the Air*, (August 2002)
<http://nmit.wordpress.com/2008/09/06/cyberspace-and-the-united-arab-emirates-searching-for-tunes-in-the-air/> (accessed 2 September 2008).

their businesses to Dubai Internet City. Watching His Highness promote his sand- dune-to-city marvel, one glib observer noted that the royal was trying to “pull a [Las Vegas mobster and founding father] Bugsy Siegel in the middle of the Dubai desert” by building a community based on technology, instead of one based on gambling (Gartner, 2000).¹⁷¹

According to the authors, the Sheikh is trying to move away from oil dependence by investing heavily in aviation, tourism, re-export commerce, and now telecommunications. Except for oil, the UAE has no other natural resources to develop when its oil wells are exhausted. The government has invested billions of dirhams in information technology (IT) training and equipment to build a strong foundation for the future. However, IT development offers both promises as well as challenges; whilst IT promises great financial rewards, it can undermine the traditional Emirati culture.

The Emirati government’s ability to develop policies that maximize the benefits of cyberspace and minimize its effects on culture will determine if the desert will wither or bloom. The government realizes that computer networks can help individuals build a cumulative community of rights, which the Sheikh regards as dangerous. Whilst Emirati society is controlled by laws, Islam, and its culture, its media is considered relatively free. Federal Law 15 of 1988 requires

¹⁷¹ Ibid.,

publications to be approved and licensed by the Education Ministry, which selects the subjects to be reported.

Journalists are expected to censor themselves on sensitive subjects, such as the ruling family, Islam and its teachings, national security and policies, government policies from business to media censorship, religion and worship practices, and diplomatic relations with neighbouring states. The UAE Minister of Information, a son of Sheikh Zayed, has encouraged the media to “criticize freely”, although there is no evidence that journalists have complied, particularly with respect to the Emirati rulers and their extended families.

The UAE is not different from other societies in establishing limits to open communication. According to the authors, UAE law allows the government to limit access to information to protect the nation’s interests in areas such as national security, health care, public order, and moral restraint. The difference lies in the eyes of the beholder. The Abu Dhabi-based newspaper *Al-Ittihad* encourages GCC residents to adopt a modern concept of cultural freedom whilst making responsible decisions guided by Islam.

Internet access is a subject of heated debate throughout the Gulf region, with many opposed to allowing the public to access the Internet. Lawmakers in Kuwait have denounced the Internet as threat to the local culture, morals, and religious beliefs that guide the daily lives of their constituents. This stance is fully

supported by other GCC states, which prefer a slow, paternalistic approach to allowing public access to the Internet. This viewpoint is not foreign to Saudi Arabia; according to Saleh Abdulrahman al-'Adhel, the head of the King Abdul-Aziz City for Science and Technology, the Internet is an important innovation for relaying and disseminating information in real time but poses the danger of polluting Islamic culture and values. The perception of the Internet as a potential destroyer of culture and mind pollutant has delayed its acceptance in Saudi Arabia. Using innovative software, Saudi Arabia filters Internet access to prevent citizens from accessing offensive materials and ideas. However, such filtering only motivates Saudis to gain access to the censored information.

Despite globalization, a uniform regulatory scheme for the Internet may not be possible because each country has its own cultural and legal requirements. Every culture has the right to express itself. The argument on eroding values has two faces: decentralization and values. The acceptance of IT-related communication favours power decentralization and the distribution of information to all, including the women living cloistered lives in many GCC countries. Women account for 36% of Internet subscribers in the UAE.

On the other hand, globalization raises the possibility of homogenized values. Due to this concern, the GCC countries maintain a cautious stand on the democratization of information access and the spread of Internet technology. GCC policymakers agree with policymakers around the world that protecting

children from harmful content, maintaining religious values, guarding local cultures, preserving national security, discouraging terrorists, and silencing racists are important Internet considerations. However, they also believe that intricately woven community standards based on Islam must be protected, which is the reason for their paternalistic approach. Few GCC officials will admit that blocking unwelcome political information is one of their prime concerns in imposing Internet control.

In the Gulf countries, the effect of pornography on national, cultural, and religious values is always the foremost consideration. Other prime concerns are anti-Islamic information and Western norms that do not conform with the ideals of Islam, especially those relating to women and culture. Saudi Arabia has the strictest policies limiting the nature and scope of material provided by Internet service providers (ISPs): “The ISPs should refrain from carrying out any activities violating the social, cultural, political, media, economic, and religious values of the Kingdom of Saudi Arabia” (.¹⁷²

Official representatives of ISP companies have also addressed the need to protect cultural values, as revealed by the authors in Yemen. Teleyemen, the monopolized ISP of Yemen, told Human Rights Watch that it is under orders to limit Internet access to information that is contrary to social, religious, and cultural standards. Similar to Saudi Arabia, Yemen uses software that can effectively

¹⁷² Darby Patterson, *The Internet and Security*, *Government Technology Magazine: Regulatory Policies* 5th par.
http://www.thefutureschannel.com/article_archive/Internet_and_security.php

filter information that can cause irreparable damage to its cultural identity. The Qatari ambassador to the UN is optimistic that the high level of censorship of undesirable and corrupt material will encourage public decency: “Prohibition, in this respect, therefore, is not deprivation but enrichment; not suppression but discipline; and not limitation but expansion”.¹⁷³

The UAE closely monitors its citizens with the ostensible aim of protecting them. The country has the technology necessary to not only filter and block Internet content but also eavesdrop on Internet users. Dial-up Internet users cannot directly access the Internet. Typically, they must first dial the proxy server owned by Etisalat, the only ISP offered by the government telephone monopoly, which denies access to websites that have been banned or display objectionable content per proxy check. Etisalat’s usage terms and conditions allow it to terminate a subscription if it finds that a consumer is using it for engaging in criminal activity, such as gambling, or any activity contrary to the social, cultural, political, economic, or religious beliefs of the country. If one ventures into sites banned by Etisalat, the following message is shown: “Emirates Internet denies access to this site. For more information on Emirates Internet services click here”.¹⁷⁴ However, when one clicks on the link indicated, one is taken to the Emirates Internet and multimedia homepage, which gives no explanation regarding why the requested website was blocked.

¹⁷³ Ibid, 10th par.

¹⁷⁴ Ibid,. 6th par.

The UAE authorities claim that the purpose of blocking websites is to prevent access to sexually illicit and pornographic material. A senior official of the Ministry of Information and Culture stated in an interview with Human Rights Watch that there are no restrictions on political expression, socially related material, and economic news. The official claims that the UAE does not censor political ideas, especially those from Israel, but does censor pornography. Etisalat normally reviews websites about which users have complained because they contain pornography and sexually explicit material. If Etisalat find basis for the complaint after a review, then it blocks the website.

The Etisalat official added that the company cannot block all objectionable website because its filtering system is not foolproof. One can access pornographic materials by connecting through other ISP's other than Etisalat. UAE authorities claim that they do not have the capacity to track all Internet users, only those using the Etisalat proxy server. The rich can always circumvent censorship by accessing a satellite or server that is hundreds of times faster than is Etisalat. Normally, these circumnavigators are the youth whom the UAE government wants to protect. The authors further added that whereas pornography is an Internet-related threat to the teachings of Islam that will lead to the weakening of the Islamic faith, the English language used on the Internet can be considered a more potent threat, as it will eventually weaken the Arabic language in the long run. If Arabic is weakened, then Islam will also weaken as a

religion because Arabic is the language of Islam, and the Internet is dominated by the imperialist English language.

At the 19 January 2002 meeting of the Session of the Islamic Commission for Economic, Cultural, and Social Affairs in Jeddah, Dr. Abdelouahed Belkeziz, the Secretary General of the OIC, urged the attendees to fight against the “cultural warfare” being waged against Islam.¹⁷⁵ Because complete censorship cannot be imposed, the citizens who have the means, skills, and expertise to go online will surely be efficient catalysts for change. This is so because the Internet can distort time, distance, beliefs, and perceptions in a convergence of language and real-time video. The Internet can make information gathering an addictive and destructive hobby if one has no restraint.

The control measures and intervention imposed by their governments have prompted some Arab news entities to move their headquarters from the Arab peninsula to other friendly states. However, even though the media have moved their headquarters, those who can afford it tend to rely on satellite news for their information. The increasing number of Internet users who can afford alternate ISPs other than those controlled by the UAE government has complicated government. Because of the availability of alternative ISPs, the government cannot impose censorship as it desires to do so. No entity, including

¹⁷⁵ Ibid., 11th par.

the strictest government, can prevent anyone who has the means and the technology to access messages travelling through cyberspace.

At present, every GCC country has some form of international access point to the Internet. Many countries monopolize ISPs, but the degree of control varies amongst countries. At any one time, about 1,664,000 persons are online out of a combined GCC population of 13,735,754. The cyber cafés that have proliferated in the UAE charge customers US\$1.75 to US\$1.90 an hour for Internet access. In many GCC countries, free expression on the Internet is more tolerated than it is in the local print media. The Kuwaiti government even allows free expression in its print media despite laws against it. The Digital Freedom Network has found a way to provide access to censored material. The proliferation of online newspapers, radio, and broadcasts has encouraged citizens to access a variety of media. Conferences and meetings related to the information revolution dominate the event list as more and more Arabs seek to quench their thirst for information and Internet news.

A UN study on the censorship of media in the Arab World described the inherent responsibility of providing objective and truthful reporting. The study also touched on the censorship laws and the penalties imposed when media violate the laws. Censorship is the direct effect of these laws and its end result is that the media cannot be accountable to the people by providing objective news, thus placing the people in a disadvantaged position, which is contrary to the objectives of both. According to the author, censorship comes in variety of forms,

including the direct suppression of truth; regulations on media ownership, the printing and dissemination of news, and entering the new profession as a journalist; extra-judicial forms of attacks on journalists; and blocking access to Internet information.

The author added that the Egyptian government claims that there is freedom of the press in the country because it allows opposition parties to publish their own newspapers side-by-side with the government-controlled newspapers. In reality, there is no freedom of the press due to censorship. This situation is common in the Arab region as far as media and media transformation is concerned.

The largest and most important change amongst the six GCC countries in the 1990s was the Qatari Ministry of Information's abolition of strict media censorship in 1996. At the start of the 1990s, the laws enforced in six Gulf regions called for long imprisonment for vaguely worded columns criticizing the Sheikh, endangering national security, disseminating inaccurate information, harming morality, and endangering friendly relations with other countries.

The UAE liberalized its media laws in 1998, Kuwait, Bahrain, and Saudi Arabia followed cautiously, waiting until 2001 to partially liberalize their laws. Only Qatar completely lifted its restrictions in 1997 to allow reporting through the Al-Jazeera. Under strict restriction, media transformation is also restricted. Only

Qatar provided the opportunity for the media to transform to fulfil the Arab world's desire for objective information in Arabic and English.

London now serves as the centre of Arabic-language media. In 2003, Salamanda¹⁷⁶ conducted an ethnographic study of London's Arab media institutions. Salamanda revealed that there were two contentions related to transnationalism and new technology in media presentation. First, it questioned the argument that global cultural forms endanger a cosmopolitan perception. Cosmopolitanism offers a global view of a certain culture and tradition akin to a specific family or race. By doing so, tele-presentation enables viewers to grasp the importance of preserving culture. The case of London's GCC-sponsored, pan-Arab media proved claims of cosmopolitanism as a result of telecasting the GCC culture and traditions is an overstatement and regional orientations more often than not remain important. In re-presenting the culture and traditions, transnational forms, structure, and technologies only the artist are familiar with are used to re-inscribe and reconstruct representations of local personalities representing the culture, thinking ways and social organization strata. "The transnational character of Arab media—its London base—results not in increasing cosmopolitanism, but rather in the development of new notions of Arabism and new arenas for local disputes and rivalries".¹⁷⁷ It supports a number

¹⁷⁶ Christa Salamandra, *London's Arab Media and Construction of Arabness*, (*TBS Journal*, no. 10, Spring/Summer 2003) <http://www.tbsjournal.com/Archives/Spring03/salamandra.html> (accessed 4 September 2008).

¹⁷⁷ *Ibid.*, 2nd par.

of more ambitious claims for the permission leading to discussion and debate on the culture itself by non-Arab viewers.

Ethnographic tele-presentation proves that satellite television has helped to strengthen rather than endanger the existing monarchy. This new televisual media is being harnessed by the Gulf monarchs to support and promote the non-democratic power rivalry of the GCC states. According to the author, the new form of information transformation called ethnography is cherished and supported by the royal families of the GCC countries because it promotes cultural identity.

4.2B The Cultural Aspect: Cultural Identity

The dissertation of Neha Vora,¹⁷⁸ a PhD student, discusses the issue of belongingness in the UAE and the manner in which distinctions are negotiated between locals and expatriates, constantly policed, and expressed in different narratives, practices, and relationships. The dissertation focuses on what fieldwork data reveals about forms of belonging in the UAE: how distinctions between local and expatriates are constantly negotiated, blurred, policed, and produced through a range of narratives, relations, and practices, and how these dynamics can inform anthropological and Diaspora studies more generally about the nature of modern citizenship and belonging.

¹⁷⁸ Neha Vora, "CAS Presentation", http://www.socsci.uci.edu/cas/Neha_Vora.doc (accessed 30 August 2008).

