TRANSLANTIC COOPERATION IN THE MIDDLE EAST AND NORTH AFRICA AND THE GROWING ROLE OF THE GULF STATES

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EXECUTIVE SUMMARY

Though largely unnoticed by the public, Gulf Cooperation Council (GCC) countries’ political and economic ties with the Arab Mediterranean Countries (AMCs) and Turkey have strongly increased in the last decade. This can be explained in part by the growing political assertiveness by, most notably, smaller Gulf states such as Qatar and Kuwait and their desire to transform their economic clout into a regional political role. At the same time, the huge capital surpluses resulting from the last oil boom and the existence of seemingly infinite sovereign wealth funds, in conjunction with the realization that domestic markets have become saturated and too narrow, have led all the GCC countries and numerous Gulf holdings to adopt a highly proactive trade and investment strategy toward the Arab Southern Mediterranean and Turkey. Their exposure to the recent global financial and economic crisis has slowed down this dynamics but it has not changed its direction.

In the political sphere GCC countries have refrained from utilizing these close ties to advance political reform and, thus, political liberalization in North Africa and the Levant. This is not surprising, given the similarities of governance structures with those of the AMC and the existence of informal pacts not to challenge or question the legitimacy and nature of one another’s regimes. Instead, these increasingly close political relations are being used as a backup and door-opener for their aggressive investment strategies, with Saudi Arabia and Qatar also investing strongly in the resolution of the Israeli–Palestinian conflict and a widely acknowledged mediation diplomacy.

In the economic arena, interregional trade has increased by 700 percent in just eight years and Gulf businesses sit alongside European enterprises as the most important sources of foreign direct investments (FDIs) in AMCs. The quantity-quality gap in their investment activities has, however, become more apparent in recent years, with Gulf businesses primarily targeting Arab Mediterranean countries’ transport, tourism, telecommunications, and real estate sectors.

Hitherto largely ineffective and affected by numerous flaws and shortcomings, NATO and the EU’s policy frameworks regarding their partners in the Southern Mediterranean and the Gulf have been implemented against the backdrop of these developments. To date, both organizations have failed to acknowledge the changing nature of GCC-AMC interregional relations and have thus been unable to adjust their approaches to these rapidly evolving dynamics.

This study reveals that the GCC countries’ growing presence in the AMCs has had positive repercussions for the relevant NATO and EU cooperation frameworks. It concludes that the now close political and economic interregional ties between the Gulf, the Maghreb, and the Mashreq could indeed be used by NATO and the EU if the will and the interest existed to increase the effectiveness and sustainability of their policies. To use this potential, it is indispensable that two preconditions be met.

First, the long-standing absence of a transatlantic agreement on the parameters and limits of a common strategy toward the AMCs, the GCC countries, and the rest of the Middle East must be rectified.

And second, before NATO and the EU embark on a tour de rapprochement in the Gulf and call for joint actions in the Southern Mediterranean, both organizations need to undertake a critical self-assessment of their cooperation frameworks. They must identify, in combination with all their
partners in both the AMCs and the GCC, the political, economic, and security needs of each partner. And they must pinpoint those areas in which GCC countries can truly exert the necessary leverage. Once these preconditions are met, the following measures should be taken:

- Both NATO and the EU should find ways to link their traditionally separate initiatives on the Gulf and the Southern Mediterranean and make them more flexible and open.

- Upon the amalgamation of the Istanbul Cooperation Initiative (ICI) and the Mediterranean Dialogue (MD), NATO should seek to help its partners define the region’s security interests. Either within the limits of its own region-wide initiative or in the creation of a new regional security framework, this could help turn these interests into effective policy tools.

- Despite recent frictions, transatlantic partners should still make use of Turkey’s multi-dimensional nature and use it as a bridge (builder) and strategic link to the various arenas in the southern Mediterranean and the Gulf.

- As part of the EU-AMC-GCC partnership, an interregional growth and stability pact should be agreed.

- EU, AMC and GCC cooperation should address commonly relevant soft security issues such as desertification and desalination. By bringing NATO on board, cooperation would ideally be extended, thus assuming a quadrangular configuration.

- A network of transatlantic and regional institutes for political and security studies originating in NATO and EU member states, AMCs, and GCC countries alike should be set up.
INTRODUCTION

For years, the EU and NATO, through initiatives such as the Barcelona Process — recently transformed into the Union for the Mediterranean (UFM) — and the Mediterranean Dialogue (MD), respectively, have been making special efforts to engage with the countries of the southern shores of the Mediterranean. Generally speaking, both initiatives aim to contribute to regional security and stability, although the EU’s recently transformed Barcelona Process is more wide-ranging since it incorporates economic, financial, social, and cultural components. Yet, in contrast to NATO’s admittedly less ambitious MD, it has failed to live up to the — largely unrealistic — expectations revolving around the Barcelona Conference of 1995 and the Paris summit of 2008. At present, it seems to have reached something of a dead end.

In comparative terms, EU relations with the countries of the GCC are less developed, in spite of the existence of a Cooperation Agreement dating back to 1988. The European Commission has been holding free trade negotiations with the GCC for almost 20 years with a view to replacing the rather vague Cooperation Agreement with a more structured agreement institutionalizing, inter alia, political cooperation. As a result of differences over human rights issues and democracy-related stipulations — and thus the principle of negative conditionality — and also over export duties, negotiations have not yet led to an agreement. This situation has prevented relations from being raised to a higher level.

Growing interest in the United States, the United Kingdom (U.K.) and other transatlantic partners, triggered not least by the events of 9/11 and subsequent terror attacks in Europe and the Middle East, led NATO to initiate its Istanbul Cooperation Initiative (ICI) in 2004, with the aim of establishing a regional security partnership. This already encompasses Bahrain, Qatar, Kuwait, and the United Arab Emirates (UAE). The initiative reflects the GCC countries’ increasingly important diplomatic role in the region in general and acknowledges their relative political stability and economic progress, as well as their growing political and economic presence in the Arab Southern Mediterranean.

With the MD and the ICI, NATO developed two cooperation frameworks that theoretically extend to all countries in the Middle East. Yet, to date, it has been unable and unwilling to initiate a coherent region-wide approach. It resembles the EU in that the latter continues to search for a holistic approach that will provide a general framework for its relations with the countries of the region.

In 2004 the EU adopted the Strategic Partnership for the Mediterranean and the Middle East. However, this noteworthy development has not facilitated the creation of the true and coherent strategic partnership that the document envisaged, a partnership that would serve as the EU’s benchmark in its dealings with the countries of the region. As a consequence, thanks not least to a narrow notion of neighborhood and a misconception of the Gulf’s growing political and economic relevance, the pattern of attributing greater importance to the Southern Mediterranean that has prevailed for the last 20 years is still very much imprinted on the EU’s current foreign policy agenda.

It is against this backdrop that this study aims to analyze current political dynamics in the framework of EU and NATO relations with the six countries of the GCC (Kuwait, Bahrain, Qatar, UAE, Oman, and Saudi Arabia) and the Southern Mediterranean.
On the assumption that the Southern Mediterranean and GCC countries are increasingly interconnected, particularly through trade and investments, the study argues that both organizations need to rethink and refine their approaches with a view to making them more effective and sustainable. This is in light, too, of the limited success of relevant EU policies thus far and the limited scope of NATO, as well as of U.S. approaches to the two sub-regions.

Effectiveness and sustainability are here understood as a function of a number of dependent and independent variables. The most important are:

- local and regional political, (socio)economic, cultural, and historical particularities;
- the degree to which the policy objectives and tools adopted are adjusted to, and take account of, local and regional specificities;
- the determination of all actors involved to respect and implement the policy objectives;
- conceptual factors;
- regional and global dynamics;
- and power considerations and (a)symmetries.

