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RESEARCH PAPERS

EU-GCC Cooperation in an Era of Socio-Economic Challenges

by Cinzia Bianco

Introduction

Since its inception , the scope and the reasons behind the relation between the European Union (EU) – in 1989 the European Economic Community – and the Gulf Cooperation Council have been an ambiguous combination of economic and political factors. However, while economic and financial relations – and in particular the trade exchange flows – have continued to grow, this has had a limited impact on political dialogue, for a series of reasons that will be highlighted further on. Nowadays, the political distance between the two parties seems to be sharper, chiefly due to diverging views on how to manage the latest developments in the Middle East and in particular the recent turbulences in the Gulf region. While on the one hand the EU, broadly speaking, saw these turbulences as a chance for reforming the autocratic systems in the Gulf, the GCC regimes themselves perceived them as a threat to their own stability. The paper aims at putting forward suggestions on how the European Union could turn this challenging moment into an opportunity to find innovative ways to inject new stimulus into its relations with the GCC.

The paper first addresses the relations between the EU and the GCC, focusing on the interplay between the economic and political interests and naming the factors that have obstructed a true political cooperation to date. It then argues that the growing assertiveness of the Gulf countries in the wider Middle East should encourage the EU to re-evaluate the nature of a political partnership with the GCC countries and especially with Oman, a peculiar actor with good potential in foreign policy that the EU has scarcely engaged until now. The second part of the paper suggests pursuing strategic dialogue through a new economic framework, oriented at tackling the most important internal challenges to stability in the Gulf. In particular, the paper refers to the socio-economic challenges that lie at the origin of the popular discontent in the region and the extent to which these challenges represent a concrete priority for the GCC states. The paper then suggests the creation of a new trouble-shooting framework that, by capitalizing on the EU-added value as well as its know-how and expertise in capacity-building, would help the GCC countries tackle these priorities. Finally, it analyses its application in untapped rising sectors that, being drivers of soft power, could also impact the mutual perception across the two regions. Oman will be employed as a case study as it presents a significantly fertile terrain to apply this framework. With a large and young population that took to the streets in 2011 demanding for more socio-economic opportunities, insufficient natural resources to fuel the high social spending, and the political will to pursue a long-term innovative development strategy, Oman might be the best interlocutor in the Gulf for starting an international framework to foster sustainable growth.

Should the EU play a significant role in facing these key challenges in Oman and in the Gulf region in general, this might provide the momentum to build the necessary confidence at the decision-making level and take the partnership with the GCC countries to a more political-strategic level, while contributing to societal development in the Gulf region and inevitably triggering positive spill-over in Europe as well.

1. Economic and Political Interests Intertwined

The beginning of the relations between the EU and the GCC was promising, with the signing in 1989 of a Cooperation Agreement under which the parties committed to enter into negotiations on a Free Trade Agreement (FTA) and which set up a Joint Council/ Ministerial Meeting for foreign ministers. However, it was soon clear that the EU was really mainly interested in securing a stable oil supply and the Gulf states in finding a partner that would help boost their newly-started economic development and provide security.[1] The United States (US) took over this role, emerging from the 1990s and the First Gulf War onwards as the strategic partner and security patrol of the GCC, a position that was not even challenged until the tragic events of 9/11 tainted US-Gulf relations.[2] The fact that many Al-Qaeda terrorists were of Saudi origin pushed the US to re-evaluate its close relationship with the Saudi royal family. On the other side, the American reaction to 9/11 – democracy promotion through regime change and the war in Iraq – constituted a big threat to Gulf stability[3] and spurred significant domestic discontent over the Gulf's relations with the US. These strains arguably provided momentum for the EU, which was reluctant to support American policies in the Middle East under George W. Bush's administration, to become a strategic partner for the Gulf countries,[4] first and foremost in business. Indeed, between 2001 and 2003 there was a renewed two-way engagement, particularly with regards to the economic and financial realms. The EU stepped up its involvement and seriousness in the long-stalled FTA negotiations. The two regions achieved the liberalisation of capital

1 Christian Koch, "European Energy and Gulf Security", in *European View*, Vol. 4 (November 2006), p. 81-88, available at http://www.kasyanov.ru/images/image_all.html?col_id=1278&id=1524

2 Hichem Karoui, *U.S. Foreign Policy in the Gulf After 9/11: The Effect on US-GCC Relations (Saudi Arabia in the Focus)*, December 2008, http://www.hichemkaroui.com/wp-content/uploads/2009/07/US_Foreign_Policy_In_The_Gulf.pdf

3 Bichara Khader, "Is there a role for Europe in Gulf Security?", in *GCC-EU Research Bulletin*, No. 3 (October 2005), p. 10-12, at p. 12, http://www.grc.net/download_generic.php?file_name=MTA0Nzk

4 Giacomo Luciani and Tobias Schumacher, "Relations between the European Union and the Gulf Cooperation Council States. Past Record and Promises for the Future", in *Gulf Research Center Research Papers*, January 2004.

flows and the GCC, already driven by imperatives of diversification, invested in Europe rather than in the US a good share of the capitals accumulated in their Sovereign Wealth Funds thanks to oil and gas sales. On a strategic level, the fact that the EU was sharply divided over the course of action in Iraq prevented them from seizing the momentum and arguably determined the division of the political and the economic spheres in the EU-GCC relations.[5] From 2003 onwards, the economic and financial relations continued to steadily (but independently) grow, exceeding a record €87 billion in 2005, close to double the 2000 levels.[6] This provided the ground to extend cooperation in the areas of the environment, energy, education, money laundering, and terrorism financing to launch several projects and exchange networks, and to finally open the European Commission representative office in Riyadh in 2004. But on political and security matters, the EU and the GCC never went beyond consultations and watered-down joint statements on principles. The reasons why the economic leverage didn't translate into a political one have been long-lasting, and have been analysed thoroughly by the relevant literature.[7] First off, both the EU and the GCC lack unity in foreign policy, with individual member states having at times competing interests. Second, both parties have given priority to their partnership with the US, which is more able than the EU to provide the security guarantees that the Gulf needs and on which it bases its foreign policy. Third, the dialogue between the EU and the GCC has been tainted by crucial misunderstandings, based on the insistence of the EU on pursuing and sometimes pushing democratic reforms in the Gulf, driven by the inability to comprehend the very rationale and functioning of these autocratic governments and their extremely slow-paced development, and the inability of the Gulf to understand the multi-layered, bottom-up functioning of the EU and all of the interests that it has to take into account. Last but not least, the EU has shown a "strategic neglect"[8] vis-à-vis the geostrategic potential of the Gulf countries, which are all absorbed by the closer and livelier Mediterranean, also due to the fact that the Gulf didn't show any major protagonism in foreign policy.