Dubai, well known for its high level of development, booming tourist trade, shopping centres, and exploitation of foreign labour, is one of the most wealthy and prosperous emirates of the UAE. Unlike its neighbours, it is not rich in oil reserves, but is aggressively developing alternative forms of revenue, including tourism, real estate, tax-free zones, and service industries. As a tax-free haven strategically located near Asia, Europe, and other Middle Eastern countries, Dubai has historically been a trade centre, which is its main source of revenue. Its aggressive development of trade and tourism has resulted in an influx of foreigners, which at any one time averaged over 90% of the population.

The Dubai government is constantly negotiating with the UAE as to its need for increased foreign labour. The author revealed that Dubai lures tourists through offering freedom of religious expression, opportunities for property ownership, and tax-free incentives. On the other hand, the UAE government is also actively investing in the creation of an Emirati nation with a purely cultural heritage flavour and citizenship laws.

The UAE government defines expatriates working in the country as guest workers rather than migrants to distinguish between locals as citizens and expatriates as non-citizens.¹⁷⁹ According to Neha Vora, this differentiation subconsciously produces an Emirati national identity according to which citizens are considered purely Arab, erasing a history of inter-marriages, settlement, and, most of all, cosmopolitanism throughout the Indian Ocean region. Naha Vora

¹⁷⁹ Ibid,.

described, “On the surface, this division between the categories of local and expatriate seems clear. The locals put on attire differently and speak Arabic and are entitled to welfare benefits. Expatriates who are mostly Asians are tied to their visas and are not entitled to political rights”.

During his fieldwork in Dubai, Neha Vora found that there is a sense of fluidity and strict business *relationalism* in the way in which expatriates are treated. In the strictest sense of the word, relationalism is bounded by the fact that the expatriates are in UAE simply to work; they have no right to be assimilated into UAE culture, wear citizens’ attire, or speak their native language despite the fact that Dubai is a cosmopolitan city. According to Neha Vora, “Locals are homogenous; expatriates have carved out forms of belonging for themselves and their children, and are constantly being reproduced and reconfigured in state discourses, the press, and popular media”.¹⁸⁰

Western media portray Dubai as achieving an economic boom not because of its citizens but because of foreign labour and expertise. This is the reason why the UAE, compared to most Middle Eastern countries, is portrayed as cosmopolitan, hyper-modern, and peaceful. The author reported that per her observations, UAE has one of the most exploitative and highly stratified societies in the world. Human rights societies describe the expatriates’ working condition in UAE as a sort of modern day slavery. This focus on exploitation considers migrants solely as labour and ignores the cultural and social networks that they

¹⁸⁰ Ibid,.

have developed. Out of 4 million people living in the UAE, about 1.3 million are from India. Although the Indians are rooted in the country through business, most consider the Indian population as temporary workers. The concept of citizenship and belongingness as influenced by the West amongst descendants of expatriates and migrants is not recognized here.

The Saudi industrialist Abdulla Al-Zamil declared that “globalization must not be allowed to lessen cultural identity in Arabia”.¹⁸¹ According to the industrialist, leaders must ensure that the GCC countries keep pace with the rapidly changing world and the progress brought about by alliances and the merging of borders and country boundaries. However, leaders must also ensure that the cultural identities of countries are not lost. The author stated that in many countries, the traditional way of life is being neutralized by globalization, and citizens feel that something must be done to protect the eroding national and cultural identities. Globalization, democratic ideals, and a free-market economy are accepted in almost all countries in the world.

The author continued that despite the conflict in Iraq, the democratic ideals of the Muslim countries are strong. Forty one of the 44 countries surveyed claimed that international trade and economically related contacts increased over the past five years, and 75% of the interviewed countries declared that children

¹⁸¹ Abdullah Al-Zamil, “Cultural Identity Must Be Protected in the Wake of Globalisation”, says Al Zamil, *AME Info* (4 September 2005) <http://www.ameinfo.com/66762.html> (accessed 31 August 2008), 1st par.

must learn English to succeed in today's world. People normally consider foreign trade, global communication, and Westernization good for their lives, families, and country.

Despite widespread support for globalization, people around the world still feel that their lives are getting worse. Thirty-four nations out of 44 see a widening gap between the rich and poor, the unaffordability of health care, and that people are aging without the savings needed for their old age.

It is impossible to escape the cultural consequences of globalization. Holton¹⁸² claimed that the three cultural consequences related to globalization are:

1. *Homogenization,*
2. *Polarization,*
3. *Hybridization*

The UAE view of expatriates as merely workers not entitled to any political and civil rights, as well as discrimination against descendants of mixed marriages, is polarization. This is more relevant to the UAE practice of setting aside expatriates because they are not Arabs. The Indians who are in their country for centuries are likewise ignored due to their perception that these people are merely modern day slaves.

¹⁸² Robert Holton, *Globalization's Cultural Consequences*
<http://www.jstor.org/pss/1049246> (accessed 31 August 2008).

Homogenization is a condition wherein the carrier of globalization reigns supreme to the country's citizens, thereby incorporating into their culture, the own culture of the globalization carrier. This can be clearly exemplified by the fact that Chinese youth are now Westernized as a result of foreign nationals and investors mingling in their everyday lives. Chinese youth have absorbed Western culture and set aside their own culture due to the perception that the former is superior. The author stated that global culture is swaying towards Western or American ways of doing things. The availability of alternative cultural alternatives and opposing the Western norms suggests that polarization gives a more convincing image of global cultural condition. The author emphasized that global interconnection through the Internet does not mean cultural acceptance. This is because culture is harder to standardize than are economic organization and technological advancement. The hybridization thesis suggests that cultures absorb and incorporate cultural beliefs and practices into their own ways of doing things. The hybridization effect is when a country and its citizens select the selected aspects of a certain culture that they perceive as desirable and incorporate them into their own culture. Examples of hybridization can be seen popular music and religious practices.

The cultural effects of globalization can be seen in the everyday lives of Emiratis in Dubai. Gloryb, a concerned Emirati who contributed his observations and sentiments to a blogging site, wrote that globalization carries with it positive

and negative impacts on the cultural identity of a nation.¹⁸³ One example is Dubai's tourist and economic boom compared to that of the other emirates. On the positive side, tourism and duty-free trading have brought tremendous wealth and development to the emirate. On the negative side, the blogger claimed that Western clothes and conversations that insult Islamic principles are now accepted. There are now co-educational facilities, which poison the mind of the youth with the ideals of globalization, something that is not accepted in the teaching and principles of Islam. People tend to be busy with their own lives and ignore the presence of others who need their assistance and care. Moreover, the crime rate has increased threefold, with thieves abounding.

One can notice today, that very little respect is shown to fellow citizens and members of the family. Family time is limited and everyone is busy. Family members cannot eat together because they all have their own schedules. When children marry, they do not want to live with their parents nor in close vicinity to them. When children who study overseas return, they long for the same freedom that they had enjoyed in the West. Children have become accustomed to asking and getting material things, and now want the best of everything; they want to be served hand and foot whilst their parents work hard to get them what they want.

¹⁸³ Gloryb, *Globalization and Its Impact on Cultural Identity*, (Gulf Forum 30 October 2007) <http://www.ecssr.ac.ae/CDA/en/GForum/viewThread/?message=829&thread=275&forum=143&mainCat=104> (accessed 31 August 2008).

Older people, now considered a menace to society, are housed in homes for the aged. The younger generation does not want to spend time caring for their older parents because they feel that doing so is a burden. Some older people left in the streets must be taken by the authorities to hospice care. The author reported that some older people have no one to visit them and simply await their death. The traditional activities of boat building and falconry have been forgotten. Songs and dances that have no following are now confined to theatres for tourists to enjoy. The camels and bedouins are kept in remote areas outside the city, forbidden to enter by municipality laws. Today's architecture is Western in style, the basjeel of the traditional Arabic structures having been abandoned. Traditional Arab food has been replaced and influenced by that of many ethnic groups residing in the UAE, and the art of using traditional Arabic medicine is fading. Arabic is being mixed with words from the West (English being the official business language) and South Asia. There are still Arabic cultures in the remote regions of UAE, and if they are to be retained, they must be documented and taught in schools as part of social history. There should be more Arabic architecture, and more local talent should be developed. Both English and Arabic should be taught side by side from kindergarten so that students will be bilingual. Globalization is needed for a viable economy but under a leadership that will not sacrifice the teaching of Islam.

The GCC is composed of different countries at different levels of economic, social, and political development. As such, the reaction of each

country to globalization may vary. Fawcett proposed regionalization as the solution by which each GCC country can resolve matters related to its development whilst maintaining its own cultural identity.¹⁸⁴ She argued, “It would be naive to idealize about regionalism’s prospects in the Middle East from . . . the year 2000. The experiences of the European Union and NAFTA . . . demonstrate however the advantages of successful and sustained regional efforts”.¹⁸⁵ With the onset of globalization and the condition of the global economy, interaction with global institutions, practices, and accepted norms requires regional cooperation. As the GCC is composed of several countries with distinct norms and cultures, a regional approach is essential for safeguarding cultural identity. A GCC country cannot embrace globalization if its leaders see that it will polarize the population, which could lead to social dissatisfaction and less security for the country and region.

Fawcett added that regional groupings can interact well and rapidly to modify the agenda and change the rules in the middle of the game. At the regional level, they can assert a regional identity for maintaining their social, economic, and cultural identities. Regionalism is like a double-edged sword, competing against as well as complementing globalization, but offers the option of maintaining one’s own cultural identity.

¹⁸⁴ Louise Fawcett, *The Progress and Prospects for Regionalism in the Middle East, Global Economic Governance* (n.d.), <http://www.globaleconomicgovernance.org/docs/chall%20reg2.htm> (accessed 31 August 2008).

¹⁸⁵ *Ibid.*, 6th par.

CHAPTER 5

5. The Strategic Future of the GCC Countries

The GCC is strategically situated between East Asia and Europe, which endows it with the capacity to don the role of an external or frontier market for the financial institutions of North and East Africa, the Middle East, and the Indian sub-continent. Although more than two billion people inhabit it, this region has no global-level financial agency. The GCC should assume this role because of its good relations and cultural similarity with many of the nations in the region.¹⁸⁶

The GCC has considerable wealth for investment and for providing security to the financial markets in the region. Renowned financial institutions such as Cap Gemini and Merrill Lynch have stated that the number of wealthy private individuals is increasing, and will reach the 2 million mark by 2010.¹⁸⁷ These individuals together own assets worth US\$1.4 trillion. This report predicted a 10% increase in such wealth per annum. There are several financial services centres operating in the GCC of whose services even international investors can take advantage. At present, investors from Kuwait, Dubai, and Qatar are utilizing the services provided by these financial

¹⁸⁶ Dan Draper *Constructing a Revolution*, (Financial Times. Business. Investment Adviser. September 15, 2008), Section 1361 – 1593

¹⁸⁷ Aamir A. Rehman. Dubai & Co. 2007. pp. 72 – 73. McGraw-Hill Professional.

institutions. Saudi Arabia has not yet opened its market to foreigners and permits only domestic investors to invest in the Saudi Arabian market.

Although the GCC markets are at the nascent stage, they are forging ahead to establish basic infrastructure and regulatory institutions. In addition, these countries are concentrating on establishing trade facilities that adhere to international standards. Because the GCC states are at the learning stage, they require the help of experts in the field to meet international standards. Fortunately, they have an expatriate community that can ensure that they achieve this target. This expatriate community is comprised of people from around the world whose different skills are of great use to the GCC.¹⁸⁸

5.1 Effective Considerations for Defining the Future Strategic Importance of the GCC Countries

The GCC's political objectives accord with its Arab and Muslim heritage, particularly its foreign policy, which aims to increase Arab unity in the region. At times, the GCC's objectives do not correspond with those of other political and economic powers. Islamic tradition and heritage were instrumental in the establishment of the present nation-states in the region. Amongst the many factors in the evolution of these nation-states, the Islamic spirit served as the

¹⁸⁸ Dan Draper.

foundation upon which the principles and objectives of the modern Islamic nations were developed.¹⁸⁹

Qatar is constructing the world's largest industrial plants for transforming gas into liquid to process its vast oil reserves. The corporate giants Exxon Mobil, Royal Dutch Shell, and Chevron Texaco are collaborating with Qatar by providing the required technical support and investing US\$20 billion into building these plants.¹⁹⁰ In addition to this venture, five major US universities have established their branches in Qatar, including the world- renowned Weill Medical College of Cornell University and Texas A&M University.¹⁹¹

According to Brad Durham, the Managing Director of EPFR Global of Boston, the GCC states are not listed on the global market equity indexes, which are utilized for the allocation of assets at the global level by corporate giants. He stated that a change in this situation would benefit the GCC states, which would thereupon emerge as economic and industrial superpowers. In January 2006, MSCI Barra set up a separate GCC indexing service that provides US listings and exchange-listed funds for all six GCC members.¹⁹²

¹⁸⁹ Abdulla Badood, *Dynamics and Determinants of the GCC States: Foreign Policy, with Special Reference to the EU*, (*Review of International Affairs* 3, no. 2 , Winter 2003), pp.254-282.