In this vein, the study has a two-fold objective. First, it will shed light on the growing political and economic presence of the GCC countries in the Arab Southern Mediterranean and discuss whether and to what extent this presence impacts on the latter’s political and economic development of Arab countries in the Southern Mediterranean.

And second, it will analyze the degree to which their presence might generate positive repercussions for the relevant EU and NATO cooperation frameworks and be utilized by the latter with respect to their engagement in the region and the identification of opportunities for burden-sharing.

It is based on the assumption that, while the GCC countries’ growing investment activities in the Southern Mediterranean are of the utmost importance for development and, in part, for the modernization of the AMCs, the effects of this presence on their political development have hitherto been minimal.

As a consequence, both the EU and NATO need to predefine very carefully those sectors and areas in the Southern Mediterranean where GCC countries have the relevant leverage and can thus potentially help make their policies more effective. They should do so before turning to the Gulf countries for any form of joint action in the Mediterranean. This predefinition should be part of a thorough needs assessment and critical self-evaluation by the EU and NATO of their regional initiatives, with the overall aim being to generate economies of scale that go beyond mere window-dressing.

Of course, as far as NATO and, arguably, the EU — albeit indirectly — are concerned, this is also related to strategic decisions regarding the role of U.S. foreign policy in the Middle East in general. However, given the limited scope of this study this aspect will not be touched upon in subsequent sections.

The paper is structured as follows: the first section provides an overview of EU and NATO engagement in the Middle East and North Africa (MENA) in recent years, with a critical assessment of existing cooperation initiatives.
The second section analyzes GCC countries’ recent political and economic engagement in those AMCs that participate in the UFM, as well as in Turkey. The third and final section ties together the insights of the previous two. It discusses potential areas for EU and NATO joint initiatives with the GCC in the Southern Mediterranean, with a view to creating synergies and fostering greater effectiveness in their cooperation frameworks. Section three concludes with a number of policy-relevant recommendations regarding political and economic development in the Arab Southern Mediterranean. This entails the identification of ways and means to overcome the artificial compartmentalization that continues to characterize both EU and NATO initiatives vis-à-vis the MENA region.
2.1. NATO

Following the end of the Cold War and alerted by factors such as the rise of militant Islam, the instability caused by failing states, the uncontrolled proliferation of weapons of mass destruction (WMDs), the civil wars in Southeastern Europe and North Africa, and the 1991 Gulf War, NATO was forced to alter its (geo-)political Selbstverständnis in the early 1990s. What became known as NATO’s "strategic transformation" was expressed in the Alliance’s New Strategic Concept, adopted by the heads of state and government at a meeting held on November 7-8, 1991, in Rome.

This declaration pointed for the first time to NATO’s altered security environment and the new multi-faceted nature of security challenges and can be considered the post-Cold War Alliance’s initial step toward a process of structural readjustment. The declaration explicitly states that “the stability and peace of the countries on the southern periphery of Europe are important for the security of the Alliance,”

It is complemented by the upholding of the principles of non-discrimination and self-differentiation, which provide each partner with the freedom to choose the degree and intensity of its participation.

Interestingly, both initiatives are also almost identical as regards their objectives. Whereas NATO engages its ICI partners on a 26+1 basis and equips the MD with both a multilateral and a bilateral dimension, the two initiatives aim to contribute to regional security and stability, better mutual understanding, and the dispelling of misperceptions among NATO and partner countries.

Cooperation is envisaged — and some cases is already under way — on the fight against terrorism (including, through intelligence-

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6 Jordan joined the MD in November 1995 and Algeria in March 2000.
7 See NATO, The Alliance’s Strategic Concept approved by the Heads of State and Government participating in the meeting of the North Atlantic Council in Washington, DC, April 24, 1999.
sharing, the prevention of the proliferation of weapons of mass destruction); border security in connection with terrorism; illegal trafficking; and the proliferation of light weapons and small arms. Military-to-military cooperation is envisaged with a view to contributing to interoperability through participation in selected NATO-led and/or Partnership for Peace (PFP) military exercises, civil emergency planning, defense reform, and defense economics. Also envisaged, lastly, is the incorporation of partner countries in NATO training and education activities at the NATO School in Oberammergau, Germany, and the NATO Defence College in Rome, Italy.

To date, of the numerous objectives on this "shopping list," not many have been achieved. In the case of the MD, in addition to the various naval exercises, only the partners’ participation in Operation Active Endeavour, IFOR/SFOR and KFOR missions in the Balkans, and training and education seminars stand out. These have undoubtedly facilitated mutual understanding, contributed to knowledge transfer, and increased confidence and trust among those involved. Beyond these activities and the regular dialogue channels that have gradually been established, however, not much has been accomplished with respect to either the development of concrete policies or the elaboration of tangible frameworks at a practical and tactical level.

In this, the MD resembles the ICI, whose record is even worse. According to Sager, the first five years of the ICI have been marked by "a flurry of activity in terms of numerous meetings and conferences, as well as visits by NATO officials [but] the precise nature of the relationship between NATO and the GCC, as well as the concrete policy initiatives to be implemented, have not developed beyond generalities and broad concepts.” In a way, this analysis touches directly upon the shortcomings of both initiatives and the dilemmas they face. Three major problems can be identified, relating to vision and strategy, geopolitics and membership, and perceptions and images.

First, 16 years into the MD and six years into the ICI, NATO has failed to provide either itself or its partners in the Southern Mediterranean and the Persian Gulf with a clear-cut definition of security that would underpin and thus conceptually guide all related activities. In light of the somewhat inflated number of definitions that have been generated over almost 20 years, ranging from minimalist to maximalist notions of security, and the Middle East’s unique and highly complex security constellation, this grey

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9 Interview with senior NATO Officials at the NATO School in Oberammergau, Germany on February, 19 2009.


12 Nonneman, for example, lists a total of 14 variables that account for Middle Eastern instability. See Gerd Nonneman, “Obstacles to Stability in the Middle East: An Overview of Context and Linkages,” in Theodoris Couloumbis, Thanos Veremis, Thanos Dokos (eds.), The Southeast European Year-
zone in the field of definitions has impinged upon both initiatives from their inception.

To date, NATO has failed to clarify whose security objectives each initiative is supposed to address. Not only are NATO member states’ governments themselves in disagreement over the extent to which the Alliance should engage in the Middle East, and the Persian Gulf in particular, but the governments in the two Middle East sub-regions addressed by the MD and the ICI also have different views on their objectives and purpose. For instance, as aptly pointed out by an MD observer, one of the crucial questions both initiatives have failed to answer is whether their “aim [should] be to contain potential instability or to participate in the establishment of a regional security framework.”

Second, this problem is interlinked with the issue of membership and geopolitics. Both the ICI and the MD are selective and incomplete. They exclude a large number of countries that participate in other regional schemes or are highly relevant to the security of individual partner countries. Of course, one argument in this regard that is often heard in NATO corridors is that MENA countries all have different security concerns and thus need to be differentiated. Such a position certainly takes into account the realities of the Middle East. Yet the same argument can be used against the MD in particular, which in its current form undoubtedly incorporates countries that either do not border the Mediterranean or, more importantly, are exposed to rather different security challenges and threats. In the case of the ICI, observers were originally tempted to believe that the focus on four GCC member countries would simply mark the beginning of a more institutionalized relationship between NATO and the GCC. With time, however, it became evident that such a development was neither on NATO’s agenda nor that of Saudi Arabia, Oman, or possibly even Yemen.