However, this has recently started to change, with the GCC taking bold steps vis-à-vis key Mediterranean issues - issues in which the EU has been heavily involved - without coordinating with the European allies. For example, Saudi Arabia showed a new proactivity by proposing the Arab Peace Initiative in 2002 to solve the Arab-Israeli conflict. Qatar also tried to gain a new diplomatic role, notably by providing over $1 billion in aid to Lebanon to end the prolonged Lebanese political deadlock through the Doha Accords in 2008.[9] It

5 Abdullah Baabood, "Dynamics and Determinants of the GCC States' Foreign Policy, with Special Reference to the EU", in *The Review of International Affairs*, Vol. 3, No. 2 (Winter 2003), p. 254-282.

6 Rym Ayadi and Salim Gadi, "EU-GCC Trade and Investment Relations: What Prospect of an FTA between the Two Regions?", in *Sharaka Research Papers*, No. 5 (October 2013), http://www.sharaka.eu/?p=1379

7 Henner Fürtig, "GCC-EU Political Cooperation: Myth or Reality?", in *British Journal of Middle Eastern Studies*, Vol. 31, No. 1 (May 2004), p. 25-39; Christian Koch (ed.), *Unfulfilled Potential: Exploring the GCC-EU Relationship*, Dubai, Gulf Research Centre, 2005; Abdullah Baabood, "EU-GCC Relations: A Study in Inter-Regional Cooperation", in *Gulf Theses*, July 2006.

8 Richard Youngs and Ana Echagüe, "Europe and the Gulf: Strategic Neglect", in *Studia Diplomatica*, Vol. 60, No. 1 (March 2007), p. 29-41, http://www.fride.org/publication/127/

9 Edward Burke and Sara Bazoobandi, "The Gulf takes charge in the MENA region", in F*ride Working Papers*, No. 97 (April 2010), http://www.fride.org/publication/759/

also tried to broker an agreement between Syria and Israel over the Golan Heights and then, following Operation Cast Lead in Gaza in 2008, it took a strong position against Israel and started supporting Hamas. Finally, the new geopolitical role of the Gulf as well as its political distance from the EU was most clear in the aftermath of the Arab Spring: despite being engaged in talks for 30 years, the two parties failed to coordinate their responses to the major events occurring in their common neighbourhood.

The EU took a reactive approach in its response to the Arab uprisings when they first erupted.[10] This hesitation was due to the uncertainty of the outcomes and the tight relations the EU had with the overthrown dictators, which was partly linked to their ability to control migration towards the European shores. The interests of the EU and the GCC converged in their panic about instability. However, when the dust settled, the EU tried to embrace the democratic way to stability in North Africa and committed to supporting the political transition, while the Gulf countries used the vacuum of power as an opportunity to influence the geopolitical dynamics in the region. They did so by consistently using their wealth as political leverage in responding to the events in Egypt, Tunisia, and Syria, often sponsoring different, and competing, parties.[11] Qatar, for example, heavily sponsored the Muslim Brotherhood in Egypt, pledging more than $8 billion to them while they were in power. Saudi Arabia and the United Arab Emirates (UAE) instead funded the Brotherhood's competitors – allegedly the Salafists' Nur Party and the military. In Libya, the Gulf countries all rushed to back the rebels against Muammar Qaddafi, with Qatar taking the front seat by carrying the flag of the NATO intervention in the Arab country, actively taking part in it (together with the UAE) and recognising and funding the National Transitional Council of Libya, all with the goal of ensuring the biggest stake in the Libyan energy market and the new emerging political framework.

In the context of the responses to the Arab uprisings, the UAE was the Gulf state where political differences with the EU were almost ignored. For example, the relationship between the EU and the UAE grew stronger, notwithstanding the fact that the UAE had crushed the Islamic opposition domestically and interfered with the political transitions in North Africa. Indeed, the UAE is considered to be the Gulf country enjoying the strongest relations with the EU, as reinforced by the presence of an EU embassy in Abu Dhabi since mid-2013 and the willingness to open a UAE permanent mission to the European Union in Brussels. This might be related to the support given by the Emiratis to the West-backed government in Afghanistan and to counter-terrorism operations in the wider region. However, the whole convergence could hardly be unrelated to the fact that UAE trade with the EU represents 11.3% of its total trade with the world, and European countries appear to be the largest beneficiaries of regular financial flows from the UAE in the form of foreign direct investments, bank deposits, and capital shares.[12]

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10 Tobias Schumacher, "The EU and the Arab Spring: Between Spectatorship and Actorness", in I*nsight Turkey*, Vol. 13, No. 3 (2011), p. 107-119, http://file.insightturkey.com/Files/Pdf/insight-turkey_vol_13_no_3_-2011_schumacher.pdf

11 For the role of the Gulf countries in the context of the Arab Spring see Silvia Colombo et al., "The GCC in the Mediterranean in Light of the Arab Spring", in *Mediterranean Paper Series*, December 2012, http://www.gmfus.org/archives/?p=26695

12 See European Commission DG Trade website: *Gulf region*, http://ec.europa.eu/trade/policy/countries-

To the contrary, Oman, the country in which the EU has the weakest economic penetration, seems to also be the one that is the farthest politically speaking. This is regretful, especially if one considers the geostrategic potential of this country. Indeed, Oman has shown unique features in its foreign policy.[13] Despite having long promoted, especially in the past, a closer integration of the Gulf Cooperation Council, in particular within the realm of security, Oman is increasingly regarded as an independent actor in foreign policy, and one that is more oriented towards pragmatism and realism rather than ideology. This was made clear already in Sultan Qaboos' show of public support for Egyptian President Sadat's peace efforts with Israel in the US-sponsored Camp David peace talks in 1978, and again when he called for direct Israeli-Palestinian talks to settle the Arab-Israeli conflict at times when this was quite an unpopular stance in the Arab world. It is a country that has consistently promoted compromise and peaceful resolution, never breaking diplomatic relations nor ruling out former enemies as potential partners. In 1979, when the Shah of Iran was deposed by Ayatollah Khomeini, the Sultan kept the established Omani-Iranian ties in place while reinforcing the security partnership with the United States. This is something that allowed him to be an honest broker for the signing in 2013 of the interim agreement between Iran and the US on the Iranian nuclear programme.[14] Initially mediated by Germany, France, and the United Kingdom and then joined by Russia, China, and the United States, the agreement sought to address the apparently irreconcilable differences between the United States and Iran The Sultanate offered a successful track-two diplomatic channel, capitalising on the good relations that it had both with the United States, with whom it enjoys a Free Trade Agreement, and with Iran, with whom Oman shares the large oil and gas field Hengam in the Strait of Hormuz. It is worth underlining that, in spite of the role played by the EU in the matter, the Europeans weren't involved nor informed about the track-two talks.[15] Given all of the factors that make Oman a quite peculiar and interesting interlocutor within the Arab world, among which are its important geostrategic position at the crossway of two continents, Africa and Asia, and its historical ties with a number of important countries in those continents, it would be in the EU's interest to engage the Sultanate. Economically, Oman-EU trade represents only 5.6% of Oman's trade with the world, while EU-Oman foreign direct investments, hardly quantifiable due to a lack of available data in spite of having increased in the period 2006-2010, are still negligible.[16] These volumes can be increased, but not without facing the staunch competition from Asia, with China, Japan, and South Korea representing respectively the first, third, and fourth trading partners of the Sultanate (while the EU is the 5th),[17] and without the assurance that it would reflect positively on the political dialogue.

