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# The UK in the Middle East: commercial diplomacy to what end?

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»» The 'Arab Spring' has been the British coalition government's first major foreign policy test. Challenges and expectations on both shores are enormous. How can it support processes of political transition in line with core values whilst facing economic austerity at home? Blinkered by a decade of involvement in Iraq and Afghanistan, overly Gulf-centred and heavily bilateral, British foreign policy in the Middle East and North Africa (MENA) is in a process of reappraisal. This reappraisal must lead to a consistent narrative of support for political and economic reform in line with EU policy approaches.

On the one hand, the UK's response to the Arab Spring so far has been less ambivalent than other member states. Britain has led in demanding economic sanctions, freezing assets, and implementing NATO-coordinated operations in Libya. Soft power initiatives such as the 'Arab Partnership' are laudable approaches, though funding levels, and hence impact potential, remain limited. In order to maximise impact in a region vital to its energy, export and security interests, the UK should seek to feed its experience of decades of bilateral relations with the Gulf countries into the revision of broader EU policies that aim to support political transitions.

On the other hand, the UK is subject to increasing scrutiny for its role in selling weapons to repressive regimes. Faced with an image problem, the UK is seeking to portray its lucrative trade relations with the Gulf as part of Prime Minister David Cameron's 'commercial diplomacy' approach to foreign policy. The government argues that Britain's national security interests are best served through commercial cooperation with strategic political partners. In trying to find the right tone for British foreign policy

## HIGHLIGHTS

- British policy in the MENA to date has been Gulf-centred, overly bilateral, and blinkered by involvement in Iraq and Afghanistan.
- The Arab Spring presents a chance to reconcile the conflict of interests between commercial diplomacy and support for democracy.
- Bilateral relations to avoid strategic shrinkage must harness the collective weight of EU member states to push for reform.

»»»»» as popular uprisings spread across the MENA, Cameron has oscillated from realism to idealism, a balancing act mirroring the Conservative-Liberal Democrat coalition he leads. The result, 'muscular liberalism', is a foreign policy more pragmatic than that of the Blair-Brown years, but not entirely distinct. Cultivating bilateral relations in the 'networked world' is essential to avoid what Foreign Secretary William Hague terms 'strategic shrinkage'. Yet economic austerity at home, political sidelining at the EU level, and new players vying for influence in the MENA risk widening the discord between Britain's determination and ability to do so.

### **IS BILATERALISM BETTER SUITED TO SUPPORTING ARAB REFORM?**

Nobody expected the Foreign and Commonwealth Office (FCO) to foresee the 2011 uprisings in the Arab World. However, Parliamentary inquiries into the matter since have shown an FCO unable to see beyond the status quo, mired in ideological fixations, and with limited sources of information. According to a former FCO minister, 'the world of Whitehall was fairly blind to the imminence of change', unwilling to consider the activities of intellectuals, journalists and youths as indicators of shifting popular moods. Whilst the FCO claims to have adjusted its approach to reflect lessons so far, initiatives do not match the scale of changes across the MENA. The government's flagship policy instrument, the Arab Partnership (AP), announced in February 2011, is a good example of soft power projection in a region sensitive to foreign meddling. However, this joint FCO-DFID initiative's limited budget (£110 million [€132 million] over four years) prevents it from becoming a game-changer. Instead, the 50 projects approved to date are modest, bilateral initiatives which complement multilateral initiatives launched by the EU such as the Arab SPRING programme, the Civil Society Fund and the European Endowment for Democracy. In contrast to the EU opening a new office in Benghazi, DFID's closure of regional offices reflects the cuts in foreign aid made by the Coalition. Across the 22 Arab states, the UK's development agency now only keeps offices in Iraq,

Yemen, Sudan and the Occupied Palestinian Territories (OPTs).