¹⁹⁰ Plunkett's *Renewable, Alternative and Hydrogen Energy Industry Almanac 2006* (E-Book): The Only Complete Guide to the Business of Renewable, Alternative and Hydrogen Energy.

2005. Section 21. Plunkett Research, Ltd.

¹⁹¹ Jane Bryant Quinn, *Tomorrow's Emerging Markets*, (*The Washington Post*, 13 April 2008) , F01.

¹⁹² Ibid.,

The mutual fund company T. Rowe Price holds 60% of its total assets in the Gulf states, which have been unaffected by the conflicts in Iraq, Iran, and Lebanon. Its vice president stated that because the GCC states have strong and stable economies in comparison to the rest of the region, investing in them is safe. Nevertheless, because GCC markets are characterized by frequent fluctuations, they are unsuitable for every type of business. For instance, in 2005 the GCC stock market exhibited unprecedented growth, only to collapse the following year. In 2007, GCC stock prices increased due to a large increase in investment into GCC markets. At present, the GCC countries are competing with each other for tourists and foreign financial institutions. As such, working with these markets is difficult.¹⁹³

The GCC states have been offering excellent alternatives to investors during the recent economic crisis. Whereas the global asset management industry proved fatal to investors when the economic crisis occurred, investors found the GCC markets to be lucrative. The GCC markets, supported by the wealth accruing from oil and natural gas resources, provide global investors with a wide range of opportunities. The GCC financial markets have excellent and sophisticated regulatory mechanisms, comparable to the best in the world, that create the ideal environment for investment by foreign corporations and investors.¹⁹⁴

¹⁹³ Ibid, ..

¹⁹⁴ Euromoney. June 2008. *The 2008 guide to Asset Management in the GCC.*

5.2 International Political, Economic, Social, and Cultural Policies towards the GCC Countries

The member states of the GCC are members of the Arab League, the OIC, and other international Islamic organisations, and as such, are an integral part of the Islamic world. The OIC, established in 1969, has its headquarters in Jeddah. Another important organization in the region is the Muslim World League, an NGO with headquarters in Mecca, whose foremost objective is to promote unity amongst Islamic nations. Likewise, the GCC undertakes a variety of efforts to fortify Arab unity and promote Arab aspirations, a goal clearly stated in the preamble to the GCC Charter.¹⁹⁵ As such, it supports the Charter of the Arab League and takes a keen interest in Arab nationalism and other Islamic objectives.

Throughout the history of Islam, the foreign and economic policies of Arab nations have revolved around religion. In modern democracies, the separation between religion and state prohibits religious institutions from interfering with the functioning of the state, a characteristic notably absent in Islamic nations, whose organizations and institutions do not permit separation between religious and state policies.¹⁹⁶ Therefore, every aspect of Muslim life is influenced by Islam, which plays a major role in the state as well as society, in which most decision-making is based on Islamic principles.

¹⁹⁵ Abdulla Badood.

¹⁹⁶ Ibid.

Thus, in most Islamic countries, two forces work in tandem and often come together during the decision-making process to determine the political agenda. These forces are state power and the religious leaders, such as imams and other religious scholars, who act as the principal decision-making entities in Islamic countries. Under the Sunni Islamic ideology, even the ruler of the country can be disobeyed and impeached if he has seriously breached Islamic principles. The Shia sect of Islam was revolutionized by a new concept proposed by Khomeini. Under this concept, the top echelon of Islam, the Faqih, rules the state in accordance with Islam.¹⁹⁷

The early Islamic community was ruled by the Prophet Muhammad, and his rules and principles are still adhered to by modern Islamic regimes. The state uses religion to serve its purposes, and its opponents often employ the tenets of Islam to challenge the government. This practice has increased as the entire world has undergone the process of globalization. Many Islamic states, whose religion and politics are interwoven, cannot withstand the challenges posed by globalization. During the 1970s, an oil boom in the Gulf states made the GCC states so wealthy that there their governments no longer needed to levy taxes on their citizens. As the GCC states became very powerful due to their booming economies, their entire decision-making process concentrated on ways to spend their oil incomes.¹⁹⁸

¹⁹⁷ Ibid,.

¹⁹⁸ Ibid,.

The GCC states have initiated several political reforms, the nature and context of which differ amongst them. Some of the reasons behind these changes are internal developments, such as economic hardships and popular demands for establishing a new political order. Moreover, several new leaders who demand reform have made their presence felt on the political firmament, as has been seen in Qatar and Bahrain. In addition, several external factors have had considerable influence in engendering change. For example, the entire Arab world was compelled to adopt new policies when it came under severe pressure after the September 11, 2001 terrorist attacks against the US.¹⁹⁹

The GCC states flourished during the 1970s on account of their large oil resources and comparatively small populations. However, this scenario has changed for the worse due to a population explosion that has not coincided with rising oil prices. Governmental education and employment programs have created a neo-middle class whose number has significantly increased and whose youth demand employment at a fixed monthly income and an opportunity to participate in national politics.²⁰⁰ These changes have posed a serious threat to stability and order in the Gulf countries. In order to cope with this situation, the GCC had undertaken several measures principally aimed at mitigating economic

¹⁹⁹ Thomas Carothers, Abdulaziz Sager, and Marina Ottawa, *Political Reform in the GCC States: Carnegie Endowment for International Peace*, (23 September 2004) <http://www.carnegieendowment.org/events/index.cfm?fa=eventDetail&id=717> (accessed 15 November 2008).

²⁰⁰ F. Gregory Gause III, *The Gulf Conundrum: Economic Change, Population Growth and Political Stability in the GCC States*, *Washington Quarterly* 20, no. 1 (Winter 1997), p.146.

problems, amongst which the most important is to reduce governmental expenditures to the maximum extent possible. Other measures aim to increase government revenues. These measures resulted in a public outcry that slowed their implementation in all the GCC states except for Saudi Arabia, which strongly endeavoured to implement these measures.

In 1994, the government of Saudi Arabia reduced its budget by 19% and by an additional 6% in 1995,²⁰¹ and either terminated or reduced its subsidies of several consumer products. For instance, the Saudi government decreased subsidies on widely used consumer products such as gasoline and electricity whilst simultaneously increasing fees for work permits and visas for foreigners. Furthermore, the Saudi government reduced subsidies for agriculture. Although its income from oil in 1995 was between US\$3.7 and US\$4 billion, which was higher than expected, the Saudi government was unable to address its economic problems. Even though this additional income proved useful in repaying foreign debts and in making good the losses sustained by local contractors and farmers, it has been unable to control expenditures and anticipates that it will spend a major portion of its income on military and civilian purchases.²⁰²

Because other GCC states do not share this situation, they have not initiated any measures to reduce costs. For instance, Qatar's budget deficit for the fiscal year 1995-1996 was over US\$1 billion whilst its annual budget was

²⁰¹ Ibid., p.153..

²⁰² Ibid

US\$3.5 billion. Similarly, Kuwait's budget deficit of US\$3.83 billion for the fiscal year 1996-1997 was 28% of its total annual budget. In 1995, Oman increased its oil production to reduce its estimated budgetary deficit, and Bahrain was only able to reduce its budgetary deficit in 1996 because Saudi Arabia consented to transfer Bahrain's oil-based revenues derived from an off-shore oil field jointly owned by Bahrain and Saudi Arabia.²⁰³

The GCC states are taking measures to guarantee human rights within their borders. According to Yusuf Al-Jabir, Director of the GCC Department at the Foreign Ministry of Qatar, *Allah* accords human rights to every human being without discrimination that are common to all the nations in the world and deeply engraved in all religions or faiths. The GCC states respect these human rights and are deeply concerned with respecting them within their borders. They are also concerned with democratic principles, particularly that their economic and political objectives are based on the principles of democracy. The GCC states provide funding to international human rights organizations and various summits and conferences on human rights, an action that clearly demonstrates that they attach great importance to human rights.²⁰⁴

Moreover, the GCC states have signed several international treaties pertaining to human rights and have established several government-sponsored bodies and NGOs to monitor human rights. In addition, the GCC states make

²⁰³ Ibid., p.154.

²⁰⁴ BBC Monitoring Middle East. May 27, 2008. *Qatar Says Gulf Cooperation Council States Pay Great Attention to Human Rights*. BBC Worldwide Monitoring.

continued efforts to ensure respect for human rights and the avoidance of their breach in any manner. To do so, they continuously revise legislation that affords protection to human rights.²⁰⁵

The International Atomic Energy Agency (IAEA) has expressed its willingness to cooperate with the GCC states if they want to develop nuclear energy for their domestic needs. The IAEA is ready to provide the necessary technological support as well as the required materials, but only if the states intend to use nuclear energy for peaceful purposes and their proposed nuclear programs comply with international standards and requirements.²⁰⁶ The GCC states responded that they would use nuclear energy only for peaceful purposes, a stance they reiterated during the Jabir Summit in Riyadh. At present, only the most developed nations have nuclear capability,²⁰⁷ which makes them very powerful by endowing them with the capability of controlling other nations. Therefore, the GCC had to adopt the Jabir Summit resolution if it wishes to maintain its regional power balance. Most Arab countries, with the exception of Egypt, have ratified the Non-Proliferation Treaty (NPT), but to date, none has attempted to develop nuclear technology.

The resolution that the GCC states arrived at the Jabir Summit clearly indicates the importance that they attach to the peaceful use of nuclear energy. This fact endows the Jabir Summit with great significance, as it encouraged

²⁰⁵ Ibid

²⁰⁶ Ibid.

²⁰⁷ Ibid.

these countries to depart from their original stand to show a keen interest in nuclear power solely for peaceful purposes.²⁰⁸ This change in Arab perception regarding nuclear power has surprised the countries of the developed world, most of which had not attached much importance to this resolution, and some of which had even ignored it. The GCC states, forced to adopt this resolution in order to establish their global standing, now must implement its principles to counter the power of the more powerful countries of the developed world. Undoubtedly, acquiring nuclear power will render the GCC states even more powerful, adding to their oil and gas resources, strong economies, and geographically strategic positions. If they implement the resolution and develop nuclear power, they will bring about a regional balance in a region where Iran and Israel are demanding nuclear technology. If the GCC states acquire nuclear power, they could bring peace to the entire region and mitigate Iran and Israel's craving for weapons of mass destruction. However, their procurement of nuclear technology must be approved by the international community and used only for peaceful purposes.²⁰⁹

5.3 The Current GCC Voting Structure and Agenda

The GCC was formed in 1981 by the Arab nations of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE. It is a regional organization whose member states are enormously wealthy due to their vast oil resources and

²⁰⁸ Ibid,.

²⁰⁹ Ibid,..

whose populations are very small in comparison to their oil wealth. Recognizing that the non-member states in the region are politically unstable and economically weak, these wealthy states formed the GCC to protect themselves from the unstable conditions in the region and compensate for their individual lack of military capabilities.²¹⁰

GCC regional coordination began on the 25 May 1981 (21st Rajab 1401 AH in the Arabic calendar), the day on which the rulers of the six major Arab nations met to create a framework for coordination per Article 4 of the GCC Charter, which calls for integration and internal coordination amongst the member states in all areas to achieve regional unity. The preamble of the Charter emphasizes certain important issues, such as the special relations, common qualities, and similar systems to be established in the member states in accordance with the principles of Islam to achieve the primary objectives of the Arab nations.²¹¹ The creation of the GCC was not a sudden action by the member states; rather, it was a historic move that reflected the social and cultural reality of the Arab world. The six member states have common characteristics, cultural practices, and religious beliefs, and their people have strong emotional and kinship relations with each other.

Moreover, they share a strategic location. The GCC region stretches from the sea to the desert, along which it provides opportunities for contact,

²¹⁰ Sonu Trivedi, *Handbook of International Organisation*, (Atlantic Publishers and Distributors, 2005)

²¹¹ *Ibid.*,

communication, and interaction amongst the citizens of its member states. As these citizens adhere to similar values and morals, the GCC reflects age-old realities in the region and the evolution of these realities over time whilst serving as a practical answer to the threats and challenges posed to its stability and security. It also encourages the economic development of the region. The citizens of the region now consider that their aspirations have been fulfilled through the formation of the GCC, which ultimately reflects Arab unity and integrity in accordance with the spirit of Islam.²¹²

The fundamental objectives of the GCC include the formation and establishment of standard regulations and controls in the areas of economics, finance, trade, customs, tourism, legislation, and administration. The member countries must foster scientific and technical cooperation amongst themselves in various industries, mining, agriculture, and water- and animal-resource management. They must also encourage cooperation in the private sector and strengthen the ties amongst their citizens.²¹³

5.3A Organizational Structure

Within the GCC, the heads of the member states constitute the Supreme Council, the highest GCC authority. The Council has a rotating presidency that follows the Arabic alphabetical order of the countries' names and holds one

²¹² Ibid

²¹³ Ibid.

regular session every year, although the member states may request an extraordinary session if necessary. In the case of more than one request, the sessions are convened in sequence per state. During its 19th Summit, held in 1998 in Abu Dhabi, the Supreme Council decided that it would hold a consultative meeting between two summits. In order to declare a meeting of the Supreme Council official or valid, two-thirds of the member states must be in attendance. Each member state is granted one vote, and the unanimous approval of the attending members is necessary for ratifying resolutions on serious and substantive matters. In the case of resolutions of a procedural nature, a majority of member states must express their approval.²¹⁴

5.3B Consultative Commission

The Consultative Commission consists of thirty GCC citizens, five of whom are from each member state. These representatives are selected on the basis of their experience and qualifications to serve for a period of three years. The principal task of the Consultative Commission is to study the matters referred to it by the Supreme Council.