and-regions/regions/gulf-region

13 Joseph A. Kechichian, *Oman and the World. The Emergence of an Independent Foreign Policy*, Santa Monica, Rand, 1995, http://www.rand.org/pubs/monograph_reports/MR680.html

14 Geoff Dyer and Hugh Carnegy, "Iran deal has its roots in secret talks with the US", in *The Financial Times*, 25 November 2013.

15 Author interview with EU diplomats in Qatar, Oman and the United Arab Emirates, December 2013.

16 Rym Ayadi and Salim Gadi, "EU-GCC Trade and Investment Relations", cit.

17 European Commission DG Trade website: *Gulf region*, cit.

It is a widespread opinion that concluding the EU-GCC FTA, the negotiations of which are stalled yet again,[18] would boost political dialogue between the two regions. After all, since the EU is a "civilian power" limited by its lack of resources for serving as a security partner, it has often used trade to achieve foreign policy objectives.[19] However, the trick might not be effective in this case. After all, trade and investment flows between the EU and the GCC as a whole are already very significant, while there are other rising economies that increasingly offer competitive alternatives to the EU. Not even the 2010 EU-GCC Joint Action Programme for the Implementation of the Cooperation Agreement (JAP) that tried, with mixed results, to increase functional cooperation in several fields was able to pave the way for a truly strategic partnership.[20] Maybe the European Union should find something truly needed in the Gulf that only it can offer and focus fully on it as a basis to re-launch the partnership. This time of turbulences across the Gulf might provide just the right ground for it.

2. New Challenges: Setting the Ground for Changes?

The Arab upheavals of 2011 represented a watershed in the whole Arab world and a shock for the European Union, which was faced with the necessity of reconsidering the effectiveness of its policies to support democracy in the Arab countries of the Mediterranean. In the Gulf the upheavals shook ruling regimes that were considered among the most stable in the world, if not from the perspective of internal stability then surely from a psychological point of view. Even though the protests didn't challenge the ruling families directly, with the notable exception of Bahrain, and weren't driven by the same severe North African socio-economic fallacies in the system, they shed light on how powerful people's quest for empowerment, economic opportunities, and societal development can be, and insinuated the idea that these could be reasons for concern even to the Gulf states in the not-so-distant future. Indeed, the national labour force (especially among the youth) is growing so rapidly that unemployment among national workers has started to increase in most GCC countries – already in 2008, national unemployment was estimated at close to 13% in Saudi Arabia (going up to 39% among those aged 20 to 24), 14% in the United Arab Emirates, and 15% in both Bahrain and Oman[21] – so much so that Gulf regimes have identified it as one of the region's key domestic policy challenges.[22] At the same time, governments, despite

18 At the end of 2008, the GCC formally announced it was suspending the FTA talks due to the EU's insistence on political demands. However, Sovereign Wealth Funds from the Gulf region were still critical in supporting certain industries and financial institutions in Europe in the wake of the 2008-9 crisis.

19 Agata Antkiewicz and Bessma Momani, "Pursuing Geopolitical Stability Through Interregional Trade: The EU's Motives for Negotiating with the Gulf Cooperation Council", in *Journal of European Integration*, Vol. 31, No. 2 (March 2009), p. 217-235.

20 Abdullah Baabood, "EU Policy towards the Gulf Cooperation Council", in Ana Echagüe (ed.), *The Gulf States and the Arab Uprisings*, Madrid, FRIDE, 2013, p. 87-94, http://www.fride.org/publication/1139/

21 Martin Baldwin-Edwards, "Labour Immigration and Labour Markets in the GCC Countries: National Patterns and Trends", in *LSE Kuwait Programme on Development, Governance and Globalisation in the Gulf States Research Papers*, No. 15 (March 2011), http://eprints.lse.ac.uk/55239

22 GCC Secretariat General, *The Revised Long-Term Comprehensive Development Strategy for the GCC States (2010-2025)*, 2011, http://sites.gcc-sg.org/DLibrary/download.php?B=469

trying for decades, have been unable to generate substantial economic diversification from the oil sector,[23] which has low labour intensity and is subject to the fluctuations of oil prices.

It was in this context that the big day of protests took place in Bahrain on February 14th, 2011.[24] Upon realization that the destiny of the ruling Al-Khalifa family was being jeopardized, the GCC countries deployed the Peninsula Shield Forces to quell the riots. Mainly comprised of Saudi Arabian National Guard men, the Forces arrested thousands of people in the country as well as in the oil-rich Eastern province of Saudi Arabia, where protests had spread. In Oman, thousands of Omanis gathered in cities and towns, from Salalah to Sur and Sohar to Muscat. While pledging their unswerving loyalty to Sultan Qaboos, the protestors contested issues like ministerial nepotism and corruption, low wages, and the lack of jobs.[25] The protests were promptly shut down by the intervention of security forces, and many protestors were jailed. On top of the use of force, and in line with the traditional approach, state patronage has been heavily employed by all GCC countries. The major measures consisted of huge investments to create jobs in the already overcrowded public sectors and the distribution of cash handouts. In May 2011 Saudi Arabia announced a welfare package of a total estimated volume of $130 billion – of which $30 billion were allocated to Bahrain – in addition to the construction of 500,000 new houses and the creation of 60,000 jobs in the public sector for Saudi nationals. As of today, the minimum public sector wage in Saudi Arabia amounts to three times the average private sector wage. The Bahraini ruler, King Hamad al Khalifa, announced in 2011 that each family would be granted a $3,000 subsidy to cover their needs and promised to create 20,000 jobs in the public sector. The UAE also increased military pensions by 70%, created subsidies for bread and rice, and committed to spending $1.6 billion on infrastructure in the underdeveloped and thus less stable northern emirates. Even Qatar, saved from the unrest, proved no exception to this trend, announcing 8 billion dollars-worth of welfare package. In Oman, the Sultan tried to address people's concerns by sacking 12 ministers, raising the minimum wage, building 4,000 new units for lower-income families, and promising to create 50,000 new governmental jobs. This brought the government to its highest budget ever by a margin of 29%.[26] But most striking of all is the fact that 50% of the budget is spent on maintaining government ministries, which since 2011 have absorbed 36,000 new Omani workers into their ranks. Salaries and pensions have simultaneously expanded, and electricity and food are heavily subsidized.[27]