In any case, the linkage between membership, geopolitics, and strategy, and thus the limits of NATO engagement in the region, becomes even more apparent when we consider that NATO is unwilling and unable to provide its regional partners with tailor-made assistance and hence to comply with their security demands. As a consequence, NATO turns a blind eye to the four ICI partners’ desire for the security guarantee that is their only tangible demand. Instead, it tries to push items such as security sector reform, thereby ignoring the fact that this area, as one scholar rightly argues, is “widely considered in the region and elsewhere as a defining feature of sovereignty [and will therefore] be the last to be put up for reform.”


15 See Laure Borgomano-Loup, op.cit., 2005, p. 3.

Third, irrespective of these dilemmas and shortcomings, any NATO initiative in the Middle East is confronted with the very negative image the Alliance still has in the region. Past incidents such as the Franco–Algerian War in the early 1960s; the unilateral creation of EUROFOR and EUROMARFOR in the mid-1990s by four NATO members; the infamous statement by former NATO Secretary-General Claes that "Islamic fundamentalism is as dangerous as communism once was"; NATO’s engagement in Afghanistan; and the participation by NATO members’ troops in Operation Iraqi Freedom are still very present in the collective memory of Arab societies. In addition, NATO activities in the region are all too often equated with (unpopular) U.S. policies and no distinction is made between the two in the public discourse. Instead of taking these perceptions into account, both the MD and the ICI have been underpinned by a strong public diplomacy component whereby the two initiatives have been forcibly exposed to public debate. Worried that participation in the two frameworks would have negative repercussions domestically, Arab regimes have chosen throughout the years to insulate the MD, and in turn, the ICI, which has also added to the poor balance sheet of both initiatives.

Overall, both initiatives have contributed to a climate of uncertainty that could “raise all kinds of strategic spectres in the countries of the region” rather than an environment in which security concerns and interests converge. Therefore, the question already posed some years ago, of how vague and insubstantial mechanisms such as the MD and ICI can become credible devices for strategic and sustainable cooperation, still remains to be answered.

2.2. The EU

In contrast to NATO, the EU has been present in the region almost since the European Commission was founded. Until the early 1970s, this presence was limited to the Maghreb and thus France’s former colonies and overseas depart- ment, Algeria. Since then it has gradually extended to almost the entire Southern Mediterranean and parts of the Middle East. This was accomplished through initiatives such as the Euro–Arab Dialogue, the approche globale, the Renovated Mediterranean Policy, the Barcelona Process, the European Neighbourhood Policy (ENP), the Union for the Mediterranean (UFM), and the EU–GCC relationship, as well as within the context of the EC/EU’s desire to play a role in resolving the Israeli–Palestinian conflict.

However, the various initiatives, dialogues, approaches, processes, and partnerships have never been part of an overall policy framework addressing the entire Middle East and its sub-regions in a coherent fashion. Nor has there been

17 Willy Claes in Nouvelles Atlantiques, No. 2692, February 8, 1995, p. 4.


an underlying strategic rationale for the Union’s sector-specific short-, medium-, and long-term objectives vis-à-vis the countries of the region. When a discourse on the reasons for this absence was finally about to emerge in late 2003, transatlantic splits over Operation Iraqi Freedom and the U.S. Greater Middle East Initiative “killed all chances of a healthy debate on what the EU should do in the Gulf.”

Of all the various frameworks of the last 40 years, the Barcelona Process is undoubtedly the most comprehensive and far-reaching foreign policy mechanism the EU has ever set up and implemented for the area. This is especially true with respect to its sophisticated Commission on Security and Cooperation in Europe (CSCE)-like structure, which distinguishes between cooperation baskets concerning (a) political and security issues; (b) cooperation in the fields of commerce and finance; and (c) a platform for cultural and social dialogue. The Barcelona Process has recently been transformed into the UFM, a project prioritizing project-based cooperation in areas such as the de-pollution of the Mediterranean; maritime and land highways; civil protection; alternative energies; higher education and research; and Mediterranean business development.

The transformation is, however, both an acknowledgement of the Euro-Mediterranean Partnership (EMP)’s poor performance and an indication that its most important dimension (the strengthening of democracy, human rights, and civil society, and the promotion of political reform) will receive even less attention than before. Irrespective of the introduction of a greater degree of joint ownership and the establishment of joint institutions such as the UFM Secretariat, this development points to a de facto downgrading of Euro–Mediterranean relations and, to some degree at least, to an approximation, where substance is concerned, between the latter and the less ambitious EU–GCC relationship.

Similarities exist, to the extent that the institutionalization of both EU–GCC and Euro–Mediterranean relations were accompanied by a great deal of initial optimism over cooperation frameworks in 1988 and 1995 respectively, especially on the part of the EU. These were supposed to envisage the establishment of free trade areas and regular dialogue on political and security issues. The initial high hopes were shattered soon after the EU–GCC cooperation agreement came into force in 1990 and the Barcelona Declaration became operational in late November 1995. Barcelona’s first basket proved by and large dysfunctional, while an increasing number of

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critical studies revealed that the Euro-Mediterranean Free Trade Area (FTA) would contain only horizontal and partial free trade based on the principle of reciprocity, with negative effects for socio-economic development in the Southern Mediterranean. EU–GCC relations, however, and plans to set up a viable FTA between the two sides, stagnated for a number of reasons.

First, the institutional settings of the GCC Secretariat and the European Commission were, and still are, far from congruent or even similar. The Commission enjoys full autonomy in the domain of trade and the GCC Secretariat is fully dependent on the outcomes of bargaining processes by the governments of the six GCC states. This has led to a situation in which it took GCC member states almost ten years after the signing of the cooperation agreement to provide the Secretariat with a negotiating mandate on the FTA.

Second, once this mandate was granted, negotiations were instantly obstructed by the absence of an EU–GCC energy dialogue — one of the EU’s key motivations for entering into such a contractual relationship in the first place — and eventually by strong opposition to the FTA by European petrochemical producers. The latter worried about declining market shares as a consequence of potentially cheap oil and gas imports from the Gulf.

Third, aspects such as the insufficient liberalization of the GCC countries’ service sectors; incompatible government procurement practices; insistence on the preservation and/or introduction of various tariff regimes; and Commission proposals for the introduction of a carbon tax helped dispel the initial optimism. This was compounded by the EU’s desire to incorporate human rights and migration clauses into the ongoing FTA negotiations and its calls for greater decentralized cooperation, seen by many in the Gulf as an attempt to strengthen civil societies and stimulate bottom-up political reform.

In addition, the relative stagnation of relations was further accentuated not only by the Commission and several EU member states’ predominant focus on the completion of the EU’s enlargement process and thus Central and Eastern European countries’ “return to Europe,” 29 but also by the absence of what we might call a Europeanised approach towards the Gulf countries.