5.3C Commission for the Settlement of Disputes

The Commission for the Settlement of Disputes is established by the Supreme Council for every dispute amongst the states. It works on an ad-hoc basis and its functionality depends on the nature of the dispute.

²¹⁴ Ibid,.

5.3D Ministerial Council

The Ministerial Council is a branch of the Supreme Council, which is formed by the Ministers of Foreign Affairs to act on their behalf. Other ministers can also form the Ministerial Council. The member state that had presided over the previous ordinary session of the Supreme Council is authorized to hold the presidency of the Council. The member state presiding over the next meeting of the Supreme Council is also eligible for assuming the presidency of the Ministerial Council. Although it meets every three months, the member states can request an extraordinary meeting of the Ministerial Council whenever necessary. Such requests must be supported by another member state, and two-thirds of the member states must declare a meeting of the Ministerial Council valid.²¹⁵

The Ministerial Council has wide jurisdiction: It can propose policy matters, give recommendations for existing policies, and coordinate activities in several areas. The resolutions passed by the Ministerial Committees are transmitted to the Ministerial Council, which then refers them to the Supreme Council along with its recommendations and suggestions. The other duties of the Ministerial Council include the preparation of Supreme Council meeting agendas and arrangement of its meetings. The voting procedure of the Ministerial Council is similar to that of the Supreme Council.²¹⁶

²¹⁵ Ibid.,

²¹⁶ Ibid.,

5.3E Secretariat-General

As primary leader of the GCC, the Secretariat-General ensures the cooperation, coordination, and integration of plans and programs amongst the member states. To do so, he prepares periodic reports on GCC functions as well as other reports and studies when required by the Supreme Council or the Ministerial Council, ensures the proper implementation of resolutions, and arranges Ministerial Council meetings and agendas. The Supreme Council appoints the Secretariat-General for a period of three years, a term that can be renewed only once for another three years. The Secretariat-General is assisted by three Assistant Secretariat-Generals, who address issues pertaining to politics, economics, and the military. The Assistant Secretariats-General, the delegated authorities of the GCC to Brussels, are nominated by the Secretariat-General and appointed by the Ministerial Council for a period of three years, which can be renewed.²¹⁷

The Secretariat-General also appoints the Directors-General of the Secretariat-General and other office staff. The Secretariat-General's administrative structure concerns several areas, including political, economic, military, social, environmental, legal, financial, and administrative affairs and the offices of the Secretariat-General, the Finance and Patent Bureau, the Administrative Development Unit, the Internal Auditing Unit, and the Information Centre.

²¹⁷ Abdulla Badood.

5.4 Relations amongst the GCC countries, Global Superpowers, and Regional Blocs

Scholars and academicians have approached the subject of GCC politics only in terms of foreign and regional power factors. They have approached the GCC's political interests mainly as they pertain to geopolitics and oil resource security. It is important to keep in the mind that the GCC states are members of the Arab League and signatories to several institutions affiliated with the Arab League. Moreover, they are members of the OIC and the Muslim World League in Mecca, whose objective is to promote unity amongst Islamic countries.²¹⁸

Saudi Arabia is the birthplace of Islam, and the holy places of Mecca and Medina are located within its borders. As a sub-regional organization in the Arab world, the GCC was formed with the general objective of promoting Arab unity as specified by the Charter of the Arab League, promoting the aspirations of the Arabs in the region, and adopting and implementing efforts to fortify Arab nationalism and the cause of Islam. The oil boom enriched the GCC states, in which power and wealth are controlled by governments that concentrate on spending their enormous oil-based revenues.

Such revenues lead the GCC governments to differ from Western governments. The relationship between the state and society in the GCC states

²¹⁸ Ibid

is unique in that there is no necessity for their governments to levy taxes on their people; the governments are wealthy enough to create and sustain bureaucratic institutions that distribute the fruits of the economy to society. Oil revenues reach the state directly without any intermediate intervention by the local economy, and the interests of the people are directly fulfilled by the state. Power and strength are vested in the state and the ruling families, whose citizens are not required to pay taxes for state services. There is no scope for domestic competitors, local constituencies, or state bargains with local constituencies, as there is with representative forms of government. The aim of the GCC governments is to provide their citizens with material benefits in exchange for their loyalty towards the state and ruling family. The governments enjoy autonomy from society, which enables them to proceed with their goals with no interference. As the governments are not accountable to any constituency, the relationship between them and society is always unidirectional.²¹⁹

The GCC states face several challenges to their security. Having acquired conventional and non-conventional weapons, they are very concerned with the proliferation of nuclear weapons in the region and the acquisition of nuclear weapons by countries such as Israel, Pakistan, and India. Other challenges include the conflict between Israel and Palestine and the increasing strength of Israel in the region due to its acquisition of sophisticated weapons

²¹⁹ Ibid,..

from the US. Developments in Afghanistan and Central Asia, as well as intensifying Islamic radicalism, also pose serious threats to the GCC.²²⁰

The six GCC states are small in comparison to the other nations in the region. Furthermore, they are vulnerable to external threats and internal challenges to the extant rulers. Their oil reserves, their main source of wealth, face depletion with the passage of time, which poses a major challenge to their cooperation. Their policies are founded on the twin issues of regime survival and state security. State security can be achieved by balancing the various influential factors with the opportunities available to the states and the threats that they have to face at the domestic, regional, and international level. Their policymaking is also dependent on security arrangements with other nations.

The GCC states have been successful in establishing regional integration, but have failed to create a common foreign and security policy. Their partnership with the EU, their largest trading partner at the international level, enables them to balance and counter the influence of American power over the region. Although the EU and the GCC have been proceeding towards the creation of an FTA, their progress has been slow and has suffered from numerous delays. In reaction, the GCC has adopted certain measures to hasten the process and has ratified the 2003 GCC Customs Union Agreement.²²¹

²²⁰ Ibid.,

²²¹ Ibid.,

The Clinton and Bush Administrations maintained a similar foreign policy towards the Middle East, which called for complete democratization in the region in order to ensure free access to oil resources for American companies. The Bush policy proposed forceful implementation of democracy in the Middle East. The 2003 invasion of Iraq was part of the Bush Administration's vision of Americanization in the region. Clinton had proposed reforms in education, law, economics, politics, and ideology in the Middle East that would have required decades to implement. Pollack, an advisor to the Clinton regime, had refused to allow rival approaches towards the Middle East that would have increased the conflict between Arab nations and the US; as the former have not yet crossed the pre-revolutionary stage, rival approaches would almost certainly have incited Arab protest against the US.²²²

5.5 Modernization of GCC Institutions to Increase Cooperation and Economic Integration

The GCC states have a population of nearly 35.1 million, of which only 60% is composed of natives and the remaining 40% composed of foreign workers and asylum seekers. Economic analysts forecast that a common market would increase the power of the GCC in its negotiations with other international bodies and improve the economies of the GCC states.²²³ The

²²² Gilbert Taylor, *A Path Out of the Desert: A Grand Strategy for America in the Middle East*, The Booklist 104, no. 21(July 2008), p.21.

²²³ Financial Post. January 2, 2008. *Gulf States Debut Common Market \$715 with USB economy; Trade – Talk Muscle*. National Post's Financial Post & FP Investing (Canada), FP 14.

GCC states incur considerable expenditures in strengthening their economies and developing their infrastructure. Their governments invest hundreds of billions of dollars to create employment opportunities for the younger generation. Moreover, they are seeking ways to help customers if their oil resources are exhausted, and are already encouraging their customers to develop and use alternative energy sources.

To promote domestic tourism, the GCC states are constructing luxurious hotels comparable to the best in the world and developing tourist areas as tax-free centers for international trade. They are relaxing earlier trade restrictions and lifting restrictions relating to foreign ownership to attract foreign companies. The GCC states are developing their industries and improving their technology. Because industries require low-cost energy resources, they are establishing such industries with the technology necessary to optimally increase production.²²⁴ These measures have encouraged a large number of foreign companies to establish branches in the GCC states. In the past, international investors had been reluctant to invest their money in these states because of their various trade and tax restrictions, but now find them lucrative markets for their products.²²⁵

With its duty-free shopping and tax-free trading, Dubai has emerged as a regional trade hub. Its airport acts as a critical trade hub in the new Silk

²²⁴ Jane Bryant Quinn.

²²⁵ Ibid.

Road that links China, India, and North Africa with Europe. Having few oil and natural gas resources, Dubai's main source of revenue is the Jebel Ali Free Zone. Abu Dhabi, the richest of the emirates, has emerged as the UAE's cultural destination. It houses regional branches of the Guggenheim and Louvre museums and is building new theaters for the performing arts.²²⁶

The Islamic region is comprised of three major areas encompassing forty-seven nations: the GCC states, the non-GCC states of the Middle East and North Africa (MENA) region, and non-MENA states.²²⁷ According to *The Banker*, a journal that reports on commercial banks, the top five hundred Islamic financial institutions in these forty-seven countries have sharia-compliant assets worth US\$500.5 billion. A large portion of this aggregate total is owned by financial institutions based of the six GCC states; their share comprises 35.6% or US\$178.1 billion of the total. Amongst these financial institutions, Saudi institutions hold a major portion—nearly 39% of the GCC's total sharia assets—followed by Kuwait with 21.16%, the UAE with 19.85%, Bahrain with 14.74%, and Qatar with 5.31% (Oman's percentage was not available). In the MENA region, Iranian financial institutions play a dominant role, holding 87.44%, estimated at US\$154.6 billion, of the US\$176.82 billion aggregate total of non-GCC assets, and nearly 31% of the total global aggregate. Lebanon follows with 7.78%, Egypt with 2.18%, and Jordan with

²²⁶ Ibid.

²²⁷ The Banker. November 1, 2007. *Top 500 Islamic Financial Institutions – GCC Region Holds Biggest Slice of Sharia Assets Pie*. Special Supplement.

1.49% of MENA assets. Outside of the MENA region, Malaysia has a dominant position with 40.72% of total of non-MENA sharia assets.²²⁸

The six states of the GCC aim to establish a common market with an economy of US\$715 billion. According to Abdulrahman al-Attiyah, the Secretary General of the GCC, the existence of this common market would ensure regional economic cooperation amongst the GCC members and the economic prosperity of their citizens. He described the formation of this common market as an historic event in the twenty-one year cooperation amongst the GCC states. This common market would ensure the free movement of capital and people amongst the nations and allow their people the freedom to live and work in the country of their choice. He added that the common market would encourage investments and common trade, which would strengthen the economic position of the member states. Moreover, this common market would represent them in agreements with other international organizations such as the EU.²²⁹

Although foreign investors are precluded from investing in the Saudi stock market, the Saudi government is inviting FDI for building six special economic sites within the vicinity of heavy industries, such as petrochemicals, shipping, oil refining, and steel. The Saudi government has established

²²⁸ Ibid.,

²²⁹ Financial Post. January 2, 2008. *Gulf States Debut Common Market \$715 with US\$ economy; Trade – Talk Muscle*. National Post's Financial Post & FP Investing (Canada). FP14.

multinational information technology centers within the nation. However, the conservative culture of Saudi Arabia is unsuited to international tourism because of the numerous restrictions on tourists. For instance, women are not allowed to wear shorts or denim jeans in public places and must always conform to a dress code that complies with the tenets of Islamic culture. However, the not-inconsiderable Islamic tourism provides substantial foreign exchange to Saudi Arabia, which houses the holy pilgrimage centers of Mecca and Medina.²³⁰

Oil is abundant within and synonymous with the GCC states, and their economies depend on the production and export of oil. As such, the entire region's economy has been dependent on the energy sector for decades. At present, these states are implementing changes to their traditional approach, and this will bring about an economic revolution. These states have begun to invest large amounts in the areas of construction and transport with the collaboration of foreign investors. Foreign investors are investing large amounts on various projects in these states, and the entire region has become a haven for investment opportunities.²³¹

Still, the chief sources of revenue in these countries remain oil and gas. The earnings from this sector are deployed for the development of other sectors. Oil is required by every nation in the world, and its price has been

²³⁰ Jane Bryant Quinn.

²³¹ *Constructing a Revolution*, (Investment Adviser. September 15, 2008)..

increasing. The year 2008 witnessed a steep increase in the price of oil, reaching US\$145 a barrel, whereas it was US\$30 a barrel in 2002. The GCC governments are investing the revenue that they have earned from high oil prices into development projects. Their plan was to reach the US\$1 trillion mark by the end of 2008. If this target is achieved, then the economy of the GCC will be larger than that of South Korea and equal to that of India. This steep increase has prompted an investment boom in recent years. The net worth of present projects in the Gulf region is expected to be around US\$1trillion. These projects are incomplete at the moment and only a small proportion, namely around 16%, pertain to the energy sector.²³²

The GCC is investing a major portion of its economic resources in construction projects, allocating more than 66% for this purpose. The construction work has been subdivided into parts to bring about its speedy completion. Much of the construction is of multi-story buildings for office and shopping purposes. Dubai has the largest shopping malls in the world, which, having become major tourist attractions, have rendered Dubai a major tourist destination in the region.

