

Don't forget the Gulf

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»» The recent upheavals in the Middle East and North Africa (MENA) highlight the futility and anachronism inherent in the European Union's (EU) highly fragmented foreign policy towards the region. The uprisings evidence how Europe's divide of the Mediterranean versus the rest is self-serving and overlooks strong political and economic relations between Maghreb, Mashreq and Gulf countries, as well as the bonds of 'Arabism' that play into these relations. Events in Bahrain and Yemen demonstrate the pan-Arab reach of the initial Tunisian spark. Energy and security issues also suggest the appropriateness of considering an enlarged Mediterranean region which encompasses North Africa, the Middle East and the Arabian Peninsula.

Tellingly, neither of the EU policy documents put forth since the revolts, 'A partnership for Democracy and Shared Prosperity with the Southern Mediterranean' and 'A new response to a changing Neighbourhood', makes any reference to the Gulf states. The fragmentation of policy is counterproductive not only because it fails to leverage cooperation potential with the Gulf on Mediterranean issues but also because it encourages the perception of the Gulf as an exception and thus denies support to reform efforts in this region. While full democratisation is unlikely in the Arabian Peninsula, deepening the links between the Gulf and North Africa could serve as an indirect approach towards reform by exposing the Gulf to the more liberal trends that are permeating North Africa. The hub-and-spoke Euro-Med paradigm should have long given way to an emphasis on broader regional integration. EU partnerships should be open to the wider Middle East.

HIGHLIGHTS

- EU policy towards the Middle East and North Africa is overly fragmented and contradicts the political and economic logic of the region.
- Excluding the Gulf from a highly structured Euro-Med paradigm squanders cooperation potential and feeds its sense of exceptionalism.
- Encouraging regional links between Mediterranean and Gulf states could help expose the latter to the more liberal trends spreading through the region.

»»»»» **ANACHRONISTIC EU POLICY**

Since the mid-1990s EU policy towards Maghreb and Mashreq countries has been characterised by highly institutionalised initiatives (the Euro-Mediterranean Partnership, the European Neighbourhood Policy and the Union for the Mediterranean) with negligible linkage to policy in the rest of the Middle East. Such an over-structured Euro-Mediterranean framework limits EU actions to its immediate neighbourhood and excludes potentially inter-linked adjoining regions such as the Arabian Peninsula. Relations with the Gulf Cooperation Council (GCC) and its member states remain low key and strikingly disconnected from Mediterranean policy. But splitting up the Mediterranean and the rest of the Middle East for the EU's bureaucratic convenience belies the political and economic logic of the region. The EU should instead work towards a common overarching MENA strategy. EU cooperation agreements should not be exclusive to Mediterranean countries but rather extended to other non-Mediterranean Arab countries. A broader, looser framework could serve as an incubator for the emergence of cooperation clusters of variable geometries (bilateral, multilateral, regional, etc.) around shared issues.

Within the last decade the EU has come to recognise the importance of the Gulf and the shortcomings of its policy towards the region. Yet it has failed to do anything to address the issue. The 2004 report on an EU Strategic Partnership with the Mediterranean and the Middle East declared the EU's intention to develop a policy towards the 'east of Jordan', coherent with its Mediterranean policy, but that initiative never prospered. In June 2010 the EU-GCC Joint Ministerial Council adopted the Joint Action Programme (JAP) in an effort to 'reinforce cooperation in a number of key strategic areas of mutual interest.' It focused on the development of relations in 14 specific areas. Several of the issues highlighted for cooperation overlap with the priorities identified by the revised Neighbourhood Policy adopted in May 2011. Most notably, 'economic, financial and monetary cooperation' could be deployed to support 'sustainable econo-

mic and social development' in the Mediterranean. The development of small and medium enterprises and trade cooperation are also objectives common to both documents. Likewise energy, transport, climate change, education and security are shared concerns. Most recently, the European Parliament has been especially vocal regarding the strategic importance of the Gulf region and the need for an EU policy towards the GCC. The Committee on Foreign Affairs of the European Parliament released a report in March 2011 acknowledging the importance of the GCC. It flagged the key roles its member states play in the global arena and pointed to the need for the EU to develop a strategy for the region aimed at strengthening its ties with the GCC, supporting the regional integration process, and encouraging bilateral relations with GCC member states. While a greater focus on a strategically important yet neglected geographical region is certainly welcome it still fails to address the 'de-linkage' between Middle East policies.

EU member states have also latched on to the centrality of the Gulf states. The region has increasingly become an arena for competition among, most notably, Germany, France, the UK and Spain. President Sarkozy has been a frequent visitor and Prime Ministers Cameron and Zapatero both travelled to the region this year in the pursuit of trade and investment opportunities. After years of being shunned by Europe the Gulf Sovereign Wealth Funds are now being actively courted. The large development plans funded by ample reserves from energy revenues are also an important field for competition among Europeans. But given the weak presence and leverage of the EU in the Gulf region, such member state competition together with their reluctance to upload bilateral policies to the EU level only serves to further hamper the emergence of a coherent strategy.