As has been pointed out elsewhere, “the common pattern in the process of European integration, whereby member states seek to establish their national priorities as European priorities, in order to share the burden and maximize the return of their EU membership” 30 has not been at work in the case of the GCC. This is mainly

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due to the fact that the U.K. and France, the two EU member states that have the most significant interactions with the GCC countries, have manifested comparatively little interest in complementing their bilateral diplomacy with closer ties at EU level. This is because of the EU’s low leverage in areas such as energy, arms exports, or security arrangements. 31

In recent years this has changed, if only to a very limited extent, as the U.K. and member states such as Denmark and the Netherlands have been working toward closer economic relations and have repeatedly expressed their frustration over the Commission’s and the GCC Secretariat’s inability to conclude the FTA. 32

The EU’s soft power approach, based on dialogue and consultation, is perceived by societies in the Arab Mediterranean and the GCC countries as much less coercive and patronizing than that of the United States. To date, this has enabled the EU and the GCC countries to discuss a number of political issues and find at least some common ground, with respect to regional and international questions rather than domestic politics. 33

The former include the Middle East Peace Process, the importance of a Middle East free of weapons of mass destruction (WMDs), and the fight against terrorism. Beyond these areas of mutual concern, the Gulf monarchies, as much as the AMCs, have shown more interest in security cooperation with the United States. This can be explained by the EU’s limited collective military capabilities and, most notably, by internal divisions among EU member states as regards the depth of relations with the GCC and the countries of the Southern Mediterranean. 34

Over the years, regimes in the Southern Mediterranean and the Gulf have been rather reluctant to enter into a regular dialogue with the EU over issues related to human rights, democratization, and good governance. In both cases, the European Parliament has repeatedly alerted the EU Council of Ministers and the Commission about human rights violations and argued for a firmer EU stance and the institutionalization of bilateral and interregional human rights dialogues and mechanisms. 35

Some progress has been achieved with Jordan, Tunisia, Lebanon, Morocco, and Egypt, with whom human rights committees have been established. In addition, many official EU–GCC documents now contain references to these matters. Yet these developments have not contributed to attitude changes among the regimes or led to tangible changes in Arab societies. Still today, all of the EU’s Arab partners are reluctant to attribute importance to true political reform: they pretend that reforms are

31 See Ibidem; see also Richard Youngs and Ana Echagüe, op.cit., 2007, p. 33.
35 See for example the European Parliament’s Resolution on the free trade agreement between the EC and the Gulf Cooperation Council, RSP/2008/2552, 2008; see also Gulf Daily News, March 27, 2008.
The GCC countries amounted to $53 billion in 2008, with the

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In 2007 the EU’s trade surplus with the Southern Meditteranea-

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country individually, trade, liberalization, and economic cooperation are pursued on an interre-
gional basis as far as the EU–GCC relationship is concerned. In both cases, it is the EU in
particular that benefits from existing trade arrangements, as it has not only become the most
important trading partner of both the GCC and the Southern Mediterranean partners but still
also enjoys substantial trade surpluses with both areas.

The EMP/UFM is structurally more advanced than the EU–GCC relationship as regards intens-
ity and the common acquis that has been established since 1995. It differs, too, with respect
to the socio-economic challenges it seeks to address and the degree to which negative
developments in the Israeli–Palestinian conflict directly affect its functioning. The core of both
frameworks, however, is seemingly reduced to one and the same issue: trade and economic
cooperation.

While in the case of the Southern Mediterranean this is being conducted on a bilateral level, i.e.,
with each Southern Mediterranean partner country individually, trade, liberalization, and
economic cooperation are pursued on an interregional basis as far as the EU–GCC relationship is
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the Southern Mediterranean partners but still also enjoys substantial trade surpluses with both areas.

EU exporting $91 billion and the GCC $38 billion. See

EUbusiness, July 2, 2008 and “Politics stalls EU–GCC free

39 See Ana Echagüe, op. cit., 2007, p. 39 and Pierre Henry,
“Foreign Direct Investments in the MEDA Region in 2007:
Euro-Med Integration or Euro-Med-Gulf Triangle?”, in
IEMed/CIDOB (eds.), Med.2008 Mediterranean Yearbook,

40 See Eurostat 2008, European Union foreign direct investment
yearbook 2008, Data 2001-2006, Office for Official Publica-


37 On this aspect, see Ana Echagüe, The European Union and
the Gulf Cooperation Council, FRIDE Working Paper, No. 39,
2007, p. 7.

38 In 2007 the EU’s trade surplus with the Southern Mediterranea-
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m partner countries participating in the UFM amounted to
euro 13 billion. EU exports to the region have grown at an
annual average of 8 percent since the mid-1990s, which repres-


nents an increase in export value of approximately 250 percent
between 1995 and 2007. In contrast, the trade surplus with
the GCC countries amounted to $53 billion in 2008, with the

The GCC is the EU’s fifth largest export market
and its seventh largest source of imports, and the
ten Southern Mediterranean countries participating in the UFM account for just over 9 percent
of total EU-27 external exports. The picture for foreign direct investment (FDI) is
similar. Although European companies continue to rank amongst the principal investors in the
Southern Mediterranean and are increasingly discovering the Gulf, the overall share of Euro-
pean FDI in the region is still very low. Of the €260.2 billion in European extra-EU-27 FDI in
2006, only €5.9 billion went to North African countries and even less, €2.5 billion, went to the
Persian Gulf. In other words, North Africa and the Gulf region together accounted for 3 percent
of European FDI outside the EU. These figures do not reflect the geographical proximity of the
MENA region or the vital links that exist between some EU member states and the countries of the
Middle East. As Henry rightly points out, Euro-

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13 | THE GERMAN MARSHALL FUND OF THE UNITED STATES
spite of the existence of the UFM and the EU–GCC framework.
3.1. The political dimension

The GCC countries share similar foreign policy features, most of which are a direct result of their internal constitution. A number of factors have led all the GCC states to pursue rather conservative, non-confrontational, and pragmatic foreign policies, based on the principle of non-interference. These include their demographic situation; their geopolitical location — and thus their exposure to Iran, Iraq, and the Israeli–Palestinian conflict; the rise of radical Islam, challenging the legitimacy of their regimes; their economic dependence on (finite) oil and gas revenues; and their dependence on the security umbrella provided by the United States.

Undoubtedly, Saudi Arabia often acts as agenda-setter and role model with respect to balancing the numerous internal and external constraints facing the GCC countries. This can be explained by its position as one of the most important regional actors; its G20 membership; its role as a host of the secretariat of the Organisation of the Islamic Conference (OIC) in Jeddah; and its self-proclaimed and widely acknowledged religious leadership role within the Islamic Umma.

Even so, all the GCC states have a well-developed survival instinct in common, which helps them to maintain at least a relative autonomy at the domestic, regional, and international levels and facilitates their efforts to preserve the fragile status quo. Qatar, however, particularly since Sheikh Hamad Bin Khalifa Al-Thani toppled his father in 1995, has followed the Saudi example, increasingly asserting itself on the regional and international stage and successfully fostering its emerging image as a skilful and trusted mediator.

For years, the resolution of the Israeli–Palestinian conflict has been the focal point of the GCC countries’ political engagement in the southern Mediterranean. Since the early 1990s, though highly critical of Israeli policies toward the Palestinians, all the countries have adopted a rather moderate and constructive approach to the Middle East Peace Process — or rather what is left of it — and have given their support to all initiatives by the Arab League and the international community.

Qatar and Oman, host of the Middle East Desalination Research Center (MEDRC), of which Israel is a member, even signed agreements with Israel in early 1996 and opened trade missions there. However, they closed Israel’s missions in Muscat and Doha in direct response to the outbreak of the second Intifada in September 2000 and Israel’s attack on Gaza in December 2008, respectively.

With the exception of Kuwait, all GCC states attended the Annapolis conference on November 27, 2007, alongside Israel. And although Bahrain, Qatar, and Saudi Arabia do not officially conduct diplomatic relations with Israel, all three regimes have recently had informal contacts with Israeli officials. Israeli Foreign Minister Tzipi Livni

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Over and above these and other occasional incidents potentially signalling a rapprochement between individual GCC states and Israel, the most noteworthy and visible efforts in recent years to bring peace and stability to the Levant, and thus the Middle East, have been conducted by the Saudi and Qatari regimes.