The GCC has modified its economic policy, and its new economic order is evidenced by the extent of its non-oil trade with neighboring countries.²³³ According to Anil Wadhwa, the Indian ambassador to Oman, the

²³² Ibid,.

²³³ Ibid,.

non-oil trade between India and Oman reached an all-time high of GBP 2 billion at the end of 2008. This figure was US\$1.8 billion in 2007, double the total trade in 2006. India and Oman have already undertaken joint projects in the areas of infrastructure development, real estate, and other construction sectors. These sectors have proved to be very important in developing relations between these two economies.²³⁴

As the situation in the Gulf changes, a number of foreign companies have expressed interest in investing in the region. Even the index fund advisors (IFAs) are scrutinizing the economic conditions in the region in order to advise their clients to invest in the GCC. Research studies indicate that nearly 84% of the IFAs are of the opinion that investing in GCC markets would be profitable for their clients. The new economic order of the GCC has proven to be especially advantageous to the financial services sector. The GCC is gradually becoming more dynamic, which is a positive sign for investors. Despite these efforts, the GCC financial market is still considered to be in its nascent stage. In the recent past, native Gulf investors migrated to other financial markets, including the New York, London, Geneva, and Tokyo markets, instead of investing in GCC markets. However, this trend has reversed; domestic investors now prefer GCC markets to other markets. These investors consider investment in the GCC to be safe and can invest in several sectors.

²³⁴ *ibid.*

With the cooperation of the Economist Intelligence Unit, the Qatar Financial Center conducted a survey with regard to the GCC's market position. The survey revealed that the demand for financial services within the GCC is growing beyond all expectations. On the basis of survey recommendations, the Report on Asset Management in the Middle East was drafted, which states that GCC markets require the experience of global financial institutions and the advice of senior and top-level Western financial managers. An important fact revealed by the survey was that nearly 84% of the financial services institutions plan to expand their services to cover the entire Middle East region. A majority of the participants in the survey stated that they felt secure because of the vast wealth of the region and of private individuals. Some 69% of the respondents were encouraged by the liberalization of the GCC markets and their efficient governance and regulatory systems.²³⁵

The GCC realizes that the development of financial services is not the only determinant of its success, and has therefore initiated other important developments and projects. The best example is that of Kuwait, which has great liquidity in the GCC stock markets. The Kuwaiti markets are open to foreign investors and place no restrictions upon their investments. Oil exports provide nearly 50% of Kuwait's national income, which is diverted to development activities in other sectors. The major beneficiary of the oil boom is the Kuwaiti banking sector. The country's telecommunications sector is very technologically advanced. Its mobile telephone network, considered one of

²³⁵ Ibid.,

most sophisticated in the world, covers 90% of its population, which was extended to the entire population at the end of 2008.²³⁶

Kuwait has also undertaken the construction of large-scale projects, including that of the Madinatal-Hareer or the City of Silk, a real estate project that is the largest project of its kind in the entire Middle East, with an estimated cost of US\$77 billion. The real estate sector is the second largest source of revenue for Kuwait, recording property transactions of US\$1.1 billion in April 2007 and experiencing an average growth of 85%. The reasons for this extraordinary growth are the population explosion and the limited land available for use. As the demand for housing increases due to increases in the Kuwaiti population, Kuwaitis are changing their perceptions about housing, with the younger generation desiring to live independently of their parents and other relatives. In the past, families lived communally, but demographic changes have encouraged the younger generation to live independently.²³⁷

The other rapidly growing industry in Kuwait is the transport industry, in which it has invested hundreds of billions of dollars. Kuwait has one of the world's largest and most comprehensive and advanced transport systems,²³⁸ which includes seven airports. As the regional destination for commerce, Kuwait requires such a well-planned transport infrastructure. Being situated between Saudi Arabia, Iran, and Iraq, Kuwait acts as a commercial hub for the

²³⁶ Ibid.,

²³⁷ Ibid.,

²³⁸ Ibid.,

financial institutions and markets of these three nations. As home to the largest shipping industry in the Persian Gulf, Kuwait has upgraded its seaports to accommodate larger cargo vessels. The traffic at these seaports is always brisk, and in some areas has recently doubled.

All six GCC states are developing rapidly in all aspects. As all have a young and numerous workforce, there is no dearth of educated and skilled youth in the region. Increased investment in infrastructure will create endogenous growth and a more diversified economy. The success and growth of the Kuwait Stock Exchange has attracted foreign direct investments, which has increased liquidity. The first exchange traded fund (ETF) investment, made in July 2008 in the Kuwait Stock Exchange, is considered a model of liquidity and greater transparency. Due to these characteristics, the ETF is considered the standard of investment, and prospective investors look for the ETF mark before investing. As such, ETF investment in the Kuwait stock market was a landmark event.²³⁹ In addition, ETFs attract a larger number of investors because they enable investors across the world to access the market in which they have invested. This renders markets more trustworthy for investments and provides the same standards as do other international markets. It is anticipated that other ETFs will enter the GCC markets because of the interest being displayed by foreign investors.²⁴⁰

²³⁹ Ibid,.

²⁴⁰ Ibid,.

The GCC states, including their businesses, banks, and government agencies, are investing large amounts in Asian markets. Dubai is concentrating its investments in Pakistan, where it plans to invest US\$2 billion. The other countries of interest to investors are China, India, Malaysia, and Indonesia. Some investors have shown interest in state-sponsored national projects in Jordan, Egypt, and North Africa. The poorer states in the Middle East region have been ignored by the GCC. Persia, Mesopotamia, the Maghreb, Syria, and Egypt were once the centers of civilization, but the GCC states have no interest in them.²⁴¹

In order to overcome this problem and attract investment, Egypt is changing its economic policies. Spreading the GCC economic boom would help the region prosper, and the growth of the Egyptian economy would be of great significance to the region. According to the International Monetary Fund (IMF), Egypt has recently recorded a 5.2% growth in its economy and its economic reforms have gained international acclaim. Its reforms in real estate, finance, and law have resulted in the emergence of a new class of Egyptian business tigers and allowed the middle class to purchase homes.

There is lack of consensus amongst the member states of the GCC with regard to several issues. For instance, the member states have differences regarding the provision of funds for the security of the region, particularly the

²⁴¹ Afshin Molavi, *The Real 'New Middle East*, (*The Washington Post*, 20 August 2006, B7).

physical implementation of security projects. In addition, they have different foreign policies and political agendas. For instance, Kuwait insists upon the presence of US and UK troops on its soil, whereas the Saudi government is against the deployment of foreign troops on its soil. In fact, it has categorically refused to allow foreign troops into its territory,²⁴² instead aiming to increase its own armed troops, which it plans to double to 250,000 in the next five years. If this is achieved, then military adjustments within the GCC would need to take on new dimensions in order to maintain balance within the GCC.

In such a situation, the GCC nations would have to depend on the support of the Western countries for arms supply and planning. At present, the US and UK ground troops are ready to leave Kuwait and Saudi Arabia has clarified its stance regarding foreign troops on its territory. Therefore, the ground troops must leave the Gulf region. However, the naval forces of the US and the UK will remain in the Gulf. These countries, the US and the UK, would significantly strengthen their involvement in the naval forces. The US has already stationed an aircraft carrier and a Marine amphibious unit in the Gulf, and it plans to extend its operational zone to Bahrain and, if possible, Saudi Arabia.²⁴³

²⁴² Gulf States Reorienting Future Security Strategy Saudis Reportedly Balk At Presence of Pan- Arab or Western troops. *Christian Science Monitor (pre-1997 Fulltext)*, (Boston, Mass. 3 June 1991).

²⁴³ *Ibid.*,

The Iraq-Iran War influenced all the nations in the region to a significant extent. Although the GCC states suffered the effects of a protracted war, they were successful in ensuring that their cooperation in the economic field remained unaffected. Their cooperation was reinforced by the founders of the GCC, who called for the containment of the Islamic Revolution, as doing so would enhance social and economic relations and cooperation amongst the states in the region. They realize that in order to survive the depletion of their oil resources, economic cooperation is essential.²⁴⁴

The Iraq-Iran war affected the economic policies of the GCC states to a considerable extent. For instance, the major projects of constructing an oil refinery in Oman and a joint pipeline were terminated. There were several rounds of negotiations for these projects by the concerned governments. Oil revenues declined due to the fear of war spreading throughout the region. Economic cooperation schemes were initiated to cope with the situation, although some have argued that the war was not the primary factor in the formation of such cooperative ties. The economic cooperative schemes included the establishment of the Gulf organization for investments, the removal of internal customs and taxes, and the creation of common external tax regimes.²⁴⁵

²⁴⁴ Rouhollah K. Ramazani and Joseph A. Kechichian, *The Gulf Cooperation Council* (University of Virginia Press, 1988), p.194.

²⁴⁵ Ibid.,

The GCC states did not adopt these economic reforms until its sixth summit meeting because their leaders doubted the viability of these new economic policies. Their chief preoccupation was the outcome of the war on their economies and projects. In addition to the war, these states were under the threat of internal revolution. Thus, they had to protect themselves from this threat and cooperate with each other to enhance their internal security. The GCC states were successful in this effort, successfully stopping a Bahraini plot in which Islamic terrorists made several attempts to overthrow the government and indulged in a number of acts of terrorism. These terrorist attacks were sponsored and supported by Iran, which had emerged as the mastermind behind the export of Islamic fundamentalism and Islamic terrorism to other states.²⁴⁶

Saudi Arabia entered into four security arrangements and proposed a draft multilateral security agreement with the other GCC states, with the exception of Kuwait. All these efforts were aimed at protecting the six GCC states from internal revolution after the war had ended. They exchanged riot control equipment; shared information provided by their intelligence bureaus; demonstrated training techniques; and imposed severe restrictions on the issuance of visas, travel between states, and the publication of news.

The six GCC states have different demographic, social, economic, and political problems that could lead to political fragility and instability in the Gulf

²⁴⁶ Ibid.,

region. It is therefore not surprising that there is a well-founded fear that Islamic fundamentalists and terrorists could take advantage of their situation. In order to counter the possibility of exploitation in the name of Islam, these six states have implemented several deterrents, such as detection, detainment, and punishment policies regarding terrorists. These operations, launched during the first five years of GCC functioning, have proved to be effective in controlling political violence and acts of terrorism.²⁴⁷

²⁴⁷ Ibid.,.

Chapter 6

6. Conclusions -The Middle East in the New World Order

The notion of a new world order, pioneered into the glossary of international politics with the decline of communism in Eastern Europe, was powerfully raised by President George Bush in response to the Gulf crisis. Hence, the closing stages of the Cold War and the invasion of Kuwait by Iraq in August 1991 represent the historical beginning for the concept. This indicates at least two breadths in its significance, namely, the termination of an international order settled on by the tussle for dominance between the United States and the Soviet Union; and the commencement of U.S. foreign policy principles on the basis of U.S. hegemony in the global order.

However, political movements in the Middle East after the Gulf War can be examined from three levels of analysis frameworks of the international system, the regional or subordinate system, and the local or domestic system. The current remarkable global transformations in the international system deeply affected the regional system of the Middle East and decisively influenced its politics.

The final stages of the cold war in 1989 paved the way for a U.S. leading unipolar global system in the 1990s. The political collapse of the USSR strengthened that upshot. Related with this, U.S. foreign policy necessitated to

readjust from one adjusted to the global movements and aspirations of the Soviet Union to one with fresh descriptions of security and political motives.²⁴⁸

The long-term prospect of the international system is possibly to be one of a regionally anchored multipolarity, for instance, Germany in Europe, Japan and China in Asia, and Russia in Eurasia. Such super powers' motives are probable to contend in third regions, for instance, the United States and Russia in the Middle East and Japan and China in Southeast Asia. Hence, the present-day unipolarity of the global system embodies a possible midway stage from bipolarity to a likely regionally founded multipolarity.²⁴⁹

Not astonishingly, a midway unipolarity in the global system has collided on the international subordinate system of the Middle East, indicating a comparable state of changeover there, too. The regional system of the Middle East was distinct in its association to the global system for the historical strength of superpower intervention and for the less-reliant character of that intervention. The high degree of domestic clashes, such as the Palestinian concern, Lebanon and the Gulf accompanied with geopolitical and energy reserve features, at all times gained strong superpower intervention. Rarely, nevertheless, were the superpowers proficient to identify foreign policy of the Middle East.²⁵⁰ Such an invasive mechanism mandated by external superpowers on regional players

²⁴⁸ Peretz, Don. *The Middle East Today*, (Westport, CT: Praeger, 1994), p. 83.

²⁴⁹ *Ibid.*,

²⁵⁰ Hiro, Dilip. *The Middle East*. Phoenix, (Oryx Press, 1996), p. 104.

might be distinguishing attribute of most regional systems across the globe; however, the Middle East already had escaped this domineering type of association. The termination of superpower bipolarity in the global system leads to the possibility for greater influence of the superpower. In the nonexistence of a regional player to execute one power off in opposition to another, the solitary superpower has turned out to be more important.