23 Ugo Fasano and Zubair Iqbal, *GCC Countries. From Oil Dependence to Diversification*, Washington, International Monetary Fund (IMF), 2003, http://www.imf.org/external/pubs/cat/longres.aspx?sk=16589

24 Information on the Bahraini revolution is taken from Kristian Coates Ulrichsen, "Bahrain's Aborted Revolution", in Nicholas Kitchen (ed.), "After the Arab Spring. Power Shift in the Middle East?", in *LSE IDEAS special reports*, No. SR011 (May 2012), p. 28-32, http://www.lse.ac.uk/IDEAS/publications/reports/SR011.aspx

25 James Worrall, "Oman: The 'Forgotten' Corner of the Arab Spring", in *Middle East Policy*, Vol. 19, No. 3 (Fall 2012), p. 98-115, http://www.mepc.org/journal/middle-east-policy-archives/oman-forgotten-corner-arab-spring

26 This and other data on financial instruments to quell the unrests have been taken from Steffen Hertog, "The Cost of the Counter Revolution in the GCC", in *The Middle East Channel*, 31 May 2011, http://mideast.foreignpolicy.com/posts/2011/05/31/the_costs_of_counter_revolution_in_the_gcc; and Silvia Colombo, "The GCC Countries and the Arab Spring. Between Outreach, Patronage and Repression", in *IAI Working Papers*, No. 12|09 (March 2012), http://www.iai.it/pdf/DocIAI/iaiwp1209.pdf

27 Elizabeth Dickinson, "A calm Arab summer follows Oman's Arab spring", in *The National*, 11 February

These measures, though effective in the short time, are unsustainable in the long term due to a combination of population growth, the inability of the public sector to absorb all of the new workforce, and, especially, the unreliability of the energy resources, the revenues of which fund these welfare systems. Many started to wonder if the whole decades-long social contract ("ruling bargain") based on the rentier system[28] had been thrown into question. According to this "bargain," the state reallocates the externally-driven oil-and-gas-related rents it receives through government-granted privileges such as tax exemption and a very generous welfare system, the assurance of getting a well-paid and not-too-demanding job in the public sector and, as witnessed in times of dissent, actual cash handouts. The model went through changes in the 1990s and 2000s when rents gathered in Sovereign Wealth Funds were invested in regional real estate, domestic and especially international financial markets, and grandiose projects in several fields – a kind of new state capitalism[29] or "revised rentierism"[30] that tried to employ rents to build national development strategies. The events of 2011 only highlighted the urgency of implementing more effectively and intensively these kinds of strategies. At the same time all Gulf governments are trying to increase productivity by setting up several programmes to boost local entrepreneurship and encouraging the private sector to employ nationals; policies of indigenization of the workforce – sometimes indicated as Gulfization – are common to the six GCC labour market regulations.[31] Those policies develop along four lines: reducing the supply of the migrant workforce by reinforcing barriers at entrances and exits, expanding the list of jobs kept for nationals, taxing employers who hire non-nationals, and establishing quotas to be reserved for nationals in the private businesses. These regulations were introduced as a result of seeing skilled expatriate workers being given the lion's share of the jobs created through diversification policies. Indeed, of the 7 million new jobs created in the GCC in the past 10 years, more than two-thirds went to expats, often due to a shortage of equally qualified nationals.[32] In 2008, while national unemployment was on the rise, the share of migrants in total employment was estimated at 74% in Bahrain, 77% in Oman, 92% in Qatar, and 87% in Saudi Arabia.[33] However, if promoting the employment of nationals would mean

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2013, http://www.thenational.ae/news/world/middle-east/a-calm-arab-summer-follows-omans-arab-spring

28 The "rentier state system" is a political-economic system that is typical of the major oil exporters, especially in the Middle East, as states that generate a large proportion of their income from rents, i.e. externally-derived, unproductively-earned payments. The relative theory was expressed first in Hazem Beblawi, "The Rentier State in the Arab World", in Hazem Beblawi and Giacomo Luciani (eds.), *The Rentier State*, vol. 2 of *Nation, State and the Integration of the Arab World*, London, Croom Helm, 1987, p. 49-62.

29 Ian Bremmer, "State Capitalism Comes of Age", in *Foreign Affairs*, Vol. 88, No. 3 (May/June 2009), p. 40-55, http://www.foreignaffairs.com/node/64948

30 Matthew Gray, "A Theory of 'Late Rentierism' in the Arab States of the Gulf", in *CIRS Occasional Papers*, No. 7 (2011), http://www12.georgetown.edu/sfs/qatar/cirs/MatthewGrayOccasionalPaper.pdf

31 Nasra M. Shah, "Restrictive labour immigration policies in the oil-rich Gulf: Effectiveness and implications for sending Asian countries", paper presented at the UN Expert Group Meeting on *International Migration and Development in the Arab Region: Challenges and Opportunities*, Beirut, 15-17 May 2006, http://www.un.org/esa/population/meetings/EGM_Ittmig_Arab/P03_Shah.pdf

32 Neelofer Mashood, Helen Verhoeven and Bal Chansarkar, "Emiratisation, Omanisation and Saudisation. Common Causes: Common Solutions?", in Zia Haqq (ed.) *Proceedings of the Tenth International Business Research Conference, Dubai, 16-17 April 2009*, Melbourne, World Business Institute, 2009, http://wbiconpro.com/17.%20Helen-UAE.pdf

33 Martin Baldwin-Edwards, "Labour Immigration and Labour Markets in the GCC Countries…", cit.

imposing undue costs of doing business, as Gulfization policies sometimes do, this could erode competitiveness and potentially reduce growth. The challenges outlined hitherto, which can be identified as socio-economic challenges, may have strategic consequences on stability – especially in a politically sensitive moment – by encouraging the populations to question the ability of the ruling regimes to govern and to lead development, spurring them to take to the streets to a much greater extent than they did in 2011 and therefore forcing the regimes to unpleasant radical reforms. In turn, if the EU can become a real partner in overcoming these challenges, this could be an opportunity to take the EU-GCC partnership to a new strategic level.

Obstacle or opportunity?