The Peace Initiative presented at the Arab League’s Beirut Summit in 2002 was re-endorsed by King Abdullah in 2007. In so doing, he succeeded for the first time ever in having all 22 members of the Arab League unanimously adopt a comprehensive peace plan and in generating unprecedented manifestations of support for the plan within Israeli political, diplomatic, and security circles. The Saudi regime obtained yet another foreign policy success with the brokering of the Fatah-Hamas agreement in February 2007. Qatari foreign policy became firmly established as a highly influential factor just one year later, in spring 2008, when the so-called Doha talks, led by Emir Sheikh Hamad Bin Khalifa Al-Thani, brought an end to the political vacuum and civil strife in Lebanon with the signing of the Doha Accord. Proof of its credibility and growing influence in the Arab world — as a result of the absence of any pressure to deliver — is the trust placed in Qatar by the competing factions in Palestine, Fatah and Hamas, both of which it provides with financial aid, advice, and mediation. Further proof lies in its good relations with Syria and Iran, not to mention the fact that it has not shied away from publicly offering to Israel to mediate between it and Hamas.

Against the backdrop of the GCC countries’ foreign policy rationale of having good relations with all countries in the Arab world, and of Saudi Arabia’s official state objective of achieving Islamic solidarity, GCC countries have established close political ties with the Arab countries in the Maghreb and Mashreq. Indeed, they provide many of them with generous financial assistance.

Only Kuwait, following Jordan’s refusal to send troops to fight with the U.S.-led coalition during the Gulf War in 1990/1991, temporarily ended all diplomatic relations with the Hashemite Kingdom, although it restored them fully in early 1991. See Haaretz, February 25, 2008.


46 See Inside the Gulf, July 3, 2009. According to reports by the Israel News Agency on September 28, 2009, Israel’s Mossad Director, Meir Dagan, met with Saudi Arabian security officials in the MI6 headquarters in London to discuss the launch of an Iranian nuclear capable missile. Prior to Israeli Foreign Minister Livni’s visit to Qatar, Deputy Prime Minister Peres visited the Emir of Qatar in January 2007.

47 Proof of its good relations with Syria and Iran, not to mention the fact that it has not shied away from publicly offering to Israel to mediate between it and Hamas.
It has particularly close relations with Egypt and Syria, not least as a result of their uncompromising support in 1990-91. However, Kuwait’s political ties with the Syrian regime, as well as with Lebanon, suffered setbacks in the early stages of Operation Iraqi Freedom, which was strongly supported by Kuwait. In parallel with these intra-Arab dynamics, the Kuwaiti–Turkish honeymoon is particularly noteworthy. Since the Justice and Development Party (AKP) rose to power in 2003, Kuwait has intensified its relations with Turkey and signed numerous cooperation agreements in the fields of security, the environment, tourism, health, technology, and energy.

Similar patterns are discernible in relations between Turkey and Egypt and with Saudi Arabia and Qatar: Turkey–Qatar relations are even considered by Turkish officials as “historic and very distinctive.” In addition to their increasingly close ties in the economic sector, both Riyadh and Doha have intensified their exchanges of views with Ankara. They frequently discuss international and regional issues at the highest political level, for example the situation in the Middle East, Iraq, WMD, and, in the case of Saudi Arabia and Turkey, cooperation in the defense sector.

In most foreign policy matters, and thus in its dealings with the countries of the Southern Mediterranean, Bahrain follows Saudi Arabia and also occasionally displays a tendency to avoid positioning itself explicitly on sensitive political issues. By and large, the UAE’s foreign policy is more of an external economic and aid policy. Oman, since Sultan Qaboos bin Said assumed power in 1970, has conducted a highly pragmatic and quite independent foreign policy destined to increase security through cooperation. For this reason, and in the light of current efforts to diversify its economy as a result of dwindling oil resources, Oman has lately been reaching out more and more to Arab countries in the Southern Mediterranean. It has consolidated its already good political relations with the area by concluding a number of sector-specific cooperation agreements.

The only GCC state that refrained from criticizing Jordan for its refusal to support Kuwait during the Gulf War in 1990/1991, Oman signed a Social Development pact with Jordan on February 19, 2009. This marked the beginning of cooperation in the fields of research, social studies, social guidance, and the planning of prevention programs, along with social programs on the empowerment of women. Two months later, in April 2009, a similar agreement was signed by the Omani–Tunisian Joint Committee, covering intensified cooperation in the educational and social sectors. Even earlier, a cooperation deal relating to various healthcare sectors was concluded with Morocco.

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50 Kuwait and Syria are currently in the process of intensifying their military cooperation, following a visit by senior Kuwaiti military officials to Syria in the autumn of 2009.

51 See Kuwait Times, June 29, 2008.

52 See Gulf Times, August 17, 2009.

53 In the aftermath of the July War of 2006, the UAE played a key role in the reconstruction of Lebanon, with the implementation of numerous initiatives in the humanitarian, developmental, economic, health, and educational fields.

54 See Arab Reform Initiative, February 20, 2009.

55 See AMEinfo.com, October 29, 2006 and April 26, 2009.
Morocco’s fragile socio-economic situation made it a priority recipient of GCC states’ development aid. It also became the target of Qatari outreach, which in spring 2002 led to the signing of a package of agreements to stimulate bilateral cooperation in health, equipment, culture, education, and information. Since then, political relations have intensified and in early 2009 both sides began discussing the possibility of extending cooperation to the military level with a view to conducting joint army and air force exercises and training.56

These discussions are part of a broader development — triggered by the numerous terror attacks in recent years in the Middle East and by Iran’s ongoing nuclear ambitions — to explore ways and means of boosting security cooperation among GCC states themselves and between them and other Arab countries.57 The meeting of the interior ministers of Kuwait, Qatar, the United Arab Emirates, Morocco, Jordan, and Egypt in the margins of the Arab Interior Ministers’ meeting in March 2009 was another step toward that end and may lead to more harmonized intra- and interregional efforts in the GCC states’ fight against terrorism.58

Interestingly, this issue was not touched upon at all during the visit by Saudi Arabia’s King Abdullah to Damascus in early October 2009.

The King and Syrian President al-Asad issued one communiqué urging joint Arab and Islamic action — “to stop the continuous Israeli aggression on the Palestinians”59 — and another calling for the formation of a government of national unity in Lebanon. The meeting itself, however, mainly discussed regional issues such as the situation in Iraq and Yemen and Iran’s nuclear program. Following a four-year rift between the two countries as a result of the assassination of former Lebanese Prime Minister Rafik Hariri, in which Syria is believed to have been implicated, Abdullah’s state visit was an important step in a series of reciprocal visits by Syrian and Saudi officials, also involving Egypt and Kuwait, as it signals Saudi Arabia’s determination to re-engage with Syria.

Undoubtedly, current efforts of a similar nature by the Obama administration, the prospect of a nuclear Iran, the uncertainties of a withdrawal of U.S. troops from Iraq, and the victory of the right in Israel have left Sunni-dominated Saudi Arabia with almost no choice but to reach out to Syria again. Such efforts are intended to carefully pull the latter out of its alliance with Shi’ite Iran and to mend the potentially emerging Shia–Sunni split, the latest reminders of which were Shi’ite riots and demonstrations in Bahrain and Saudi Arabia in late 2008–early 2009.60

Overall, political relations between Saudi Arabia and the smaller GCC states, on the one hand, and the AMCs and Turkey, on the other, are good and close, though Syria’s support for Hamas and Hezbollah and its political proximity to Iran have

56 See Middle East newsline, January 14, 2009.

57 In purely strategic terms, Iran’s nuclear programme is undoubtedly considered a potential military threat and regarded as an Iranian tool to change the regional balance. Yet most of the elite of the smaller GCC states also seek security from Saudi Arabia and hence — in times of potential domestic turmoil in the biggest GCC state — seek alternative mechanisms to prevent negative spillovers.