The UK has increased aid to Tunisia and Egypt, unfrozen assets belonging to ousted dictators, and deepened bilateral relations with long-term trading partners. Such laudable measures, however, do not equate to a reorientation of policy priorities. Indeed, clampdowns from autocratic monarchies in Qatar, Saudi Arabia, Oman and Bahrain were met with little more than verbal reprimands. Even conceding that foreign policy is hardly ever disinterested, Cameron should be cautious of this double-tiered approach. British diplomacy in the Gulf continues to prioritise relations with the ruling families, commercial elites and large state-owned enterprises. In contrast to Tunisia or Egypt, in the Gulf the British government has not explicitly called for the release of those arrested during peaceful political activities, and is reticent to support reformists within governments. In a speech before the Kuwaiti Parliament, Cameron acknowledged that the UK had previously got the balance between values and interests wrong. However, representatives from the UK's business sector claim that 'moral interests are part of our material interests'. Reconciling the two approaches presents a chance to realign British foreign policy in light of the Arab Spring.

There is a misconception in the FCO that British efforts to help processes of democratic transition across the MENA will be slowed by pursuing European-administered avenues of cooperation. Eurosceptically, Hague cautions against 'outsourcing' British foreign policy to the European External Action Service (EEAS). The same aversion to so-called 'competence creep' by EEAS officials is evident in the reluctance expressed by the UK towards Bernardino Leon's appointment as EU Special Envoy for the Southern Mediterranean – not so much to the man himself, as to his mandate covering the Gulf. Within the EEAS, the UK is seen as unhelpful at times, obstructive at others.

In spite of all contradictions, British and EU support to MENA uprisings share a number of common features. Both claim to promote a demand-led, inclusive approach, and caution against one-size-

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fits-all solutions. Both have expressed a certain degree of mea culpa in support for authoritarian regimes, and now push for more effective conditionality. For common aims to be achieved, it is vital that they are pursued through multilateral policy frameworks, such as the revised European Neighbourhood Policy (ENP), rather than remaining at the level of bilateral initiatives alone. Similarly, member states pursuing bilateral policies risk harming EU policy coherence. In Libya, some EU member states resented the Anglo-French

'takeover' of defence policy. Others however recognised that these were the only two member states with the military capacity to lead NATO operations. Indeed, the unprecedented defence pact signed between Cameron and Sarkozy in November 2010 shows that neither intends to see this

power watered down by EU institutions. Both countries were rewarded for their efforts in Libya with privileged access to oil contracts for Shell, BP, Eni and Total.

Labour's shadow defence secretary Jim Murray stated at the outset of the Arab Spring that the experiences of Iraq and Afghanistan risked inducing 'a state of ambivalence' in British foreign policy. He warns that despite sustained beliefs in its core values, the UK is no longer as willing to stand up for them abroad. The criteria outlined for intervention in Libya ('demonstrable need', 'regional support' and 'a clear legal base') show an attempt to learn from Blair's errors in Iraq and engage in what Deputy PM Nick Clegg terms 'law-abiding liberal interventionism'. Although involvement in Iraq augurs caution, the Arab Spring demands action.

It remains to be seen which direction Anglo-French leadership will take regarding Syria. The

UK has to date been a driving force in pushing for sanctions against the Syrian regime. Yet compared to France which is calling for setting up humanitarian corridors, the UK is anxious to keep its footprint light, announcing £2 million [€2.4million] in humanitarian assistance to those suffering from the regime's brutal repression. At the time of writing, both states had just announced the closure of their embassies in Damascus. Given the apparent staying power of the Syrian regime, cutting off any remaining diplomatic alternatives is a risky trajectory. Hague stated in February 2012 that the UK would play 'a very active role' in the so-called Friends of Syria Group. Will the messy legacy of British involvement in Iraq and Afghanistan dampen Cameron's newfound post-Libya support for pragmatic interventionism?