Recent turbulences have generally led the Gulf's ruling regimes to retreat into themselves. The EU is increasingly seen with suspicion across the Gulf as an actor that is willing to push for civil rights and democracy, thus directly or indirectly encouraging the population in this sensitive moment to challenge the ruling families. This is most obvious in the case of Bahrain, where European calls for reform to address the grievances of the Shia population by granting them equal cultural, economic, and political rights and to put an end to the crackdown on the Shia opposition[34] have provoked bitter responses from the government and extreme suspicion from other fellow GCC countries as well. The GCC countries will not allow instability to spread to their region,[35] as they are not ready to share power nor to become politically accountable. These facts should be simply acknowledged. If they are not, the 2011 events can definitely represent an obstacle to EU-GCC relations. In fact, this is already happening. But the events can also represent an opportunity. If there is something that the Arab Spring has made clear, it is that the old ways of buying silence through patronage might not work forever. Also, the huge domestic social spending pledged since the start of the uprisings, which currently amounts to 12.8% of the GCC's total GDP for 2011[36] and is rising, already led to budget deficit in Bahrain. Oman is expected to follow suit as soon as in 2015. In Kuwait, where budgeted spending accounted for up to 85% of annual oil income in 2011, the International Monetary Fund warned that the escalation in government expenditure meant that it "will exhaust all oil revenues by 2017, meaning it won't be able to save any portion of these revenues for future generations."[37] At the same time, Gulfization policies are producing mixed results in terms of rising employment levels among Gulf nationals and may be counterproductive for growth. The many programmes set up by Gulf governments to sustain entrepreneurship, in particular Small and Medium

34 European Parliament, *Resolution on the Human Rights Situation in Bahrain* (P7_TA(2013)0390), 12 September 2013, http://www.europarl.europa.eu/sides/getDoc.do?reference=P7-TA-2013-0390&language=EN

35 See the speech delivered on 8 December 2012 by Prince Abdulaziz Bin Abdullah Al Saud, Saudi Arabia Deputy Minister of Foreign Affairs, at the third plenary session of the 8th IISS Regional Security Summit *Manama Dialogue 2012*, 7-9 December 2012, http://www.iiss.org/en/events/manama%20 dialogue/archive/manama-dialogue-2012-f58e/third-plenary-session-e53a/prince-abdulaziz-al-saud-d991

36 Silvia Colombo, "The GCC Countries and the Arab Spring…", cit.

37 International Monetary Fund (IMF), *Kuwait-2012 Article IV Consultation Concluding Statement of the IMF Mission*, 30 April 2012, http://www.imf.org/external/np/ms/2012/043012.htm

Enterprises, are promising, but still crippling in their policy frameworks. Also, the local businesses have a long way to go in being competitive in the long run in their globalised domestic market. Therefore, a more comprehensive and stronger strategy for diversification and sustainable growth is needed if the long-term goal is, as the path undertaken by the governments would suggest both in declaratory as well as policy-making terms, building a more sustainable social contract between the Gulf states and their citizens.

The European Union would be a good partner with which to work in this direction. The European know-how is greatly valued in the region, and the EU has a few experimented schemes of know-how and technology transfer, capacity building, and skills development,[38] including the kinds of schemes that could equip Gulf nationals with the necessary skills to compete in their labour market and would make the Gulfization policies obsolete. In particular the European Commission, through EuropeAid, its Development and Cooperation Directorate General, has prioritized schemes for employability, training, and entrepreneurship. One example is SKILLS (Superior Knowledge by Intensive Labour Learning Schemes),[39] a training programme for young Syrians, the success of which was significantly due to the key support of the European Training Foundation, an EU agency that helps countries to harness the potential of their human capital. Indeed, the EU has the necessary expertise obtained through decades of experience in development policies – mostly in its neighborhood – that, where duly implemented like in Central and Eastern Europe (CEE), led to sustainable and inclusive growth.[40] The success of these policies in CEE was due to a number of factors, but mainly to the fact that the EU has been able to combine and magnify the resources of its member states – in terms of human capital, expertise, networks, financial resources – and has acted according to a shared set of values and principles that usually prioritize the effectiveness of the programmes for the recipient country and limit the impact of national self-interests. Greater inclusiveness and development sustainability are indeed the features that differentiate the European economic policies from, for example, the American ones.[41] This European added value is recognized across the GCC, as shown, for instance, by a famous quote by Abdul Rahman Al-Attiyah, the former GCC secretary general, summarizing in 2002 the region's interests in developing closer relations with Europe: "GCC countries are a historical partner of Europe. Europe needs us and we need them. We need their technical know-how. They need our resources. We have a mutual interest."[42] Indeed,

38 One of the most comprehensive and recent sources for all the EU development programmes is the European Commission's *Annual Report 2013 on the European Union's Development and External Assistance Policies and their Implementation in 2012* (SWD(2013) 307 final), 21 August 2013, available at http://ec.europa.eu/europeaid/multimedia/publications/publications/annual-reports/2013_en.htm

39 Syrian Enterprise & Business Centre (SEBC) and European Training Foundation (ETF), *SKILLS Concept Paper*, May 2011, http://www.skillssyria.com/en/aid25.html

40 Simon Lightfoot, "The Europeanisation of International Development Policies: The Case of Central and Eastern European States", in *Europe-Asia Studies*, Vol. 62, No. 2 (March 2010), p. 329-350; and Hubert Ertl, "The Transition of Vocational Education and Training in Eastern Germany: Notes on the Role of European Union Programs", in *Comparative Education Review* Vol. 44, No. 4 (November 2000), p. 464-492.

41 Charles Gore, "The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries", in *World Development*, Vol. 28, No. 5 (May 2000), p. 789-804, http://dx.doi.org/10.1016/S0305-750X(99)00160-6

42 Cited in Abdullah Baabood and Geoffrey Edwards, "Reinforcing Ambivalence: The Interaction of Gulf States and the European Union", in *European Foreign Affairs Review*, Vol. 12, No 4 (Winter 2007), p. 537-554,

this paper will present suggestions to develop a renewed EU-GCC framework based on this ongoing, basic exchange. This is a formula that can only be reinforced by the Eurozone crisis and the ensuing financial and economic difficulties of the European economies, as knowledge is the resource that is almost fully unharmed by financial woes, and the most sustainable of investments.

On its side, the EU has several reasons to take a new approach towards its partnership with the GCC. The prolonged instability that resulted from the Arab Spring, and the uncertain outcomes in terms of democratization and civil rights, should bring the EU to re-consider the effectiveness of its democracy-promotion strategy and the value of a gradual change in socio-economic structures, especially in the context of the Gulf. In terms of economic interests, should public spending in the Gulf continue to rise, the break-even oil price would rise accordingly: already the International Monetary Fund predicts the average GCC break-even price will be above $90 for 2015[43] (in 2011 the Omani break-even price was as high as US$104 per barrel). Finally, the financial and socio-economic woes provoked by the Eurozone crisis, hard to cure through internal resources without causing destabilization due to the interconnection of the EU economy, should encourage the EU to pursue the opportunities that a strengthened partnership with an extra-EU partner like the GCC may create.