59 See Gulf in the Media, October 9, 2009.

60 See also Barry Rubin, The Truth about Syria, Palgrave, New York, 2007.
regularly caused friction among the signatories of the Damascus Declaration.\textsuperscript{61}

All GCC states are committed to the peace process and have been active in that regard in one way or another. Economic rationales have increasingly become an essential pillar of the foreign policies of GCC states in relation to the AMCs, all too often at the expense of deeper political cooperation. That said, the influence of Qatar and, even more so, Saudi Arabia on the AMC regimes’ foreign policy decisions has not been negligible, especially with respect to the Middle East peace process and the developments in Lebanon.

In terms of concrete policy issues, they all share the characteristic — with the exception of Syria — that Iran’s nuclear program and its unclear foreign policy agenda are now regarded as the most pressing security challenges, the prospects of which, however, have not led to any potential joint initiative.

GCC and AMC governing regimes have for years tacitly agreed “to forgo or underutilize their capacity to harm each other’s corporate autonomies or vital [political] interests”\textsuperscript{62} and act in accordance with pre-defined rules. As a consequence, potential efforts to influence one another’s domestic political game are considered contrary to these rules and therefore are not part of their usual tool kits.\textsuperscript{63}

3.2. The economic dimension

The economic engagement of GCC countries in the AMC and Turkey has increased strongly since 2000. As far as FDI activities and trade are concerned, the GCC states have become pivotal players, with FDI being of greater significance than trade.

By and large, both exports and imports to/from the AMC and Turkey have grown considerably in this nine-year period, with Saudi Arabia, the largest GCC economy, Qatar, and the UAE witnessing the highest growth rates in terms of total trade volumes with the nine Southern Mediterranean partners.

Although the GCC countries’ trade with the AMC takes place on a rather low level — their overall exports to the Middle East are below the 10 percent mark and imports slightly above — their total share of Maghreb and Mashreq intra-Arab exports is more than 60 percent.\textsuperscript{64} An average of 75-90 percent of GCC countries’ merchandise exports is made up of oil and gas, with manufactured goods accounting for 9-10 percent or, in the case of the UAE, 20 percent. High-technology goods feature only to a marginal extent in their export baskets, with the

\textsuperscript{61} The Damascus Declaration was signed in 1992 by the six GCC countries, Syria, and Egypt and provides that the latter two commit themselves to support any GCC state if it is threatened militarily. The pact lost its relevance as GCC states increasingly concluded security agreements with the United States and expanded their own military capacities.


UAE once more leading, with approximately 10 percent of manufactured goods.65

As Tables 1 and 2 (pages 28 and 29, respectively) show, total trade in 2000 amounted to more than $5 billion. In 2008, not least as a result of the last oil boom, it reached $38.8 billion, an increase of more than 700 percent in just eight years. Saudi Arabia and the UAE had the lion’s share of this increase, with total trade volumes of $17.7 billion and $14.3 billion respectively. Of these totals, 26 percent (Saudi Arabia) and 65 percent (UAE) resulted from trade with Turkey.

The latter’s growing trade relevance for all GCC countries is a direct consequence of its domestic modernisation process. In 2008, of the nine Southern Mediterranean countries that are the subject of this study, it had become the most important source of imports for all the GCC countries’, except for Kuwait, for which it came second. This stands in stark contrast to Algeria, Morocco, and Tunisia. These countries, due to their close economic focus on EU member states, trail behind Turkey and the Mashreq countries and are thus of minor importance in the GCC states’ trade portfolios.

This situation notwithstanding, GCC states have contributed strongly to the increase in intra-Arab trade in the last two decades and to its tripling between 2000 and 2005. They have benefited from both bilateral free trade agreements and the coming into force of the Greater Arab Free Trade Area in January 2005.66 However, the latter has not yet been fully implemented, with numerous non-tariff barriers and exemption clauses still in place and the rules of origin unclear. Given also the low purchasing power in the Arab Southern Mediterranean, the AMCs’ lack of a comparative edge in important export industries on which the GCC countries depend, and the rise of Asia as the GCC countries’ most important trade partner, the conditions for AMC trade integration with the GCC have remained unfavorable. With a view to remedying this situation, and as part of their efforts to expand and diversify, the GCC countries have recently stepped up their economic diplomacy with the AMCs and Turkey and concluded numerous agreements envisaging the further elimination of trade barriers and deeper economic and financial cooperation.

Kuwait and Turkey, for instance, have recently signed 15 cooperation agreements in areas such as commercial exchanges, energy, the environment, tourism, and health. During Sheikh Al-Thani’s state visit to Turkey in August 2009, a number of agreements on deeper Qatari–Turkish economic integration were signed.67 Saudi Arabia, which has a large Syrian expatriate community, and Syria finally agreed in October 2009 to eliminate Saudi trade barriers on Syrian olive oil and ceramics and concluded agreements on double taxation and tax evasion, the establishment of a joint business forum, and an increase in the capital of the Saudi–Syrian Industrial and Agricultural Investment Company.68

65 See Arab Initiative on Trade, Development and Economic Governance at www.arabinitiative.org.


67 In May 2002 Morocco and Qatar signed a package of agreements to stimulate cooperation in health, equipment, culture, education, and information.

68 See Gulf in the Media, 9 October 2009.
received Turkey’s President Gül in early 2009 to discuss ways and means of intensifying trade and investment.

Oman complemented its recent political activism in North Africa with the conclusion of bilateral agreements on airspace cooperation with Algeria and economic cooperation with Tunisia. In early 2007, it also concluded a cooperation agreement with Egypt in the tourism and joint investment sphere, to be followed by Kuwait, which signed a similar foreign investment cooperation accord with Jordan in January 2009.

With respect to the West Bank and Gaza, all GCC countries have been providing regular development aid over the years. At the international conference for the reconstruction of the Gaza Strip held in early March 2009, they pledged additional financial support, with Saudi Arabia, Qatar, and Kuwait committing themselves to transfers of $1.5 billion.

The AMCs and Turkey’s need for FDI initiated a privatization wave and a process of gradual investment liberalization from which the GCC countries, interested in spending surplus capital outside their narrow markets, have been benefiting enormously. In recent years, all six GCC countries, or rather a small number of private and public holdings in the Gulf, have been investing heavily across the Arab Southern Mediterranean and Turkey.

In 2006, GCC investors overtook European entrepreneurs as the most important sources of FDI and, ever since, have competed with them for the position of most important investors. In 2008 total FDI from the GCC to the entire Southern Mediterranean amounted to more than €10 billion, approximately half the amount they invested in 2007.

This decline in value, however, is not due to a diversion of their FDI flows but is, rather, a direct consequence of the international financial crisis, the credit crunch, and the crisis in the real estate sector in the Gulf itself. While the overall value of GCC countries’ FDI flows to the Southern Mediterranean has decreased temporarily, the number of projects financed by GCC companies has remained almost the same, with 137 projects initiated in 2008 compared with 139 in 2007.

Of all FDI in the region, 11.9 percent was made by the UAE, which, together with Kuwait and Qatar, is responsible for 17.1 percent of all such investment. In 2003-08, with a 9.9 percent share of all FDI in the Southern Mediterranean, the UAE ranked as the second most important source after the United States.