### SUPPORTING ARAB REFORM IN TIMES OF AUSTERITY

From the start of his tenure, Cameron has explicitly sought to place commercial diplomacy at the heart of British foreign policy. Facing economic austerity at home, the Coalition's stated goals are reinvigorating Britain's bilateral relationships abroad and giving international engagement a commercial focus. Closer engagement with China, a strengthened relationship with India, and renewed ties with South-East Asia and the Gulf are all elements of a gradual move away from the Atlanticist vision that characterised the Blair-Brown years. FCO regional officers have seen their mandates expand to include a new hard sell of Britain and its products. This mercantilist approach has earned criticisms of excessive bilateralism, strategic incoherence and hypocrisy.

Shadow foreign secretary Douglas Alexander has accused Cameron of confusing foreign policy with trade policy. This is especially the case in the Gulf, a hub of lucrative trade relations which is home to a significant offshore banking industry with close connections to the City, and whose governments are major buyers of British arms. UK defence exports are worth £7.2bn [€8.7bn] a year, half of which are sold to the Middle East. Claims by the

»»»» PM and the Defence Secretary that small Gulf States cannot produce all their own means of defence are a weak riposte to such criticism. Messages of reform to dictators sit uncomfortably alongside sales pitches. Cameron's ill-timed trip to the Gulf in early 2011, just as popular uprisings were spreading, was unconvincingly disguised as a democracy tour. In his January 2011 speech to Kuwait's National Assembly, marking half a century of independence from the UK, he declared that 'we stand today with the people and governments who are on the side of justice, the rule of law and freedom'. It remained unclear, however, whether the 'we' referred to Britain or to the delegation of 36 business leaders, defence contractors and arms exporters accompanying him.

Cameron's visit to Saudi Arabia at the start of this year also sits oddly with declarations of support for democracy. He discussed Iran and Syria with an authoritarian regime which has been involved in crushing protests in not only its own – oil-rich and Shia-dominant – eastern provinces, but also in neighbouring Bahrain (using British-made armoured vehicles to do so). The benefits of a solid relationship with Saudi Arabia for the UK are clear: trade with the Kingdom is worth £15bn [€18bn] a year and Saudi has a hefty £62bn [€75bn] invested in the UK economy. Yet Amnesty International campaigners have accused the British government of treating human rights as 'a tick in the box', rather than raising specific concerns such as the right to peaceful public assembly, which remains illegal.

Since the Arab Spring, public pressure and critical Parliamentary reports have forced the British government to re-examine some of its contracts selling arms to repressive regimes. In April 2011, the Committee on Arms Export Controls concluded that 'both the present government and its predecessor misjudged the risk that arms approved for export to certain authoritarian countries in the MENA might be used for internal repression'. The government has revoked 44 arms export licenses for Bahrain and eight licences for Libya. Nonetheless, British companies including BAE Systems, Chemring, Primetake, BCB Inter-

national, Thales UK, Toye, and Kenning&Spencer continue to export arms to countries with proven human rights abuses against civilian protesters. Whilst categorically cancelling defence contracts is unreasonable given the economic climate, the UK must push for tighter adherence to existing arms export guidelines, and a revision of the government licensing system managed by Strategic Export Controls. Current codes state that licences will only be granted if the importer country can meet certain conditions including respect of human rights and fundamental freedoms and the preservation of regional peace, security and stability.

Despite this and in the face of increased scrutiny from MPs and civil society groups such as the Campaign Against Arms Trade (CAAT), arms fairs were business as usual in 2011. The UK resisted calls to withdraw from IDEX 2011 in Abu Dhabi, the Middle East's biggest arms fair. The London arms fair (officially the DSEi – Defence and Security Equipment International) receives major support from the UK government, namely through a unit of UK Trade and Investment (UKTI), part of Vince Cable's Department for Business. Critics claim that UKTI DSO (Defence and Security Organisation) exists to promote British arms sales and lambast Cable as a 'pimp to the arms trade'. Ironically, prior to his appointment to government, Cable was himself a critic of Britain's support for arms exports. The UK-based CAAT expresses its disgust at the current Coalition: 'The Arab Spring was an inconvenience but now it is back to business as usual. While the government professes to welcome new democratic movements, they continue to licence weapons sales to the same governments that brutally suppress them.'