THE BONDS THAT TIE

The pan-Arab reach of the uprisings has caused fear in the Gulf regimes. Protests in the Gulf countries themselves, except in the cases of Bahrain and Yemen where there are long-held

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grievances, have been subdued and quickly addressed by a combination of carrots and sticks. Financial outlays, or payoffs as they have been deemed by some, have been lavish, most notably in Saudi Arabia where they have come close to \$130 billion. In addition, security services have been at hand to pre-empt any potential 'day of rage' and to beat down protesters if necessary, as in the case of Bahrain. Political arrests have been common,

most notably in the UAE and Saudi Arabia, media laws have been tightened and protests outlawed. The EU has looked the other way as these events have played out. While the EU's standard defence that it lacks any leverage to encourage political reform in these countries is true, in many instances it is simply turning a blind eye to human

rights violations. The EU should realise that bringing the Gulf States into its partnerships and frameworks of cooperation with the Mediterranean offers an opportunity to indirectly help reform dynamics in these more reactionary cases.

Moreover, the Gulf states are significant players in the Mediterranean both economically and in terms of regional politics, rendering the European parcelling of the region incongruous. GCC countries have close political ties with the Arab countries in the Maghreb and Mashreq and they provide many of them with financial assistance. While the GCC states have clearly been bracing themselves against any revolutionary spirit spreading to their countries, they are above all pragmatists. So while they will forcefully shut down protests that are too close to home, such as in the case of Bahrain, they have backed the rebels in Libya and, in the process, lent legitimacy to the European intervention. They have sought to

bolster their position by inviting Jordan and Morocco to become members of their authoritarian club, yet were the first Arab states to strongly condemn the regime in Syria. Despite their initial distaste for the uprisings and their shock at witnessing how quickly the US dropped Mubarak, an erstwhile ally, Gulf states have since pledged substantial amounts in aid to Egypt and Tunisia.

Saudi Arabia and Qatar especially have increased their regional assertiveness and diplomatic profile in the past few years. Saudi Arabia is one of the most important regional actors, a member of the G20 and host to the secretariat of the Organisation of the Islamic Conference, and it plays an important role within the Islamic Umma. Qatar has stepped up the ante, using its economic power to enhance its international profile and in the process mediating or intervening in several regional crises – Sudan, Palestine, Somalia, Lebanon, Libya, Yemen. Oman has been reaching out to Mediterranean countries, bolstering its political relations through a number of sector-specific cooperation agreements in education, research and healthcare. Other states such as the UAE may focus more on external economic and aid policy than foreign policy per se. In general, however, many of the Gulf states' goals and foreign policy initiatives tend to be aligned with those of the EU, be it in Palestine, Lebanon, Iran, Iraq or Yemen. Furthermore, the EU and GCC have shared security concerns such as energy security, terrorism, militant Islam or the proliferation of WMDs, which should be addressed at the regional level. The increased self-confidence of these states should be leveraged by the EU. In a sense Europeans did just that as they garnered Gulf support to lend legitimacy to their intervention in Libya. Their penchant for conflict mediation, which follows from a preference for conservative and non-confrontational foreign policies, based on the principle of non-interference, could prove valuable in regional conflicts.

GCC countries' economic ties with the Mediterranean countries have also increased in the last decade. Europe and the Gulf now dominate foreign investment flows in the Mediterranean, accounting for two-thirds of the FDI inflows

»»»» registered over 2003-2009. Gulf investments in the region grew considerably after the last oil boom. Over the last decade they have invested more than €110 billion in the rest of the MENA. The increase in investment has been led by the UAE and focused predominantly on the Mashreq. Average Gulf investments are much larger than European ones (\$268 versus \$70 million) and are concentrated in the transport, tourism, telecommunications and real estate sectors. The recent global financial crisis may have slowed down this dynamic but it has not changed its direction. While capital inflows from the Gulf hardly benefit the small- and medium-size enterprises (SMEs) which the EU is said to want to support, the large-scale projects do complement the EU's approach and contribute to the overall development and modernisation of the countries of the Mediterranean.

Trade between the Mediterranean and the Gulf has also grown over the last decade with Saudi Arabia, Qatar and the UAE witnessing the highest growth rates in terms of total trade volumes with the Mediterranean states. Although trade levels remain quite low – Gulf overall exports to the Middle East are below 10 per cent and imports slightly above – their total share of Maghreb and Mashreq intra-Arab exports is more than 60 per cent. GCC states have contributed strongly to the increase in intra-Arab trade through bilateral agreements and the coming into force of the Greater Arab Free Trade Area in January 2005, though the latter has not yet been fully implemented. The Gulf states have recently stepped up their economic diplomacy with the Mediterranean, concluding numerous agreements and working towards the elimination of trade barriers and deeper economic and financial cooperation. Such overtures could benefit from EU support given that regional trade integration is a standard EU priority.