As regards the geographical distribution of GCC countries’ FDI, Table 3 (page 30) shows that they target Turkey and all AMCs of relevance to this study. Oman does not feature in the table, as it began its FDI activities in the Southern Mediterranean.

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72 In 2008 the UAE announced FDI amounting to euro 16.8 billion. However, as not all projects were completed in that year, its FDI was annualised and the total figure for GCC countries’ FDI is thus lower. See Samir Abdelkrim and Pierre Henry, Foreign Direct Investment in the Med Countries in 2008. Facing the Crisis, Anima Investment Network, Study No. 3, 2009; see also Pierre Henry, “Foreign Direct Investment in the Meda Region in 2007: Euro-Med Integration or Euro-Med-Gulf Triangle?,” in IEMed/CIDOB (eds.), op. cit., 2008, pp. 56-168.
ranean only in 2008, financing four projects with a value of over €1 billion. Between 2003 and 2007, GCC countries invested in 459 projects with a total value of slightly more than €58 billion. Sixty percent of all projects are in Egypt, Syria, and Jordan, whereas the three countries of the inner Maghreb only account for approximately 26 percent. In Egypt, Gulf FDI outweighs other sources in terms of both project numbers and amounts, and in Algeria it has seen a consolidation in recent years.

In comparison with European activities, which are evenly spread across sectors, the sectoral profile of GCC investments is rather unbalanced and narrow. As pointed out by Abdelkrim and Henry, from 2003 to 2008 over 50 percent of all FDI by GCC businesses went into the construction and transport sector, 19 percent into the tourism industry, and 10 percent into telecommunications, with the remainder flowing into the banking and real estate markets.

In contrast to investments coming from Europe, the United States, Canada, and Brazil, the energy sector is surprisingly peripheral to GCC businesses’ investment interests. In 2008, of the 137 projects in which GCC businesses invested, only four, financed by Oman, Kuwait, and the UAE, were gas- and oil-related. It is noteworthy too that two-thirds of all Gulf FDI in 2008 was concentrated in the three long-term real estate projects Dounya Parc in Algiers, Porta Moda in Tunis, and the Aqaba port facilities in Jordan.

Whereas the total number of jobs created in the Southern Mediterranean as a result of FDI from 2003 to 2008 is estimated to be around 260,000, precise figures on the impact of Gulf FDI are difficult to obtain, not least due to the long completion period for many projects. However, what is obvious is that capital inflows from the Gulf hardly benefit the many small- and medium-size enterprises (SMEs) in the Southern Mediterranean, as Gulf investors have thus far shown a preference for large-scale projects.

Furthermore, with the focus mainly on transport, construction, tourism, telecommunications, and, nowadays, real estate, sectors with important job creation potential — such as the automotive sector; white goods and consumer electronics; the glass, mineral, and wood industries; textiles; metallurgy and chemicals; and the agricultural sector — have so far largely been ignored by the Gulf bourgeoisie. In other words, although it is of the utmost importance from a quantitative standpoint, the quality and multiplier effects of FDI by GCC countries have been rather questionable.

73 For Syria, FDI from Saudi Arabia is particularly important, as the country does not have many large-scale investors.
76 See MEED, April 2, 2009.
4 OUTLOOK

Both NATO and the EU should find ways to link their initiatives on the Gulf and the Southern Mediterranean and make them more flexible and open.

The EU, NATO, and the GCC countries in the Southern Mediterranean: from coexistence to greater complementarity and cooperation

This study has shown that, while the involvement of NATO, the EU, and the GCC countries in the Southern Mediterranean differs in many respects, the cooperation dynamics established so far contains considerable potential to make their policies vis-à-vis the AMCs more effective and sustainable and, in the case of NATO and the EU, more credible. Almost 16 years into the Barcelona Process and the MD, this potential is a direct consequence of some of the shortcomings and dilemmas outlined above and a function of the GCC countries’ ever-closer interconnectedness with most AMCs and Turkey.

It emerges from this analysis of the web of relationships that NATO, the EU, and the GCC countries have developed with the Southern Mediterranean in the last two decades that neither NATO nor the EU can afford to continue decoupling their policies on the Southern Mediterranean and the GCC countries. Although, perhaps even because, the precise nature of NATO’s role and the impact of its engagement within the MD and the ICI, respectively, are far from clear, decision-makers in the Alliance need to sharpen their awareness that security in North Africa, the Mashreq, and the Persian Gulf is to varying degrees linked.

Some of the security challenges facing the countries of the Southern Mediterranean and the GCC are different. But issues such as the unresolved Israeli–Palestinian conflict, terrorism, militant Islam, the proliferation of WMDs, and the Iranian nuclear program affect the security and stability of all of them and thus cannot be treated by NATO as phenomena that affect only one country or sub-region.

Arab countries have hitherto failed to set up a multilateral mechanism that initiates and fosters a regional security dialogue and possibly cooperation. As a result, the promotion of separate initiatives, such as the MD and the ICI, which address only sub-regions of the Middle East, consolidates this failure rather than helping GCC and Arab Southern Mediterranean countries, and all other states in the region, to overcome their concerns and hesitations.

Critics may point to the unresolved Cyprus conflict and to the fact that Turkey has no institutionalized role in European Security and Defence Policy (ESDP) decision-making, and hence to Turkish and Cypriot objections to such an approximation of policies. These are indeed legitimate concerns, but they do not necessarily contradict or even impede closer coordination and possibly cooperation between NATO and EU policies in the Middle East and North Africa. Such an overdue development would not automatically imply that either the EU or NATO would be granted access to the assets and capabilities, and/or decision-making structures, of the other.

In a way, the same applies to the EU, with its eclectic and diverse network of relations with the countries of the Middle East. Of course, the partial inclusion of the Arab League in the UFM, and thus the partial opening of one of its main policy frameworks to all Arab countries, have hitherto had somewhat detrimental effects on the

79 See also Abdulaziz Sager, op. cit., 2006, p. 21.

multilateral dimension of Euro–Mediterranean relations, with the Arab League repeatedly boycotting UFM activities. A process leading to the EU being able to present a region-wide strategy that would overcome the current compartmentalization of its relations with the countries of the Middle East would certainly not remedy the UFM’s current dilemmas.

But, by reinvigorating and fleshing out the dormant Strategic Partnership with the Mediterranean and the Middle East, the EU would finally possess a tool that could serve as an umbrella of sorts. A tool that would cover each sub-region, as well as all Arab countries, and provide the latter with an institutionalized, though differentiated, framework for multilateral EU–Arab dialogue. Moreover, as in the case of a region-wide NATO framework, such a holistic approach would not only take into account the various multi-faceted political, economic, social, historical, and cultural ties that link the countries of the Middle East. It would also help erode the notions held by some countries that the EU — and NATO for that matter — favors certain partners over others.

In other words, what could be termed the development of a true "oriental policy" both for NATO and the EU would merely be the logical consequence of changing interregional dynamics in the Middle East, an acknowledgement of existing shortcomings and dilemmas in existing NATO and EU frameworks, and a renewed recognition of long-standing Euro–Mediterranean realities.

Abandoning the divisional architecture that characterises both NATO and EU policies toward the region would pave the way for various bilateral and/or multilateral cooperation clusters (inter-, intra-, and sub-regional). In the case of the EU, it would help it move on from the all-inclusive multilateralism that has been so seriously hampering Euro–Mediterranean relations. In such a framework, national and regional specifics would be taken into account, and networks that were not only flexible and open but also vertical and horizontal could be established. This in turn would allow both GCC countries and AMCs to choose their degree of involvement and participation. It would undoubtedly provide the EU and NATO, as well as all partner countries involved, with opportunities to learn about one another’s experiences in the field of sectoral cooperation. And it would enable them to utilize these experiences in their individual dealings in such a configuration is indeed possible. This is due not least to the framework’s variable and flexible characteristics and thus to continuous opportunities to advance EU–Israel relations bilaterally. Although such participation would not be likely to alter Israeli–Arab relations, Israel’s inclusion in such a framework would at least offer the protagonists of the Middle Eastern conflict an additional platform for consultation that could, if at some point deemed appropriate, be utilized temporarily or even permanently.