The unipolar nature of this interfering system might have an alleviating effect if U.S. foreign policy sustains its activity in the region, and if that policy is believed to be seeking an impartial resolution to the Palestinian dilemma or other equally particular problems. In simple terms, the U.S. attempt to parlay the military triumph of the allied federation of the Gulf War into a political one is a conditional issue.²⁵¹ If U.S. policy falls short to be unbiased, then U.S. supremacy will collapse, and the system will probably revert to the more provincial interests of the states even while the United States sustains its regionally committed security and economic aid, particularly to Israel and Egypt. Unipolar interference is hence a provisional status.

More particularly, foreign policy of the U.S. in the Middle East already concentrated on rejecting the region to the USSR, assuring right to use and exploit its oil reserves, upholding the security of Israel, and using the pathways of sea and air routes that traverse the sea. With the weakening of the Russian

²⁵¹ Ibid., p.105.

intimidation in the region, the most significant issue at present is oil, even though the security of Israel is still a relevant issue.

Throughout the Cold War, Israel was perceived as not just a liability but a strategic advantage point. In the aftermath of the Cold War, this ceased to be the case, as shown in the Gulf War. Even though Israel experienced missile attack, it was significant that it stay a non-combatant in order not to incapacitate the alliance of Arab states made parallel with the United States. The pathways of sea and air communication were an essential guarantee as component of secured ties between the US and Egypt. The highlight on oil in US policy led to the defence of the Gulf region with military protection rather than the expansion of important political ambassadorial terms for the region. Nevertheless, the strength and stability of the Middle East is of main significance and post-Gulf War US policy did determine a number of objectives: a defence command in that “sub region, arms control, the Palestinian question, and economic development.”²⁵²

The Palestinian crisis appears to be the Gordian knot that must be severed to attain regional strength and stability, guarantee of the defence of Israel, a resolution to arms production, and probable economic reallocation and redistribution in the region. Thus, a peace agreement must be precedence in present-day U.S. policy.

²⁵² Freedman, Robert O. *The Middle East and the Peace Process*. (Gainesville, FL: University Press of Florida, 1998) p. 47.

6.1 Middle East and Gulf Interdependencies

There was always a predisposition on the division of US policy to detach the political sector of the Gulf from those of the entire Middle East. Expressive of this has been the Gulf-oriented character of US policy. It is the oil of the Gulf and the safety of responsive states that have been the centre of US policy.

Even though the United States believed that the Gulf took action autonomously of the Middle East, there are, in reality, five aspects that reject this principle. The primary concern, which is often taken for granted, is the regional foreign policy objectives of Gulf and non-Gulf Arab countries and the materialization of a regional multipolar, possibly Egyptian, hegemonic scheme. In the case in point of the Gulf States, the progressing exhilaration of the Gulf War should not forget the reality that Saudi and other leadership in the Gulf relied for their authority on advocating the Palestinian movement as an Arab basis and reclaiming Jerusalem as an Islamic justification.²⁵³ Toward this objective, money surges outward in vast quantities from Saudi Arabia to Islamic organizations all over the Arab and Islamic world.

More significant is the Egyptian belief of its accepted hegemonic leadership position in the Middle East including the Gulf. In the latter instance, its convincing military position in Desert Storm embraced the guarantee of a regional joint security function in the Gulf, which hitherto has been rejected in

²⁵³ Ibid.,

support of the United States. The wider indication is that currently there is a force at work in the Middle East circling around the surfacing of a multi-polar regional global system wherein Egypt, Syria and Saudi Arabia are contemporary players, but wherein Iran and later on Iraq will be important actors.

A second regional aspect is that the states of the Gulf are reliant upon legitimate premises of political authority, which is similar with the entire region. Two interrelated subordinate issues bind in with political authority. One of these is the unsettled character of the Palestinian concern. Before August 1990, the states of the Gulf addressed this issue mainly through public speaking and encompassing financial backing of the Palestinian Liberation Organization (PLO). A further concern is that thousands of Palestinians were received for their proficient and competent skills as workers and employees in both the private and public sectors within the Gulf area. When the PLO accepted Saddam Hussein, these ties were cut off with an as yet anonymous possibility for insecurity. The Palestinians were afterwards driven out from the Gulf together with highly competent and highly skilled Jordanian labourers.²⁵⁴ In the short run, antagonistic sentiment in the states of the Gulf has approved of these decisions and actions, but they might contribute to the decline of authority in the long run.

In addition to the diplomatic features of the authority issue and its possibility for Gulf state insecurity, there has been a further associated aspect of

²⁵⁴ Hudson, Michael. *Middle East Dilemma: The Politics and Economics of Arab Integration*. (New York: Columbia University Press, 1999), p. 129.

economic allocations to the nonpetroleum-generating nations in the form of transfers of funds by Jordanians and Palestinians. The abrupt cutting off of these transfers after the Gulf War is conveying a destructive impact on the economies of Jordan and the Occupied Territories, elevating the potentialities for insecurities there as well.²⁵⁵

The more expansive regional framework impacts the Gulf in a fourth manner: US power forecasts and the necessity to sustain productive relations with main Middle Eastern states so as to obtain air and sea passageways lest of a critical build-up. Egypt is perhaps the single most vital country in the Middle East in this consideration. Its massive size and geopolitical sites in northeast Africa and the eastern Mediterranean establish it a tactical air route, and its power over the Suez Canal guarantees its essentiality with respect to sea routes.²⁵⁶

A further aspect links to military self-assured presence and prepositioning. With regard to the former, the political sector of the Middle East is predisposed to rule out this alternative. The experience of colonialism and the power of nationalism prevent all apart from the most so-called self-assured presence, such as the sea plane headquarters of the US Navy erected in Bahrain in the pre-Gulf War. In the joviality of the sudden post-Gulf War Middle East there was a discussion of such a self-assured presence, but this ebbed even while hearsays

²⁵⁵ Ibid.,

²⁵⁶ Ibid, p. 130.

continued of an underground US military presence in the eastern region of Saudi Arabia. Historically, underground pre-positioning as a most likely less challenging policy than self-assured presence proved unworkable in the Middle East. One case in point is the much debated Ras Bannas military headquarters in Southern Egypt in the eighties. The single underground pre-positioning likely thus far was in Israel, but the employment of such objects in a regional disagreement would have a political accountability similar to that of potential Israeli involvement in Desert Storm. Underground pre-positioning in Turkey and, to a progressively more restricted extent, Egypt is politically more practicable. The newly settled on bilateral agreements with Bahrain, Oman and Kuwait and comparable contracts with other Gulf States are notable for their public nature and bear prospective destabilizing baggage.²⁵⁷

Associated to the abovementioned is the replacement for a type of self-assured presence and nonviolent endeavour through sporadic operations and collective manoeuvres. Egypt, once again, is descriptive in this consideration. Generally, sporadic operation of US forces in Egypt took place that were in principle outside of the authority of Egypt, as contingent- sized divisions consigned as UN ceasefire supervisory divisions in the Sinai. Moreover, the collective manoeuvres of Operation Bright Star were conducted in almost secrecy with the aid of the local Egyptian media, out of esteem for Egyptian local political sentiments. Gulf leadership, even though not disturbed by the concern of

²⁵⁷ Bensahel, Nora. *The Future Security Environment in the Middle East: Conflict, Stability, and Political Change*. (Santa Monica, CA: Rand, 2003), p. 221.

a free press as the case for Egypt, can still feel politically defenceless. Kuwait has allowed significant collective manoeuvres, such as those that took place in the heat of 1992.²⁵⁸

6.2 Regional Defence Command for the Gulf

Consideration to a home-grown and joint regional collective defence seems to be a missing link between the national safety interests of the United States and defence assistance as a way of enhancing military potency. The current policy of considerable levels of defence assistance and US force engagements indicates an extent of redundancy. The former appears to reject the indispensability for the latter. This letdown to deal with the potentialities of regional defence agreements rather than US force assures additionally demonstrates that the United States is not backing up regional self-governance.

At an Arab summit convention in Syria in 1991, a Damascus Declaration was released that appealed for Egypt and Syria to take in defence accountabilities in the Gulf. Since that event, nonetheless, this native Arab approach was secretly discarded in support of a popular US function in Gulf defence, which consequently was complemented by a Saudi resolution to increase its force levels and become progressively more independent. The justification for the obvious desertion of an Egyptian and Syrian role in the Gulf

²⁵⁸ Ibid., p. 222.

likely manifests a traditional Saudi Arabian anxiety of Egyptian supremacy. It is better to accept a US pledge that could technically be tripped back over the horizon than an Egyptian pledge with its assistant political dominance and assistant intimidating republican non-monarchical philosophies.²⁵⁹

6.3 Subordinate Systems Relations

There are far-reaching changes at work contained in the regional system. The most wide-ranging change is that Islamism was appended to its elementary Arabism. Islam, the more homogenizing occurrence, abridged the estrangement of two of its marginal states, Iran and Turkey. In the case of the latter, growing local religious attitude made the nation amenable to Islamic cultural influences and prompted Turkish policy to more and more reflect of itself as a mediator between the Middle East and the West. This was bolstered by a Turkish awareness that its prospects for European Community affiliation was almost certainly weakening. This sentiment as well played as a limitation on Turkish policy in the latest Gulf War.²⁶⁰

The experience of Iran was more intense. “Whether in Lebanon in the front ranks against Israel or in the Gulf where Islamic solidarity was used to ameliorate Arab Gulf state fears even while its Shiism acted in the opposite

²⁵⁹ Bilgin, Pinar. *Regional Security in the Middle East: A Critical Perspective*, (New York: Routledge, 2005), p. 50.

²⁶⁰ Boyle, Francis. *Destroying World Order: U.S. Imperialism in the Middle East Before and After September 11*. (Atlanta: Clarity Press, 2004), p. 173.

direction, Iran had now joined the core grouping of Middle East states.”²⁶¹ In the centre, the International Islamic Conference Organization, which is composed of all Islamic nations in the world, made possible Egypt’s readmission into the state system of the Arabs, and Saudi financial assistances to Islamic groups in other nations flourish. Most significantly, the Israeli invasion of the places of worship of Jerusalem awakened Islamic sentiment in all states of the Middle East and organizations on the Palestinian concern.

The Gulf War, and the particular Arab alliance progressed to fulfil it, persists to have diplomatic rebound although the rebound may be weakening in energy, and previous alignments may be resurfacing as fresh ones emerge. Among the previous alignments are Saudi provisos regarding Syrian and Egyptian aspirations, which have consequently rejected those countries an imperative defence force contribution in the Gulf. Furthermore, Egypt and Saudi Arabia cooperated with Syria in reinstating diplomatic attachments with Iran. Iran as a vital Gulf War patron is addressed so as to hamper its possibility for Gulf hegemony. Lebanon resurfaced and was secured through its re-establishment as a sphere of influence of Syria; this led to the resolution of the disagreement in Lebanon, with the omission of the Israeli occupation of the southern portion of the country.²⁶²

²⁶¹ Ibid.,

²⁶² Ibid., p. 174.

A foremost contradiction is that even while the management of the PLO and Intifada were in disorder, the Palestinian dilemma was activated by the US diplomatic proposal that tried to enlarge upon the spectacle of a military triumph in driving out Iraq from Kuwait in the Gulf War. However, Iraq still maintains a significant conservative fighting force and Saddam Hussein retains his power. There is a possibility US domestic political concern of precisely what the war attained. Hence, the connection concern of the Palestinians that was rejected by the United States throughout the war is being dealt with: to secure the region for defence and safety reasons, to expand for US domestic political justifications the claims of victory in the Gulf War, and to moderate the wartime Arab supporters of the United States. Therefore, the new alignments, particularly of Egyptian, Syrian and intra-Arab coalition, are maintained by the challenging peace initiative.

In the perspective of the abovementioned, Iraq's defeat fell short to amend regional global relationships and hence could not oblige its determination on the Gulf and Palestinian concern. With two omissions, the US headed allied success brought back Middle Eastern associations to their pre-Gulf War status. The omissions are Iran and Israel; they are the champions in the Gulf War in that their similar opponent, Iraq, has been defeated at negligible lost to themselves. Yet while they can be recipients, the inactivity of Israel's settlement policy lingers a destabilizing force, nevertheless, and Iran's Gulf policy is unknowable. Mutually destabilizing could be the dominance of more deep-seated regimes in chief Arab

nations and their probable acquisition of the “missile guide systems and smart weapons technology that are present in the international arms market.”²⁶³

6.4 Military Disadvantage

In 1981, the Gulf Cooperation Council (GCC) was founded which includes the monarchies of the Arab Gulf of Saudi Arabia, Kuwait, Qatar, the United Arab Emirates (UAE), Bahrain and Oman. Even though the GCC acquired too much controversy, border conflicts have plagued members; the GCC has been powerless to provide for affiliated states’ defence with no outside support; procedures toward economic integration have consumed much more time than the concerned individuals of the Gulf had estimated; it has been confirmed to be the most resilient and successful of the Arab regional alliances that surfaced in the 1980s.²⁶⁴

In its inauguration in May 1981, the GCC did not particularly determine military security as one of the reasons for regional cooperation. Due to its military disadvantages, the council take on that strategy so as to evade raising apprehension among its ruthless neighbours. However, South Yemen was evidently a menace to Oman and, in the concluding phase of 1981, a coup d’état occurred in Bahrain. In the opening of 1982, the defence ministers of the member states conducted their initial multilateral convention. Those episodes were

²⁶³ Ibid., p. 175.