Indeed, the prospects for turning the crises that hit both Europe and the Gulf into an opportunity to reinforce and innovate their partnership are there and have enough potential positive spillovers to make them worth further exploration.

3. Innovating the Partnership

As already mentioned, the socio-economic challenges of the Gulf, as analyzed by several international organizations[44] and identified as priorities in their common and individual development strategies,[45] can be summed up as diversification, private sector development,

at p. 539.

43 Steffen Hertog, "The Cost of the Counter Revolution in the GCC", cit.

44 International Monetary Fund (IMF), *Regional Economic Outlook Update: Middle East and Central Asia*, May 2013, http://www.imf.org/external/pubs/ft/reo/2013/mcd/eng/mreo0513.htm; United Nations Development Programme (UNDP), *Arab Development Challenges Report 2011*, February 2012, http://arabstates.undp.org/content/rbas/en/home/library/huma_development/arab-development-challenges-report-2011.html; World Economic Forum (WEF) and European Bank for Reconstruction and Development (EBRD), *Arab World Competitiveness Report 2013*, May 2013, http://www.weforum.org/reports/arab-world-competitiveness-report-2013

45 GCC Secretariat General, *The Revised Long-Term Comprehensive Development Strategy…*, cit.; Abu Dhabi, *The Abu Dhabi Economic Vision 2030*, 2008, http://gsec.abudhabi.ae/Sites/GSEC/Navigation/EN/publications,did=131400.html; Bahrain, *The Economic Vision 2030 for Bahrain*, 2008, http://www.moc.gov.bh/en/media/inc/vision2030en.pdf; Dubai, *Dubai Strategic Plan 2015*, 2007, http://www.dubai.ae/en/Lists/Articles/DispForm.aspx?ID=108; Kuwait, *Five-Year Development Plan of the State of Kuwait 2009/2010-2013/2014: A Draft General Framework*, 2010, http://www.scpd.gov.kw/fp/default.aspx; Oman, *Objectives of the Eighth Five-Year Development Plan (2011-2015)*, 2011, http://www.omanet.om/english/commerce/econ1.asp; Qatar, *Qatar National Vision 2030*, 2008, http://www.gsdp.gov.qa/portal/page/portal/gsdp_en/qatar_national_vision/qnv_2030_document; Saudi Arabia, *The Ninth Development Plan (2010-2014)*, 2010,

and enhancing the competitiveness of the Gulf economies, especially through human capital development. If the EU stepped forward with a new framework capable of helping tackle these challenges, this might be a real, unique added value able to reinvigorate its partnership with the GCC countries. The key underlying features of this partnership should be: being very focused on trouble-shooting, truly projected on the long-term, involving and considering all possible spillovers, and being effectively mutually beneficial. In other words this framework, which we could call "Gulf of Skills", should focus on the challenges identified thereof, possibly involving a further joint study to detail as much as possible the measures and initiatives needed. It could possibly look at a period of at least 6 years, taking into account all the possible side effects in order to limit the damaging ones and maximize the productive ones, considering the involvement and stakes of several stakeholders and taking into account, without pre-conditions, the strategic interests and constraints of the two parties in a frank dialogue. There are various existing initiatives to be employed as blueprints or benchmarks, in particular the Mediterranean Initiative for Jobs (Med4Jobs),[46] a new Union for the Mediterranean[47] programme. Still in its very early stages, as it was set up in 2013, Med4Jobs aims at boosting the private sector job creation projects by working on enhancing employability, fostering an entrepreneurial culture, and closing the gap between labour demand and supply. Med4Jobs identifies and scales up successful training experiences that address the mismatch between skills and labour market needs and sets up apprenticeship schemes and initiatives for entrepreneurship education. It has created job search assistance programmes and other placement services and developed enabling infrastructure for Small and Medium-sized enterprises (SMEs), such as incubators and mentoring and coaching programmes. Particularly interesting are its perspective of public-private partnership and its multi-layered approaches that ensure consistent alignment with the Ministries of Employment, its coordination with stakeholders such as international institutions, universities, and private sector companies, and its facilitation of the exchange of best-practices and lessons-learnt.

Replicating Med4Jobs in the Gulf as "Gulf of Skills" would clearly imply the tailoring of the programme to different specific necessities. For example, a deeper involvement and ownership of national governments and ministries, especially whereby the governments created *ad hoc* agencies to take care of economic development or manpower, for instance by setting up preliminary meetings with these local actors to inform and empower them in the context of the core activities (training courses, apprenticeship schemes designing, set-up and promotion of placement services, organization of mentoring and coaching programmes, best-practice exchange about SMEs incubation, and entrepreneurship

http://www.mep.gov.sa/inetforms/themes/clasic/article/articleView.jsp;jsessionid=91AD01F7417C532C1A89693A6D3B51F7.gamma?Article.ObjectID=79

46 More information can be found on the Med4Jobs initiative webpage: http://ufmsecretariat.org/mediterranean-initiative-for-jobs-med4jobs

47 The Union for the Mediterranean is a multilateral partnership including the European Union, the Balkans, and Arab Mediterranean countries that works in parallel with the European Union Neighborhood Policy. The institution's work has been severely hindered by three ongoing conflicts between its members (the Arab-Israeli, the Cyprus-Turkey, and the Western Sahara conflicts). However, some of the ideas and projects that have emerged from it still have a high potential.

education). Priority sectors should also be re-discussed, as the Mediterranean and the Gulf markets are substantially different. Stakeholders such as higher education institutions and private companies – from Europe as much as from the Gulf – should not be left behind, especially those stakeholders who have already undertaken similar initiatives (e.g., the many companies that already send personnel to the United Arab Emirates to take part in training activities set up by multinationals). Indeed, the framework should *de facto* systematize and support those initiatives, possibly by streamlining the procedures to set them up – including ensuring access to concrete incentives for the training efforts and providing the platform for encouraging more companies to engage in them. It would be helpful to have the involvement of the Chambers of Commerce and Industry. The "Gulf of Skills" framework should also aim at creating transversal networks among the stakeholders, thus creating a truly comprehensive outreach and nurturing the internationality of the business environment. Finally, for the success of the programme the EU must find a way to balance national competition within the Union, preferably by establishing some specific priority criteria to select private sector stakeholders, and present the framework as a way to surpass non-EU competitors together.