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80 See Roberto Aliboni, op. cit., 2006, p. 11.
81 Since Israel is already participating in both the UFM and the MD, and in the light of the growing informal links between Israel and the GCC countries, its formal participation...
Despite recent frictions, transatlantic partners should still make use of Turkey’s multi-dimensional nature and use it as a bridge (-builder) and strategic link to the various arenas in the Southern Mediterranean and the Gulf.

with the others and, ideally, lead to regional coordination among the partners themselves.

As regards AMC and GCC countries’ cooperation with NATO, ceasing, in a structured and visionary fashion, to decouple initiatives could enable the Alliance “to help the region define its own security interests.”\(^3\) Then, either within the boundaries of its own region-wide initiative or in creating a new regional security framework, it could help turn these interests into effective policy tools.

This could also generate positive spillover effects in areas such as joint emergency command, interoperability, defense capabilities, and defense congruence, all of which are considered to be problematic in both the Gulf and the Arab Southern Mediterranean. This would certainly have a strong impact on NATO’s image in the Middle East and North Africa and would help the Alliance show that it is more than just the extended arm of the United States.

In such a context, it is imperative to hammer out as quickly as possible a commonly acceptable solution to Turkey’s involvement in the ESDP and make use of its multi-dimensional nature as a member of NATO, an EU candidate country, and an increasingly important actor in the Middle East.

Since the AKP took power in late 2002, Turkey has managed to reduce tensions with a number of countries in the region and is nowadays one of the few NATO members — perhaps even the only one — to enjoy good relations with Egypt, Iran, Saudi Arabia, Syria, and Hamas. Turkey’s establishment of solid communication channels and close ties with the Gulf and Southern Mediterranean countries alike allows NATO — and eventually the EU, once Turkey is a member — to still utilize the country as a bridge(-builder) and strategic link to the various theatres in the region.\(^4\)

In contrast, the restructuring of the EU’s relations with the AMCs and the GCC countries, and with all other regional actors, need not have any limits, but could literally incorporate all policy areas of mutual interest where the EU has capabilities. The GCC countries and AMCs are bound by ever closer economic links, while one of the UFM’s explicit objectives is to contribute to the improvement of socio-economic conditions in the AMC. In this light, the adoption of a region-wide strategy could facilitate the creation of a broad EU–GCC–AMC relationship.

This would allow EU member states, GCC countries, and AMCs to identify the economic, social, and labor-market related needs and weaknesses of each AMC on a case-by-case basis. It would enable European and Gulf economic activities to be adjusted to these shortcomings and needs and thus increase their complementarity. In a best-case scenario this interregional growth and stability pact would benefit both recipients and sources of European and Gulf FDI in the following ways:

a) in anticipation of earmarked FDI, local investment conditions would be upgraded, leading to a modern and professional market environment and simultaneously decreasing investor risk;

b) sectors could be jointly identified that need local economic development and correspond to

\(^3\) See Abdulaziz Sager, *op. cit.*, 2006, p. 21.

European and Gulf business interests, possibly resulting in joint investment pacts; and

c) sectors could be identified where local expertise and know-how are well developed and the level of comparative competitive advantage is high, thus attracting new or additional outsourcing capacities from Europe and the Gulf.

Eventually, this would decrease the risk of the UFM’s project priorities, especially in sectors such as transport, infrastructure, and solar energy, being implemented — if they ever are — in a macro-economic vacuum. It would also help overcome the widespread and increasingly unjustified notion that GCC countries possess substantial financial means but hardly any relevant expertise.

Such a scenario would naturally need to be complemented by trade integration, benefiting from the overall complementary nature of European, Southern Mediterranean, and Gulf merchandise, as well as existing free trade arrangements and, ideally, the much overdue conclusion of the EU–GCC FTA. Moreover, EU–GCC–AMC cooperation could be envisaged in vital areas such as desertification and desalination: two areas where AMCs and GCC countries undeniably share similar concerns. The capital resources of the latter, in conjunction with European expertise and, as regards desalination, the presence of the Middle East Desalination Research Center (MEDRC) in Oman, could offer sustainable win-win solutions for all parties involved and generate further spillovers into other areas. 86

Such spillovers could eventually lead the EU and NATO to converge at least parts of their different security approaches and jointly tackle the political and economic causes of terrorism in the AMCs and the GCC countries. They could thus capitalize on their concerted achievements and the similar needs of their partners in the Southern Mediterranean and the Gulf. 87

A network of transatlantic and regional institutes for political and security studies, originating in NATO and EU member states, AMCs, and GCC countries alike, should be set up. This would prevent the parties concerned from falling into the trap of setting all issues in a security framework and set in motion a real two-track diplomacy that addresses not just security and defense matters but also democracy, good governance, human rights, and political reform in less sensitive (i.e., nongovernmental) forums.

Institutes from Europe and the Southern Mediterranean have already accumulated expertise in this regard from their participation in EU-financed networks and would thus be able to “socialize” their counterparts in the Gulf, the United States, and Canada. Such a network could develop into a highly useful confidence- and

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88 See, on this point, Carlo Masala and Peter Faber, The Istanbul Cooperation Initiative: Possible Next Steps Ahead, NATO Research Paper, No. 21, 2005, pp. 5-7.
eventually partnership-building tool, provided it was based on transparency, joint ownership, and truly professional management structures. It should also be accompanied by strict and collectively accepted rules and controlled by politically neutral rule-enforcing oversight mechanisms.

It is obvious that engagement in these suggested areas, potentially leading to greater complementarity in the actors’ involvement in the Southern Mediterranean, and possibly the entire Middle East, are a function of the political will and support of all the governments involved.

The *de facto* absence of a transatlantic agreement on the parameters and boundaries of what a common strategy toward the AMCs, the GCC countries, and the rest of the Middle East are or should be is thus a non-negligible impediment that needs to be overcome. This is especially true if the strategic dimensions of the cooperation areas, as outlined above, are to stand a chance of ever seeing the light of day. To a lesser extent, this applies also to the participation of Saudi Arabia — the regional heavyweight that has not yet even joined the ICI but without which the very goal of interregional cooperation frameworks, as proposed here, would be undermined. Nonetheless, even without a transatlantic deal, or with ongoing Saudi reluctance, some of the areas outlined above are ready for immediate joint action involving either the EU, NATO, or both.
Table 1: GCC States’ exports to AMCs and Turkey (in millions USD)

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No exports to West Bank/Gaza

Source: IMF DOTS database
Table 2: GCC states’ imports from AMCs and Turkey (in millions USD)

<table>
<thead>
<tr>
<th></th>
<th>Bahrain</th>
<th>Oman</th>
<th>Qatar</th>
<th>Kuwait</th>
<th>UAE</th>
<th>Saudi Arabia</th>
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</table>

No imports from West Bank/Gaza

Source: IMF DOTS database
Table 3: Number of FDI Projects and Flows by Country of Origin and Destination, 2003-07

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<th>Saudi Arabia</th>
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<td>No. projects</td>
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Source: Pierre Henry, op. cit., 2008, p. 60. n.i. = not identifiable