²⁶⁴ Chelkowski, Peter J. *Ideology and Power in the Middle East*. (Durham, NV: Duke University Press, 1988), p. 38.

accomplished in the establishment of a Military Committee within the secretariat of the GCC.²⁶⁵ Hence, the security issue emerged to the front position as an outcome of external and internal matters alike.

In aiming toward a coherent and integrated command system, the GCC started working on a collaborative strike force by the middle of the eighties. At the latter part of October, the Peninsula Shield collaborative exercises in the western part of Abu Dhabi predicted the Gulf States' own rapid deployment force (RDF). In 1984, the GCC made public a contract among its constituents to form an RDF. That same year, the Peninsula Shield II collaborative exercises in north-eastern Saudi Arabia integrated parachute landings for the purposes of rapid deployment. Nonetheless, the predicaments of the 1980s persist to trouble the GCC in the advent of the 1990s.²⁶⁶

Primarily, the centralized forces of the United Arab Emirates (UAE), the Union Defence Force, are outdone by rivalling military divisions of the seven emirates. The dispersed command orientation, manifesting suspicions among the component political units, does not allow the UAE to completely enhance its military prospect. Moreover, the military forces of Qatar, UAE and Bahrain are mainly prearranged to play an in-house policing function. Specifically, Qatar and Bahrain have extremely restricted military capacities; their inputs within the GCC

²⁶⁵ Ibid., p. 38-39.

²⁶⁶ Ibid., p. 39.

are representational.²⁶⁷ Also, deficiency in manpower afflicts all of the members of the GCC in sending their armed forces.

At its centre, the formula of GCC security lies with Saudi Arabia. Nevertheless, that nation does not possess military competences to single-handedly safeguard the Gulf. Whereas the Saudis have laboured to conquer regionalism, the aristocrat family is cautious of the possible threat to its own preservation and survival from a massive experienced military force. This is a logical concern provided that the military's proclivity for challenging to remove from power monarchies in the Middle East. Furthermore, the belief about the security umbrella of the Saudis differs inside the GCC. While Qatar and Bahrain depend on the Saudi air-resistance scheme, the UAE has a critical concern regarding the satisfactoriness of the Saudi shield. Moreover, not merely did the GCC fell short to play a successful role in frustrating the tanker war in Iran, Saudi Arabia itself experienced serious damages. For instance, in 1984, a Saudi oil tanker named the Al Ahood, was destroyed by an Iraqi missile while it was about to abandon the Iranian oil station at the opening of the Gulf. That same year, a super tanker from Saudi was aimed at by unknown planes off the coast of Saudi.²⁶⁸

At a convention in May 1984 in Riyadh, the GCC expressed disapproval of Iranian assaults against their oil tankers. In that instance, the GCC contested

²⁶⁷ Ibid., p. 40.

²⁶⁸ Henry, Clement M. *Globalization and the Politics of Development in the Middle East*. Cambridge, (England: Cambridge University Press, 2001). p. 133.

direct American intervention and raised the concern at the Arab League and United Nations. Nevertheless, throughout the 1987-88, at the advising of the government of Kuwait, the U.S. Joint Task Force Middle East accompanied reflagged oil tankers of Kuwait against the attacks from Iran. Moreover, at some stage in 1990-91 turmoil, the GCC created an official appeal to the Bush administration to be involved or intervene in opposition to the hostilities of the Iraqis.²⁶⁹

After the 1991 Operation Desert Storm, the prosperous Arab sheikdoms forcefully set out on a shopping binge for technologically advanced and high-end weapons. The proceeds earned from the exportation of oil will allow the chief members of the GCC to purchase more and more weapons in spite of their pressing cash-flow setbacks. The Saudi administration, in 1993, released \$35 billion which comprises 66.7 percent of its budget, for defence. Even though King Fahd made public a roughly 20 percent cut in the 1994 budget of the country, the decision accomplished little to lessen Saudi Arabia's relative allocation of military disbursements. Although confronting a \$780 million debit, the government of Oman allocated \$1.5 billion in 1994 which comprises 30 percent of the nation's resources, for defence.²⁷⁰

Despite of the weapons acquisitions, the RDF of GCC is basically symbolic. It is on no account an effective tool for either prevention or defence. It

²⁶⁹ Ibid., p. 134.

²⁷⁰ Bilgin, Pinar. *Regional Security in the Middle East: A Critical Perspective* . (New York: Routledge , 2005), p. 55.

is not astonishing that Kuwait settled on to unilaterally fortifies its defensive outer limits after the Operation Desert Storm in 1991. In 1993, the government of Kuwait proclaimed plans to establish a security channel along its border with Iraq determined by the 1992 U.N. Border Commission. Nevertheless, Kuwait will necessitate more than a channel for self-defence if reclamation of territory is reawakened in the future.²⁷¹

“Despite the thorny issue of Palestinian self-rule, the security dangers to the GCC in recent years have not emanated from the non-Muslim countries, near or distant.”²⁷²

Paradoxically, it was because of the Kuwaiti resistance that the GCC failed to concur on a joint defence agreement in 1984. Hence, a regional force was established with no corresponding security paradigm.

In spite of the problematic issue of Palestinian autonomy, the security perils to the GCC in the recent decade have not originated from the non-Islamic countries, near or remote. Instead, the intimidation has shifted from the council's two most influential and determined Muslim neighbours, Iraq and Iran. The situation is intensified by a stream of public opinion against Western incursion in the Middle East that perceives the dominant political regimes with contempt. Incapable to unilaterally put an end to military defiance from either neighbour, the GCC is confronted with an important dilemma. Pledged to “serve Arab and

²⁷¹ Ibid., p. 56.

²⁷² Ibid.,

Islamic causes,²⁷³ the organization discovers it politically revolting to accept assistance from the militarily commanding, non-Muslim West. The problem is specifically severe for Saudi Arabia, the foundation of the GCC, as guardian of the two holiest places of pilgrimage in Islam. As a matter of fact, in King Fahd in October 1986 declared himself guardian of the Two Holy Mosques in the threat of the Islamic Puritanism advocated by the administration of Ayatollah Ruhollah Khomeini in Iran.²⁷⁴

6.5 Political Incongruity of Western Security

Whereas extents of bilateral military associations by individual nations have been present throughout time with Western powers, there is hardly any agreement over joint ties to major powers. Since British removal in 1971 from the Persian Gulf, there has been a transition to depend on the United States for defence aid. On the one hand, with the earliest military establishment in the Gulf, Oman has traditionally been the most accommodating of defence collaboration with the West. On the contrary, favouring a nonaligned disposition, Kuwait has historically preferred a halfway policy in relation to the major powers. Nevertheless, Iranian assaults on its oil tankers in the eighties and the Iraqi invasion in 1990 compelled Kuwait to rethink its posture concerning Western security protection.²⁷⁵

²⁷³ Henry, Clement M. p. 138.

²⁷⁴ Ibid.,

²⁷⁵ Boyle, Francis. p. 182.

Even though the Operation Desert Shield in 1990 is attributed with safeguarding Saudi Arabia, some intellectuals perceive the 1990-91 Gulf War as a proof to the letdown of America's protracted prevention in safeguarding Kuwait. An effective prevention deserves the integration of a plausible disciplinary threat in instances of policy failure. While a 'trip-wire' protection would improve prevention, an RDF is fundamental if prevention falls short. The logistics of rapid deployment are enhanced thru the prepositioning of armaments and forces. The Riyadh Declaration in 1991 by the GCC nations sustained by the Bush government's post-Desert-Storm paradigm for a lasting security agreement between the United States and Arab coalition members that are opposed to Iraq.²⁷⁶ The scheme involved conditions for collective military exercises and a prolonged dedication of US naval forces in the Gulf.

Syria and Egypt have articulated reluctances regarding different security agreements in the Middle East. Throughout the 1990 Operation Desert Storm, for instance, Syria intimidated to embargo the US-headed anti-Iraq alliance if Israel turned out to be included in the operation. Even Saudi Arabia was anxious about the involvement of Israel aggravating Islamic radicalism in support of Saddam Hussein. Prior to that, in 1988, President Mubarak presented an offer to supply additional military advisers and gears to the sheikhdoms of the Gulf, but only in compensation for petro-dollar ventures in the arms industry of Egypt. Nonexistent satisfactory financial agreements, Cairo consequently demonstrated limited predisposition to send substantial population of ground troops to Saudi Arabia.²⁷⁷

²⁷⁶ Ibid.,

²⁷⁷ Ibid., p. 183.

Nonetheless, the Egyptian administration concurred to sustain its forces in Saudi Arabia and Kuwait under the agreement with the GCC and Syria in March 1991. Though, that security polity in the post-Desert-Storm was overturned by the Mubarak regime two months later with the extraction of thousands of Egyptian troops assigned in Saudi Arabia and Kuwait.²⁷⁸

The change of direction in Egyptian policy could be credited to, primarily, antipathy over the GCC'S hesitance to put into effect the Pan-Arab security agreement. Historically, not merely Iran and Iraq, but as well Egypt and Syria have demonstrated regional political goals; hesitant to station Syrian and Egyptian forces on their homeland, the GCC preferred for the 'over the horizon' security agreements with the United States. Second, conflict developed over reparation for Egypt's involvement in the anti-Iraqi coalition. The circumstance was aggravated by the failure of Kuwait to award renovation contracts to companies in Egypt. Third, the government of Egypt was anxious about potential Iranian involvement in a regional security command, specifically since Iran was not an affiliate of the anti-Iraqi alliance. Moreover, Egypt believed Iranian participation as a defiance to Egypt's restored political power over Arab security matters.

²⁷⁸ Hudson, Michael. p. 135.

“The GCC is not strong enough to defend its members from either Iran or Iraq, and entertaining the notion of dual containments is, at best, wishful thinking.”²⁷⁹

In any instance, the GCC is not adequately well-built to protect its members from either Iraq or Iran, and thinking about the concept of ‘dual containment’ is merely a wishful thinking. Moreover, the monarchies of the Gulf are unstable concerning their political prospect with a Pan-Arab agreement where military could depend with nations outside the sheikhdoms. Also, while the US protection indemnity is militarily more promising, it is politically expensive for the continuing stability of the Gulf administrations.

6.6 The Future of Regional and Sub regional Organization in the Middle East

The future of regional and sub regional organization in the Middle East cannot be separated from an examination of the structure that is theoretically be regulated. The Gulf Crisis experienced an overwhelming blow to the constitution of the regional system, emphasizing its intense deficiencies. The disapproval in which the Arab Cooperation Council (ACC) was embraced, the incapability of the Gulf Cooperation Council (GCC) to guarantee the protection of its members, and the immobility of the supreme regional institution, the League of Arab States (LAS), provide expressive substantiation of the failure of the organization and its

²⁷⁹ Ibid., p. 136.

system. Observing this mediocre performance, regional players have previously started to form new associations among themselves and with outside players. The most critical concern about the organization of contemporary Middle East is, hence, future-focused: What features are more probable to define the region's future organization at both the regional and sub regional levels?

An investigation of this issue demands consideration of the developments that started to occur in the months after the Gulf War. Specific inclination is made here to the renewed Middle East peace procedure, initiated in 1991. Bilateral agreements are now occurring between Israel and Arab nations whose territories it occupy, and multilateral discussions on issues of primary concern for the region are as well being embraced. Participants to these discussions include nations from outside the region.

These new dealings will perhaps have a say in the moulding of new structures. New players have inched their way into the Arab system or have been requested to participate in it. The future constitution of the system at both the regional and sub regional levels will substantially be the outcome of issues presented in the new dealings and of requirements designed by regional and extra regional players.

In deliberating the possible prospective regional and sub regional organization of the Middle East, one can carry on with two stages. Primarily, one

can address the two challenges that formed the Middle East's present-day dynamics, namely, the Gulf Crisis and the peace procedures in the Middle East. And secondly, one can turn to the concerns and requirements confronted by the system. Future players are recognized, and the presentation of current Arab establishments evaluated. If the latter cannot be carried out it will have to be addressed by novel structures. It is anticipated that this mechanism will tolerate the potential novel countenance of the Arab system at both the regional and sub regional levels to be more or less outlined.

6.7 Challenges to the Middle East Cooperation System

Whether the outburst of the Gulf Crisis in 1990 led to shortages in the Arab system or from a decision made by the administration of Iraq and forced upon the whole Arab world is questionable. Indications of progress in cooperation and relations among Arab nations before the crisis can be mentioned. Among these are the regulation of open disagreement, the alleviation of inter-Arab differences and conflicts, and the putting together of a mounting Arab agreement on the Iraq-Iran War as well as the Arab-Israeli conflict.

Nevertheless, considering the crisis as the result of the shortages of the system also are present. A number of planned and scheduled Arab summits were not realized or convened. Inter-Arab military clashes had not been completely settled. The Syrian-Iraqi conflict still opposed all attempts at

negotiation and had discovered additional room in a war by substitute in Lebanon.