While the arms trade attracts much attention as a particularly controversial chapter of commercial diplomacy in the MENA, associating the latter exclusively with arms deals would not do justice to the full scope of Britain's trading relationships. As the largest foreign investor in Egypt, and an important trade partner for Libya and Tunisia, it has vested interests in successful political transitions. Commitments across MENA states in

energy, education, healthcare, pharmaceuticals and construction amongst other sectors should help provide leverage in assisting such processes of transition. As other powers worldwide wake up to the trade and investment potential of the Gulf states, it is time that Britain cashes in on years of engagement with its partners in that region. As Britain struggles to keep up with the Arab Spring, and the Gulf monarchies struggle to keep it at bay, neither can afford to downgrade their strategic relationship.

### NEXT STEPS FOR BRITAIN AND THE EU

The ongoing events across the MENA require a radical reappraisal of UK policy towards the region. How to reconcile Cameron's vision of 'a future that is rich in prosperity, strong in defence, and open in its handling and pursuit of political and economic reform' with economic austerity at home, political sidelining at a European level, and decreasing influence at a global level, will be a tough challenge. Britain's role as one of Europe's traditional leaders may well have been irreparably damaged as a result of its position as bystander to Europe's sovereign debt crisis. It remains to be seen to what extent the UK's fiscal sidelining will contribute to an overall neglect of British interests and priorities within the EU.

A recent meeting between Cameron and Sarkozy suggests that despite their spats over the euro, France and the United Kingdom do not intend to lessen their geopolitical relationship. Similarly, pursuing policy alongside its European partners should not be seen as an inhibiting factor, or an encroachment onto traditionally British-centred Gulf interests. According to the Minister for Europe David Lidington, Iran is a key example of how the UK can harness the collective weight of EU members to promote its own prosperity and security. Solidarity amongst EU states in supporting further sanctions on Iran has enabled the UK to reaffirm its 'twin track approach of pressure and engagement'. Similarly, just as Hague has declared that the EEAS should draw on the expertise of the Foreign Office, so must the FCO be prepared to

overlook a certain degree of 'competence creep' for the benefit of drawing on the perhaps more nuanced thinking of EEAS officials.

As Cameron recognised in his Kuwait speech, Britain needs to be 'optimistic about the possibilities and honest about the challenges it is facing in the Middle East'. Indeed, it is in the Gulf that Britain must seek to lead by example. The Arab Spring has reinforced the moral imperative for long-standing partners of Gulf States to push for economic, social and political reform. Pay-outs by autocratic monarchies will not solve systemic corruption, nepotism and limited political participation. Complicity by Britain with its Gulf allies in deferring such reforms will only further stoke the next time-bomb, suggesting Britain has learned nothing from the 2011 uprisings.

Reconciling the conflict of interest between commercial diplomacy and support for democracy is the crux of British involvement in the Middle East. Touring the region with trade delegations and arms manufacturers risks cancelling out the positive impact of soft power initiatives. The UK should also promote technical assistance for SMEs that operate in the grey economy, support for start-ups, and entrepreneurial exchanges. Whilst to date the US has been heavily involved in election support in processes of political transition, the UK should seek to build on its involvement in the justice sector. For instance, challenging the use of military courts, and encouraging states to ratify the Convention Against Torture, would show tangible commitment to the UK's core values. Cooperation with European and regional counterparts is the most effective way for the reconciliation of values and interests in British foreign policy, and for a financially hamstrung UK to support processes of political transition. Whilst the Coalition cannot be expected to pursue a disinterested foreign policy, neither should the term 'commercial diplomacy' become a mere euphemism for a zero sum vision.

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