AN ENLARGED ENERGY AND TRANSPORT HUB

Transport and energy considerations also call for an enlarged Mediterranean. Close to 80 per cent of world sea transport moves from Asia through the

Mediterranean to the Atlantic coasts of Europe and North America. The Gulf and Mediterranean states should jointly address the evolving pattern of world transport and the Red Sea-Mediterranean Sea corridor's role.

The Gulf has huge oil reserves, with the six GCC countries containing about 40 per cent of all global reserves. Europe imports most of its oil from Russia, Central Asia and North Africa while Gulf oil is directed primarily towards Asia and North America. Nonetheless, the global nature of the oil market ensures that the EU will be reliant on GCC oil production and exports, if only for the proper functioning of the global oil market, and because the Gulf producers are marginal suppliers of world oil. In addition, the transitions in the Arab world have an impact on the geopolitical balance of energy with the Mediterranean playing an increasingly important role in global energy flows. Trade in crude oil and refined products between the GCC and the EU will continue to be of decisive importance to the volume and direction of oil flows to and through the Mediterranean, including oil flows beyond Europe (especially to North America). The EU has already expressed a desire to reduce dependence on tanker transport of oil across the Mediterranean, and instead encourage a greater use of pipelines.

Likewise the GCC holds huge proven natural gas reserves, around 23 per cent of the world's total. The EU's desire to diversify from an excessive dependence on Russia could be partially addressed by Gulf exporters of liquefied natural gas (LNG). Egypt and the Suez Canal will play a central role as a point of transit for Gulf LNG carriers to Europe. Prospective pipelines linking the Gulf to Europe could also strengthen their gas supply ties. These could be either direct or use connections with the various existing and planned gas pipelines around the Mediterranean, such as the AGP and Nabucco. The EU Commission has already signalled its desire to encourage gas trade with new suppliers, including the Gulf countries, stating that the EU has a common interest in continuing and deepening the development of strategic relations with external suppliers and transit countries in

order to mitigate both political and technical risks associated with future supplies and to ensure that multiple import pipelines exist to supply Europe.

Power generation, transmission and interconnection, including electricity generation, opens an additional door for cooperation. The Gulf States are exploring new means of power generation, including coal and nuclear energy, which will allow them to assign their oil for export and their natural gas for petrochemical feedstock use. Aside from the opportunities for European investment, power interconnections are envisaged beyond the Gulf, with other MENA countries, and could lead to the establishment of a continuum of interconnection from the Gulf to Europe through the Mediterranean electricity ring.

Collaboration could also be envisaged in desertification and desalination, two areas where the Mediterranean and GCC countries share similar concerns, and in terms of renewable energy sources, especially solar and wind energy. The prospects for technological, industrial and policy cooperation with the EU in this field are considerable. GCC producers could also collaborate with the EU to develop Carbon Capture and Storage-related actions.

CONCLUSION

While Europe focuses all its attention on its immediate neighbourhood, the Gulf is broadening its foreign and security perspectives and looking increasingly towards Asia. This does not however diminish the shared development potential of the Mediterranean and the overlapping security and energy considerations. Calls for a triangular relationship that combines European know-how and technology with the human and natural resources of the Mediterranean countries and the energy and financial resources of the GCC states are widespread. But limiting the role of the Gulf to that of financial backer misses the point. Strategic cooperation between the EU and the Gulf has a much wider potential. The EU has been stuck in a restricted and ideological Mediterranean policy

which short-changes both the Mediterranean and Gulf states. While the Mediterranean states could benefit from greater cooperation between the EU and the Gulf, Gulf states should not be marginalised and treated as the exception either. Greater engagement with the Gulf would counter rather than encourage the closing of ranks in the Gulf states in terms of political reform. Acknowledging the importance of the Gulf by opening up partnerships to the Gulf states could even eventually prove an entry point for European support of civil society in these countries.

The recent upheavals and the process of revising strategies towards the region open up the possibility of addressing policy shortcomings, although so far revised policies seem to be more of the same under a different label. Specific areas for cooperation range from the economic, where the Gulf can back up the growing European focus on investment and entrepreneurship in the Mediterranean, to the political, where the pragmatic nature of the authoritarian Gulf states has seen them support some of the reform movements. But cooperation can flow both ways. The long-term diversification efforts of the Gulf states will require massive spending on infrastructure, technological transfer, management and marketing innovations, education overhauls, human resources and economic deregulation, offering opportunities for both Europe and the Mediterranean. This is why the EU should abandon its hub-and-spoke Euro-Med paradigm and work towards broader regional integration which would see cooperation clusters form around diverse issues of common concern.

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