As a country in which all the factors mentioned above are being pursued today as part of the development strategy, thus offering a greater amount of untapped opportunities, and a country that the European Union was less able to engage both economically and politically, this analysis focuses on Oman. Sharing the same socio-economic challenges with fellow GCC members – in 2008, the share of migrants in total employment was estimated at 77%[48] – though on a bigger scale, as the Omani population is larger and the natural resources are smaller, and having committed significantly to face these challenges,[49] Oman could respond very well to this new framework. Upon publication of the 8th Five-Year Plan 2011-2115,[50] the National Economy Minister affirmed that the Plan awards a special observance to the enhancing of the knowledge society pillars – productivity and competitiveness – in particular through human resources development, scaling up the government expenditure in this area to 52% compared to the previous Plan. A good share of this budget has been spent on the Kasb project,[51] a series of 30 agreements, still on a small scale, signed by the Ministry of Manpower to train job-seeking citizens in various areas including management, technical, and craft areas. The formula can be applied to all priority sectors, which in the Gulf range from Manufacturing to Information & Communication Technology, Automotive, Chemicals & Pharmaceuticals, Infrastructure & Transportations, Services, Energy, and Health. However, as social advancement is also one key focus of this paper, it will look into some untapped and underestimated culture-related sectors that are on the rise and in which

48 Martin Baldwin-Edwards, "Labour Immigration and Labour Markets in the GCC Countries…", cit.

49 Salma Mohammed Al-Lamki, "Omanization: A Three Tier Strategic Framework for Human Resource Management and Training in the Sultanate of Oman", in *Journal of Comparative International Management*, Vol. 3, No. 1 (November 2000), http://journals.hil.unb.ca/index.php/JCIM/article/view/462

50 Oman Information Attaché in London, *Oman to Achieve $31.2 Billion Projects During Five-Year Plan*, 30 November 2011, http://www.omaninfo.co.uk/index.php?option=com_content&view=article&id=122&lang=en

51 "Al Bakri signs 30 training pacts worth OMR13.7m", in *Times of Oman*, 23 October 2013, http://www.timesofoman.com/News/Article-24355.aspx

the Europeans have expertise to offer. Boosting these sectors would re-launch the cultural industry both from and within Europe and would provide instruments for soft power projection and cultural and social diplomacy.

Tourism

From World Trade Organization statistics of the past decades,[52] it is evident that the overall economic contribution of the tourism industry on a global scale is very impressive. In the EU, this industry generates more than 5% of the GDP, employing around 5.2% of the total labour force (approximately 9.7 million jobs).[53] When related sectors are taken into account, the estimated contribution of tourism to GDP creation is much higher: it indirectly generates more than 10% of the European Union's GDP and provides about 12% of the labour force, most of them under 35 years old.[54] For its positive effects on nationals' employment as well as on diversification (by promoting tourism-related industries such as food, construction, and arts and crafts, as well as services) and the advancement of the private sector, the GCC authorities understood since the early 1990s that the tourism industry would be a proper diversification catalyst.[55] The Arabian Gulf enjoys indeed a great potential: it offers winter sun, sand and sea, religious, cultural, and historical heritages, the combination of business and pleasure, and is also situated more or less halfway between Europe and the Far East. However, this potential is not fully exploited, as shown by the poor ranking of the countries in international indexes.[56] Among the issues holding the tourism industry in the GCC[57] back are: the limited variety, with each country focusing on a single touristic product; an insufficient marketization and promotion of tourism, especially within the Gulf countries themselves; the cultural obstacles that tourists may face when travelling to a conservative, culturally different environment; the limited efficiency of tourism-related services (e.g., public transportation systems); the scarce development of sector enablers (in particular of related human resources); the restrictive visa requirements; and low standards in the area of environmental sustainability. However, these issues can definitely be overcome through competent and targeted policies and efficiently programmed investments.

At present, the most developed tourism industry is in Dubai, where already in 2002 tourism contributed more than oil to the GDP[58] – hence the spread of Dubai's formula of extensive

52 World Tourism Organization, *World Tourism Barometer*, http://www.e-unwto.org/content/w83v37/

53 Eurostat, *European Union Labour force survey - annual results 2012*, available at http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Labour_market_and_labour_force_statistics

54 Ibidem.

55 Yoel Mansfeld and Onn Winckler, "The Tourism Industry as an Alternative for the GCC Oil-based Rentier Economies", in *Tourism Economics*, Vol. 13, No. 3 (September 2007), p. 333-360.

56 See, for example, Jennifer Blanke, and Thea Chiesa (eds.), *The Travel and Tourism Competitiveness Report 2013*, Geneva, World Economic Forum, February 2013, http://reports.weforum.org/travel-and-tourism-competitiveness-report-2013; World Tourism Organization, *World Tourism Highlights 2013*, http://mkt.unwto.org/publication/unwto-tourism-highlights-2013-edition

57 George Atalla and Antoine Nasr, *Reinventing Tourism in the GCC. Building the Tourism Ecosystem*, Booz & Company, 2013, http://www.booz.com/global/home/what-we-think/reports-white-papers/article-display/reinventing-tourism-in-gcc

58 Saifur Rahman, "Tourism to outshine oil in Dubai's GDP", in *Gulf News*, 12 August 2013, http://gulfnews.com/news/gulf/uae/general/tourism-to-outshine-oil-in-dubai-s-gdp-1.363368

governmental expenditures on tourism infrastructure (i.e., on huge airports) and promotion of the country's tourist attractions abroad, while leaving the operation of the industry itself solely in the hands of the private sector. Oman is also using the same formula in its significant betting on tourism. A distinct, highly attractive tourist destination due to its natural assets, culture, and heritage, Oman wants to increase the level of employment of Omani nationals in the sector from the current 37% to 90% by achieving a 7% average annual growth rate of the tourist income.[59] To do that, the Ministry of Manpower is signing several training agreements with the College of Tourism and a number of institutes and training centres within the Kasb project. However, none of these institutions are European, as was the case in November 2013 in the UAE, where ENIT Dubai, the Italian State Tourist Board, organised training sessions for Emirates Holiday, the biggest region-wide hospitality firm. It might be a good idea to scale this initiative up to an EU-wide level, maybe through the work of the European Training Foundation, in order to turn it into a massive training offer based on the expertise acquired by individual EU countries. In addition, the measures contained in the JAP – encouraging participation in tourism fairs and a framework of cooperation and know-how exchange in terms of policy-making and planning, investment and promotion, the management and operation of sustainable tourism development, and the preservation and rehabilitation of cultural heritage and antiquities – should be carried on.