In any instance, the 1990 Baghdad Summit had been the site of an animated debate between moderates and extremists. In the end, the former gave way and approved to create decisions in medium borrowed from the Iraqi president's speech. They had favoured to give way on the various concerns under debate rather than shoot up inter-Arab conflicts.²⁸⁰ By opposition, Iraq's bearing indicated its inclination for confrontation. When it attacked Kuwait, Baghdad took response on this inclination.

The Gulf Crisis divided the Arab system into two nearly equivalent parts. A joint approach was temporarily pursued. The Council of the League of Arab States, on August 3, conducted an emergency conference at the ministerial level. Simultaneously, foreign ministers of the Gulf Cooperation Council (GCC) held their own convention. A mini-summit was to be assembled in Riyadh the next day, but it did not happen. A numerous other bilateral and multilateral conventions occurred until a summit convention was held in August 9 and 10 in Cairo, but nothing benefitted. Undoubtedly, in the period between the conventions of August 3 and August 10, the population of countries advocating arguments against the Iraqi occupation of Kuwait and appealing for the extraction of Iraqi troops was reduced from fourteen to twelve. Protests, nonparticipation,

²⁸⁰ Bensahel, Nora. p. 234.

and reservations had elevated.²⁸¹ The Arab summit not merely fell short to find an answer to the predicament but as well accomplished the divergence within the Arab system.

In the face of the limitation of regional organizations, and provided with the premeditated significance of the Gulf sub region, the global system assumed responsibility over the management and mitigation of the crisis; Iraq's occupation of Kuwait foreshadowed a complete upheaval within the Arab system, one bound for effecting a fundamental transformation in its membership. It is simply natural that the endeavoured revolution's military disappointment would establish novel political facts that would have been complicated to incorporate within previous institutional paradigms. These facts are now prompting new domestic discussions and demands among Arab political personalities.

6.8 Economic, Social and Environmental Concerns

Multilateral mediations under the backing of the United States and Russia employ a task force headed by the European Community (EC) that concentrates on concerns of economic cooperation. These also involve social and environmental matters.

²⁸¹ Ibid., pp. 234-235.

6.8A Economic Cooperation

Several of Israeli intellectuals have been anxious for some years with matters associated to economic cooperation in the Middle East. But at present the concern is as well explicitly dealt with on the Arab side. Some assume that if peace were attained, countries of the region would obtain benefits and advantages through superior economies of magnitude, specialization and competition. This would be realized through progressively more effectual regional coordination of economic dealings sustaining, rather than replacing for, greater assimilation with the global economy.²⁸² The insights introduced by intellectuals hang about throughout the peace negotiations point to potential future dealings and the arrangements that could develop to control them. They can be categorized into the following:

Trade: It has been suggested that a free trade in the Middle East be established, at least for industrial products. Such a project would probably begin with Israel, Jordan and Palestine. The idea rests on the reasonable assumption that an expanded market will promote development in the region. However, even setting aside political considerations, this would not guarantee success. The record of Arab experiments with free trade areas and common markets is more sufficient cause for scepticism.²⁸³

²⁸² Chelkowski, Peter J. p. 55.

²⁸³ Ibid., pp. 55-56.

Basic Infrastructure: Ideas are raised in the fields of land transportation to connect the Maghreb to the Mashrek countries and the Gulf through Egypt, Palestine and Israel; rail transportation, specifically the rehabilitation of the Egypt-Gaza-Palestine line and its extension; solar energy generation, storage, and use by setting up a project at the juncture of the borders of Palestine, Israel and Egypt; electric power generation and distribution by implementing existing plans for connecting grids in Egypt, Jordan, Syria and Turkey and by including Israel in the prospective network.²⁸⁴

Currently, there are no institutions in which such insights could be broadly analyzed, and probably responded upon, by nations of the region. The UN Economic and Social Commission for Western Asia (ESCWA) could be adjusted to function in this regard.

6.8B Development of Water Resources

Cooperation between Arab and non-Arab nations in the arena of water resources is oftentimes talked about as a progress that will define the future of the Middle East. Insights range from suggestions for different kinds of bilateral cooperation to multilateral programs. Cases in point of the latter are the implementation of a water agreement that would cover water allocation, the use and management of natural water reserves and international aquifers, and the

²⁸⁴ Ibid., p. 56

expansion of a regional water right. Frameworks with a broader geographical coverage are constructing 'peace pipelines' and escalating regional precipitation by sea are merging in the eastern Mediterranean. Parties to such agreements would be Arab and non-Arab alike. The institutions necessary for accomplishing such programs could be bilateral or multilateral, regional or sub regional; but the repercussion is that they would cease to be entirely Arab.

6.8C The Environment

Recommendations for the conservation of the environment cross the Mediterranean, the Gulf of Aqaba, and nations in midway. Concerning the Mediterranean, schemes within the Mediterranean Action Programme are regarded as sufficient, but the construction of an Eastern Mediterranean regional centre for the lessening of water and marine pollution including Libya, Egypt, Cyprus, Lebanon, Syria, and Turkey is as well suggested.²⁸⁵

Furthermore, recommendations have been created for the Gulf of Aqaba; these involve a regional and environmental influence and regional natural source of influence encompassing the coastal states. In each instance, through definition, the proposed institutions would not be entirely Arab. On the bilateral stage, recommendations are created for establishing Israeli-Egyptian and Israeli-

²⁸⁵ Kaye, Dalia Dassa. *Beyond the Handshake: Multilateral Cooperation in the Arab-Israeli Peace Process*, (New York: Columbia University Press, 2000), p. 148.

Jordanian institutions to carry out research and development on and sectors to formulate schemes for the safeguard of the region of the Dead Sea.²⁸⁶

6.8D Human Resources

There have traditionally been appeals for policies to govern the transaction of manpower and to offer security to overseas labour in the Middle East. Present recommendations are meant to include all overseas labourers in the region, counting Palestinians employed in Israel. Establishing regional centres for technical and vocational preparation has been proposed. In this arena, as well, successful institutions might not be solely Arab.²⁸⁷

6.8E Identities Issues

The presence of the Arab system has been elaborated by the specific trends of interaction among nations sharing a common cultural identity. The Arab system has been illustrated as not merely regional but as well national and distinguished by a great degree of cultural, linguistic and social integration. These attributes may have been present in other regional systems but dissimilar to the degree attained in the Middle East. Cultural aspects were the roots of the Arab system. Without these, the system would not have existed at all.

²⁸⁶ Ibid., p. 148.

²⁸⁷ Ibid., p. 149.

Nevertheless, in an expanded regional system, the circumstance is dissimilar. Directly associated to cultural issues are ideological aspects; both kinds of issues are hard to pin down; thus, examining them is more complicated than determining security and economic mechanisms and players. As a matter of fact, they are 'identitive' matters; specifically, they mark the conduct and behaviour of players. In the recently surfacing Middle East context, ideological and cultural matters can be predicted to wield influence on Arab responses to different other issues.

6.8F Ideological Issues

The developing Middle East system will mainly be influenced by the interaction of ideologies differentiating its constituents. Three issues appear to shape main focal points of ideological union and pressure: "the secular-confessional issue; the issue of democracy; and the issue of socialization to norms of interaction."²⁸⁸

6.8F1 Secularism versus Confessionalism

The issue of whether a nation is to be mobilized and organized along secular or confessional patterns is one that impacts every country of the Middle East, even recognizably secular political structures such as Turkey. Israel is a case in point, since religion was founded for the formation of the state. In other

²⁸⁸ Roberson, B.A. *The Middle East and Europe: The Power Deficit*. (London: Routledge, 1998) p. 196.

states, the degree of confessionalism varies tremendously, with Iran and Saudi Arabia on one end of the scale and Turkey, trailed by Syria, Egypt and Lebanon, on the other end. Such nations as Egypt and Turkey can be merged as an outcome of their adjacent locations on the scale, yet others may not. Iran and Saudi Arabia are alienated by sectarian regards and severe conflict over a number of ideological issues.²⁸⁹ The split between the secular and confessional has been a persistent issue throughout the life span of the Arab system. It will currently be aimed at a broader regional coverage. As it accomplished with the previous system, it will almost certainly weaken the cohesiveness of the recently extended one.

6.8F2 Democracy

For this analysis, the concept democracy embraces notions of pluralism and competitive elections. To cite an idiom applied elsewhere, it can be mention that a definite democratic discrepancy is present in every country of the region. However, here, also, dissimilarities exist. Constraints on pluralism are less suppressing in Jordan, Egypt and Turkey and most stern in Qatar, Oman and Saudi Arabia. Competitive elections are carried out in Israel, Turkey and Iran and are unheard of in Syria and nations of the Arab peninsula.²⁹⁰

²⁸⁹ Ibid., p. 197.

²⁹⁰ Ibid., pp. 197-198.

These various domestic systems and mechanisms will automatically impact interactions associated to military, economic and environmental aspects. Concerning pluralism, the various attitudes toward democracy should be predicted to weaken the cohesiveness of every new-fangled regional system.

6.8F3 Socialization to Standards of Interaction

The complexity of predicting how players will be situated on this matter is corresponded merely by the essentiality of socialization as a task of every political system. The positioning will be identified by the conclusive agreements influencing territorial and other substantive concerns. Thus far, we can predict that Iran, kept out from discussions over the prospect of the region, is probable to oppose the new norms. It is in the character of agreements to compensate players in a different way. Hence, the performance of Arab nations will be in proportion to the interest that, with regard to their individual beliefs, the novel standards will accomplish for them. The complexity will be intensified if the impartiality of such standards is assumed differently in each nation.

Similar ideological point of reference bolsters the assimilation of any political system. The divergences of outlooks toward secularism and democracy in the Middle East are apparent. To conquer the evident disintegrative possibility, differences should be mitigated. This can merely be achieved if incidences that are still happening, such as the peace process, direct a mass of players to

assume the novel Arab system addresses their demands and advances their interests.

6.8G Cultural Issues

These involve the concerns of cultural identity and the creation of cultural goods. Arabs bestowed their name to the regional system as it has survived ever since the Second World War. This was disliked, with no impact, by cultural and ethnic minorities subsisting within the restrictions of the system. In a broadened system, minorities will perhaps prefer strengthening of the Arab identity of the system. Toiling in a common path will be the Israeli, Iranian and Turkish components of the Middle East system. The existence of extra-regional players in the system will further weaken the Arab nature of the Middle East.

However, provided with their population and their historical and linguistic associations, the Arabs can mark the system with their culture. Inter-Arab connections can be the foundations of a unique Arab subsystem that can influence the conduct and performance of its affiliated units with regard to economic, security, environmental and other concerns. Relations among Iranian, Turkish and Arab civilizations can enhance all partakers and further improve their shared entities. This is closely linked to the manner ideological concerns are handled and to the creation of cultural goods.

The perpetuation of a unique Arab identity will be impacted by the capability and proficiency to create cultural goods. Competition is extreme in cultural territories of all regional systems. Regional players confront the massive productive capabilities of focal players in the global system. However, there is a particular requirement for Arab goods.

6.9 Rethinking the Gulf Cooperation Council

Progressively more, the security concern has turned out to be major for the countries of the GCC. However, the joint military forces of the constituents are no contest for the prospective danger from either Iran or Iraq. The highly advanced arms and acquisitions since the Operation Desert Storm in 1991 will function no more than an emotional solace in the episode of an actual war.

Moreover, the Pan-Arab regional force envisioned in the Damascus Declaration has done trivially to guarantee the GCC leadership; provided with the doubts among the political heads, the dominions are anxious of depending on Syria and Egypt for their protection. These two Arab relatives have their personal economic and political interests for approving such an agreement. Moreover, the extra-regional security assurance from the United States preserved in the Riyadh.²⁹¹ Declaration is by no means politically widespread in the Arab peninsula. This is an enduring issue for political authority.

²⁹¹ Kaye, Dalia Dassa. p. 153.

The rule of dual containment, particularly as it links to Iraq and Iran, is unrealistic. The thought of playing off one in opposition to the other in a scenario of balance of power is perilous. Aside from prohibiting them, there is a greater potential of restraining both of the intimidations in a regional collective-security framework. With concrete development concerning the Palestinian issue and decree of Syrian-Israeli territorial concerns, Israel could possibly be fragment of such a security administration. In order to rejuvenate itself as a successful organization, the GCC must spread out its membership to integrate the main players in the region. Apparently, in the process, it will be revolutionized from a Gulf to a Middle Eastern institution. In the perspective of the projected regional economic bloc at the Casablanca convention in 1994, it is not anymore an improbable idea.²⁹² The multi-polarity among Egypt, Iran, Iraq, Syria, Israel and the GCC, will be an alleviating influence for a regional collective-security paradigm.

The GCC does not confront the fate of NATO, where expansion seems to be indispensable to provide the coalition a confidence boost, unless a justification to bear on at all, in the dimension of the post-Cold War. The GCC is comparatively established with its present membership. They need to continue cooperating as general threats to their security is a continuing issue in an extremely tough region.

²⁹² Ibid., pp. 153-154.

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Chapter 2

- ❑ GCC countries map, <http://www.kingfahdbinabdulaziz.com/jpghi/f140.htm>
- ❑ The GCC consists of the Kingdom of Saudi Arabia, Bahrain, Kuwait, Qatar, the Sultanate of Oman, and the United Arab Emirates. Newly united Yemen has applied to join, but its application is still pending.
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