The Gulf decision-makers also seem to be exploring another kind of tourism that is even more related to Europe – the cultural kind[60] – and are thus investing greatly in new first-class museums and other cultural centers, conceived as drivers of growth. Indeed, grandiose museums attract visitors and talented workers and are of great help in creating a high-profile international image for their country. Qatar experimented with this through its Museum of Islamic Art and the cultural district Katara, and Abu Dhabi is taking it to the next level by building the Saadiyat Island, a huge cultural district to be completed in 2017 that will be home to the Performing Arts Center and several museums including the Guggenheim Abu Dhabi and the Louvre Abu Dhabi.[61] The Louvre Abu Dhabi is a project of particular interest for this research, as it relies heavily on a strong partnership with the French Louvre: during the first 10 years of operation, French museums will loan several hundred artworks and organize exhibitions, and French experts will help the Emirati museum to purchase its own collection. The French will also train the future managers and curators and help them define their own policies. The model could be easily applied to other projects and to other areas, for example in Oman, where the Sultan built the Royal Opera House Muscat, currently the only Opera House in the Gulf but to be followed by a new one in Dubai. The Opera House in Muscat already attracts many European artists and companies. However, as the long-term goal would be to nurture a local musical, lyrical, and theatrical culture, there is the scope to set up more long-term and large-scale educational programmes.

59 Oman Public Authority for Investment Promotion and Export Development (PAIPED), *Destination Oman*, 2010, p. 5, http://www.paiped.com/pdf/InvestmentBrochure.pdf

60 Godfrey Barker, *Art and the Gulf*, report for *The Times*, 17 March 2011, p. 5, http://raconteur.net/art-and-the-gulf

61 See *Museums on Saadiyat Island*, https://www.abudhabi.ae/portal/faces/en/citizens/culture_and_recreation/cultural_and_historical_sites/gen_info20?docName=ADEGP_DF_311990_EN

Film Industry

Since the opening of Al Jazeera in 1996 in Qatar, the media industry in the Gulf has been growing rapidly, including, recently, the movie industry, which is boosted by the organization of a number of international film festivals in Abu Dhabi, Dubai, Muscat, and Doha (in which, as an aside, European movies are not present enough). The market is clearly big, with more than 300 million Arabic speakers eager for content that reflects Arab identity and culture and that matches the quality of content that can be found on international channels, and possibly many more international viewers are attracted by the exoticism that this little-known part of the world represents. In Qatar, the government set up the Doha Film Institute, dedicated to building a dynamic film industry and culture and focused on nurturing regional talents. The same model has been replicated with even more potential in the United Arab Emirates, where the government-owned Abu Dhabi Media Company launched in 2008 a subsidiary, Image Nation, that commissions and produces filmed content, with a special mission to contribute to the growth of the local film industry. In an interview with INSEAD Knowledge, the company's CEO, Michael Garin, underlined that contributing to nurturing a local industry is their biggest challenge today. Indeed "[t]o produce its own films, Image Nation needs to train not just directors, but cameramen, script writers, cinematographers and the myriad of other professionals which make up a film crew." [62] Having only one training center to this end, clearly the number of movies produced is too low to be a profitable industry yet. In Qatar, the challenges are more or less the same. In Kuwait and Bahrain, a local industry has not yet developed, but there is a widespread latent interest within the societies that takes shape in small film clubs and festivals. The same applies to Oman, where the Omani Film Society has so far produced only one short movie but enjoys the support of the Ministry of Heritage and Culture. To ease, in the long run, the burden of public funds supporting the industry, it is advisable to invest in the short term in international partnerships to build up the capacities and the qualified production teams needed in order to boost productivity and competitiveness. With a significant experience in movie making and benefiting from the geographic proximity, the Europeans should be at the forefront of these projects. These might include schemes and ventures both in Europe and in the Gulf, for example with the European Film Commissions Network, through which young filmmakers can gain both on-set experience and contacts. In turn this might be a way to attract European producers to shoot in the region through incentives such as tackling logistical barriers. This might be interesting for all Gulf countries. In Oman, for example, the Public Authority for Investment Promotion and Export Development (PAIPED) is already trying, quite successfully, to position the country as a destination for big-budget Bollywood film shoots.[63] Finally, creating stronger links between the movie industries cannot but be beneficial for the European movie industry as well, which might have the chance to foster affection for its unique diversité culturelle and enlarge its distributional outreach to the Gulf and maybe the Arab market.

62 Jane Williams, "Movie-making in Abu Dhabi", in *INSEAD Knowledge*, 8 November 2012, http://knowledge.insead.edu/world/middle-east/movie-making-in-abu-dhabi-2317

63 "Another film crew comes calling", in *Times of Oman*, 25 November 2013, http://www.timesofoman.com/News/Article-26162.aspx

Conclusions

On top of being a strategic region in geo-energetic terms and a world-class financial hub, the states of the Gulf Cooperation Council are also becoming more assertive and distinct political actors. For these reasons, today more than ever the European Union should try to engage them in a closer partnership, one that would finally reflect the vitality of their economic ties onto the political level. By contrast, the upheavals that shook the Arab world in 2011 have had a negative impact on bilateral relations and have sometimes risen suspicions vis-à-vis the role of the EU in the Gulf region. To exit the current impasse, it would be advisable to take a step back and modify the European approach so as to refresh the dialogue by finding creative ways to cooperate, all the better if in the shape of concrete solutions to the big challenges ahead of the Gulf region.

The suggestions hereby advanced take shape into a new framework for socio-economic development that tries to address some of those challenges – diversification and social advancement, private sector development, youth unemployment – with a special reference to Oman, a country that the EU could engage better and that is identified as a relevant case to implement the proposed framework "Gulf of Skills" first. The goal is to foster a culture of entrepreneurship to boost private sector and related job creation, particularly in those untapped sectors that would increase diversification, and to enhance the competitiveness of the Gulf economies, in particular by raising the quality of local human capital and reforming systems and procedures within the business environment. Implementing these kinds of activities would be a win-win for both the EU and the GCC. On the one hand, Gulf states already willing to invest significantly to pursue the socio-economic development of their countries would greatly benefit from having the EU as a partner. The EU, on the other hand, might thus lay the ground for a tighter partnership with the GCC while also promoting its businesses and weaving its stakeholders into long-lasting bi-regional networks.

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ABOUT SHARAKA

Sharaka is a two-year project implemented by a consortium led by Istituto Affari Internazionali (IAI).

The project, partially funded by the European Commission, explores ways to promote relations between the EU and the Gulf Cooperation Council (GCC), through the implementation of policy-oriented research, outreach, training and dissemination activities.
The overall project aim is to strengthen understanding and cooperation between the EU and the GCC, with particular attention to the strategic areas identified in the Joint Action Programme of 2010, such as trade and finance, energy, maritime security, media and higher education.

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